

**TAYLOR INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2011**



TAYLOR INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2011
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CERTIFICATE OF BOARD

<u>Taylor Independent School District</u>	<u>Travis</u>	<u>246911</u>
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ___ approved ___ disapproved for the fiscal year ended August 31, 2011 at a meeting of the Board of Trustees of such school district on the ___ day of _____, 2012.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

FINANCIAL SECTION



MAXWELL LOCKE & RITTER LLP

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Taylor Independent School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2011, the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 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 on 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual fund statements and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 combining and individual fund statements, other schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

maxwell socha + pitter LLP

January 6, 2012

TAYLOR INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent period by \$16.0 million. Of this amount, \$3.2 million (unrestricted net assets) may be used to meet the District's ongoing obligations
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$12.4 million. Approximately 51 percent of this amount, \$6.3 million, is available for spending at the government's discretion (unassigned fund balance). Fund balance of \$4.1 million, about 33 percent, is restricted for current and future capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. 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 and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to Basic Financial Statements. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection, food service, grant expenditures, and indirect cost calculation is also presented.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the District's financial position. For the year ending August 31, 2011, net assets were \$15,966,429, a decrease of \$961,034 as compared to net assets for the year ending August 31, 2010.

Net assets for the year ended August 31, 2011 as compared to the year ended August 31, 2010 can be presented as follows:

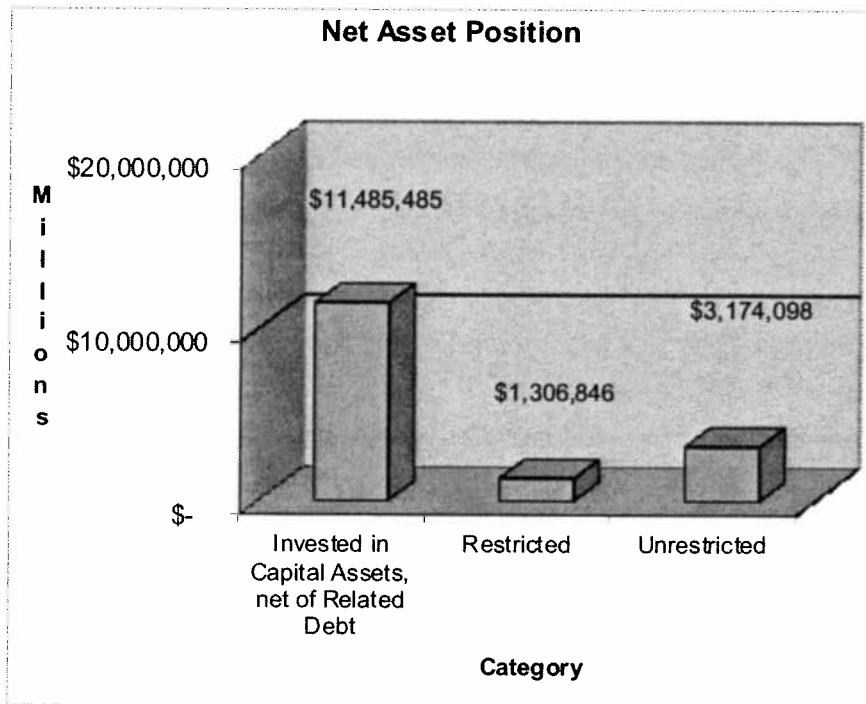
**Taylor Independent School District's
Net Assets**

	Governmental Activities as of	
	August 31, 2011	August 31, 2010
Current assets:		
Cash and temporary investments	\$ 16,591,834	\$ 38,820,107
Property taxes, net	283,979	311,992
Due from other governments	343,301	1,272,313
Other receivables and inventories	157,423	179,091
Total current assets	17,376,537	40,583,503
Non-current assets:		
Deferred charge - bond issuance costs	1,534,831	1,546,536
Capital assets, net of accumulated depreciation	63,584,657	36,075,199
Total assets	\$ 82,496,025	\$ 78,205,238
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,291,425	\$ 3,336,362
Bond interest payable	103,439	99,699
Bonds and accretion payable	1,456,603	1,183,454
Capital lease and note payable	133,252	168,484
Accumulated unpaid vacation and benefits	110,843	75,595
Due to other governments and student groups	108,067	64,345
Deferred revenue	304,895	552,954
Total current liabilities	6,508,524	5,480,893
Long-term liabilities:		
Bonds and accretion payable	59,169,428	55,373,189
Capital lease and note payable	486,490	62,619
Accumulated unpaid vacation and benefits	365,154	361,074
Total liabilities	\$ 66,529,596	\$ 61,277,775
Net assets:		
Invested in capital assets, net of related debt	\$ 11,485,485	\$ 13,182,506
Restricted	1,306,846	1,098,141
Unrestricted	3,174,098	2,646,816
Total net assets	\$ 15,966,429	\$ 16,927,463

The District covers 76 square miles. It is approximately 35 miles from Austin. Property values have increased an average of 4% over the last five years. Enrollment decreased by 1.6% for the second decrease over the past five years.

The District completed building a new high school located on FM 973 in south Taylor. Renovations will be made to the old high school before any decision is made as to its future use.

The District has unrestricted net assets of \$3,174,098 as of August 31, 2011. For the fiscal year ending August 31, 2011, restricted net assets increased by \$208,705 and unrestricted net assets increased by \$527,282. Overall cash and investments decreased from the previous fiscal year.



Net assets may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net assets are available for use in the designated areas only. Unrestricted net assets may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees.

Governmental Activities

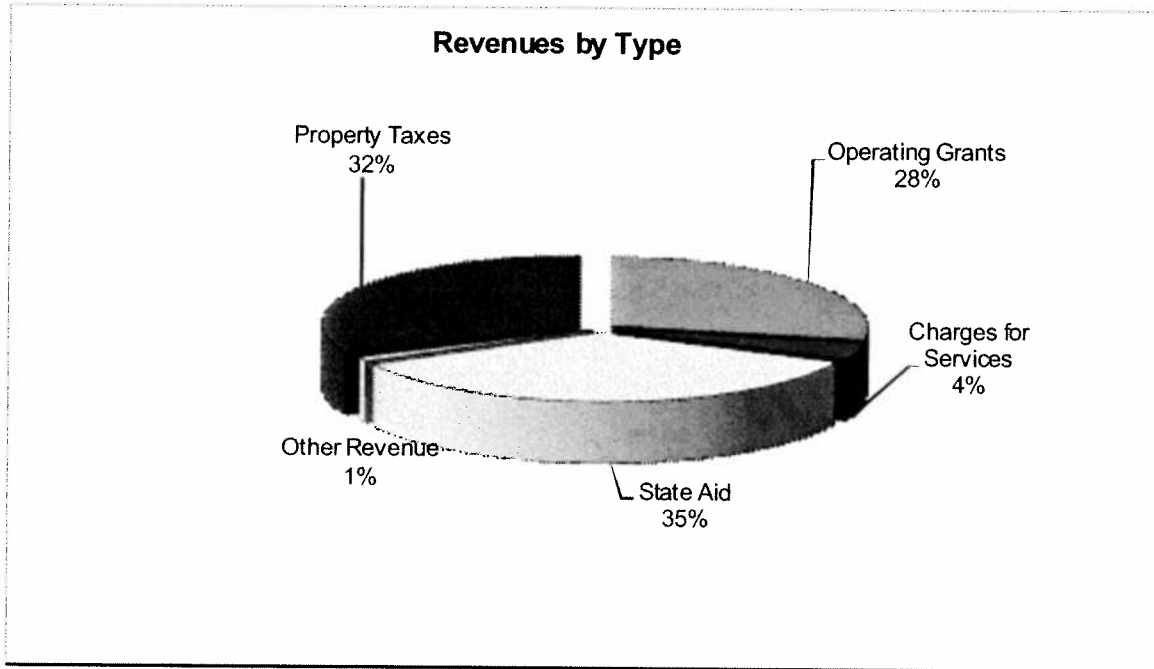
Governmental activities decreased the District's net assets by \$961,034 during the current fiscal year compared to the year ended August 31, 2010. Key elements of this decrease are as follows:

Taylor Independent School District's Changes in Net Assets

	Governmental Activities as of	
	August 31, 2011	August 31, 2010
Revenues:		
Program Revenues:		
Charges for services	\$ 1,339,578	\$ 1,111,749
Operating grants and contributions	9,867,508	8,912,128
General Revenues and Other:		
Property taxes	11,366,726	11,017,318
State aid – formula grants	12,536,576	12,157,396
Investment earnings	149,036	154,117
Miscellaneous	199,143	47,605
Total Revenues and Other	35,458,567	33,400,313
Expenses:		
Instructional	18,141,303	17,670,087
Instructional leadership	2,219,337	2,101,511
Student support services	2,191,414	2,331,291
Food service	1,494,865	1,289,310
Extracurricular activities	1,342,593	1,329,775
General administration	914,108	868,973
Support services	2,821,339	2,806,277
Community services	486,472	508,939
Interest on long-term debt	2,737,287	2,763,190
Facilities and acquisition	2,186,035	-
Payments to other districts/agencies	1,884,848	1,865,552
Total Governmental Activities	36,419,601	33,534,905
Change in Net Assets	(961,034)	(134,592)
Net Assets Beginning	16,927,463	17,062,055
Net Assets Ending	\$ 15,966,429	\$ 16,927,463

Investment earnings decreased significantly in the last several years due to the Federal Reserve Bank dropping the interest rate to practically 0%. Due to requirements of the Public Funds Investment Act, it makes it very difficult to invest in any type of fiduciary instrument other than investment pools and CD's. The District's enrollment is approximately 73% economically disadvantaged which qualifies the District for more funding from state and federal sources. The District actively pursues this avenue to acquire much needed funding for the District.

Overall property taxes account for 32% of the District's revenue sources while state funding represents 35%. Operating grants account for 28% of revenue sources.



For the year ended August 31, 2011, the District adopted Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the general Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted, or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$12,388,171. Of this amount \$6,296,882 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it is in nonspendable form or it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenses. As a measure of the General Fund's liquidity, unassigned fund balance represents 29% of the total general fund expenditures.

The District sets maintenance and debt tax rates in August of each year. For the 2010-11 fiscal year the District adopted a maintenance and operations tax rate of \$1.04 per \$100 in valuation, the maximum maintenance and operations tax rate allowed by law, and a debt service rate of \$0.43.

The Debt Service Fund had a total fund balance of \$1,013,988, all of which is restricted for payment of debt service.

The Capital Projects Fund had a fund balance of \$4,054,435 at the end of the fiscal year which represents funds from the 2010 bond sale of \$5 million. These funds will be used to finish out the new high school and make renovations to other existing District facilities.

Budgetary Highlights

The District had five major budget amendments during the 2010-11 fiscal year. The budget was increased by \$107,163 to pay for a resignation incentive offered by the District to its employees. The District incurred an abnormal amount of legal fees during the year; therefore, the budget was increased by \$50,000 to cover legal expenditures. The budget was also increased by \$39,600 to cover staff development costs for the District's high school laptop project and by \$557,123 to pay for seven new buses purchased through a lease purchase agreement. The Food Service budget was increased by \$75,000 to purchase equipment and a van.

Capital Assets and Debt Administration:

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2011 amounts to \$63,584,657 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Taylor Independent School District Capital Assets (Net of accumulated depreciation)

Land	\$	1,437,326
Buildings and improvements		60,669,874
Furniture and equipment		1,477,457
Total	\$	63,584,657

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of \$58,055,247. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AAA and Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2011 budget and tax rate. The student population decreased by approximately 1.6% in 2010-11, but the District expects a slight increase in 2011-12. Assessed property values decreased by approximately 2% last year, but with the present State funding formula, the lost property tax revenue will be offset by an increase in State funding. The District adopted a \$27,252,986 budget for fiscal year 2012. It will be funded through a \$1.45 tax rate, \$1.04 M&O and \$0.41 I&S, State Per Capita and Foundation revenues and other local revenues. The tax rate is \$0.02 less than the adopted rate for 2010-11. This year's budget is approximately 2% less than last year's final amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources and not use any of its General Fund fund balance.

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 the District's Business Office at Taylor Independent School District, 602 West 12th Street, Taylor, Texas 76574.

BASIC FINANCIAL STATEMENTS

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
August 31, 2011

	Governmental Activities
ASSETS:	
Cash and temporary investments	\$ 16,591,834
Receivables:	
Property taxes - delinquent	354,974
Allowance for uncollectible taxes	(70,995)
Due from other governments	343,301
Other receivables	127,010
Inventories	30,413
Deferred charge - bond issuance costs	1,534,831
Capital assets (net of accumulated depreciation):	
Land	1,437,326
Buildings and improvements	60,669,874
Furniture and equipment	1,477,457
Total assets	\$ 82,496,025
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 3,138,483
Payroll deductions and withholdings payable	37,669
Accrued wages payable	1,115,273
Bond interest payable	103,439
Bonds payable	825,304
Accretion payable	631,299
Capital lease payable	70,633
Note payable	62,619
Accumulated unpaid vacation and benefits	110,843
Due to other governments	52,266
Due to student groups	55,801
Deferred revenue	304,895
Noncurrent liabilities:	
Bonds payable	56,243,392
Accretion payable	2,926,036
Capital lease payable	486,490
Accumulated unpaid vacation and benefits	365,154
Total liabilities	66,529,596
NET ASSETS:	
Invested in capital assets, net of related debt	11,485,485
Restricted for:	
Debt service	971,590
Food service	335,256
Unrestricted	3,174,098
Total net assets	\$ 15,966,429

The notes to the financial statements are an integral part of this statement.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended August 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 17,307,828	785,241	5,690,239	(10,832,348)
Instructional resources and media services	331,304	-	15,164	(316,140)
Curriculum and staff development	502,171	30,294	277,160	(194,717)
Instructional leadership	669,354	-	482,336	(187,018)
School leadership	1,549,983	30,558	345,271	(1,174,154)
Guidance, counseling, and evaluation services	1,016,345	60,551	570,061	(385,733)
Social work services	43,334	-	43,334	-
Health services	285,222	-	15,703	(269,519)
Student transportation	846,513	-	37,173	(809,340)
Food service	1,494,865	226,848	1,032,706	(235,311)
Extracurricular activities	1,342,593	109,593	421,019	(811,981)
General administration	914,108	-	37,825	(876,283)
Plant maintenance and operations	2,524,656	79,971	299,810	(2,144,875)
Security and monitoring services	53,021	-	293	(52,728)
Data processing services	243,662	-	25,392	(218,270)
Community services	486,472	16,522	165,388	(304,562)
Debt service	2,737,287	-	408,634	(2,328,653)
Facilities and acquisition	2,186,035	-	-	(2,186,035)
Payments related to shared services arrangements	1,693,640	-	-	(1,693,640)
Payments to juvenile justice alternative education programs	95,227	-	-	(95,227)
Other intergovernmental charges	95,981	-	-	(95,981)
Total governmental activities	<u>\$ 36,419,601</u>	<u>1,339,578</u>	<u>9,867,508</u>	<u>(25,212,515)</u>
General revenues:				
Property taxes				\$ 11,366,726
State aid-formula grants				12,536,576
Investment earnings				149,036
Miscellaneous				191,015
Gain on disposal of fixed assets				8,128
Total general revenues and other				<u>24,251,481</u>
Change in net assets				(961,034)
Net assets - beginning				<u>16,927,463</u>
Net assets - ending				<u>\$ 15,966,429</u>

The notes to the financial statements are an integral part of this statement.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2011

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and temporary investments	\$ 7,195,556	1,107,109	7,185,783	1,103,386	16,591,834
Receivables:					
Property taxes - delinquent	278,673	76,301	-	-	354,974
Allowance for uncollectible taxes	(55,735)	(15,260)	-	-	(70,995)
Due from other governments	3,163	-	-	340,138	343,301
Due from other funds	173,835	-	7,135	27,201	208,171
Other receivables	127,010	-	-	-	127,010
Inventories	30,413	-	-	-	30,413
Total assets	<u>\$ 7,752,915</u>	<u>1,168,150</u>	<u>7,192,918</u>	<u>1,470,725</u>	<u>17,584,708</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ -	-	3,138,483	-	3,138,483
Payroll deductions and withholdings payable	13,596	-	-	24,073	37,669
Accrued wages payable	802,394	-	-	312,879	1,115,273
Due to other funds	27,201	7,135	-	173,835	208,171
Due to other governments	-	-	-	52,266	52,266
Due to student groups	-	-	-	55,801	55,801
Deferred revenue	432,429	147,027	-	9,418	588,874
Total liabilities	<u>1,275,620</u>	<u>154,162</u>	<u>3,138,483</u>	<u>628,272</u>	<u>5,196,537</u>
Fund balances:					
Nonspendable-					
Inventories	30,413	-	-	-	30,413
Restricted for:					
Retirement of long-term debt	-	1,013,988	-	-	1,013,988
Authorized construction	-	-	4,054,435	-	4,054,435
Food service	-	-	-	335,256	335,256
Assigned to:					
Self insurance	150,000	-	-	-	150,000
Special education	-	-	-	346,006	346,006
Legacy High School	-	-	-	156,833	156,833
Other state programs	-	-	-	4,358	4,358
Unassigned	6,296,882	-	-	-	6,296,882
Total fund balances	<u>6,477,295</u>	<u>1,013,988</u>	<u>4,054,435</u>	<u>842,453</u>	<u>12,388,171</u>
Total liabilities and fund balances	<u>\$ 7,752,915</u>	<u>1,168,150</u>	<u>7,192,918</u>	<u>1,470,725</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 63,584,657
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	283,979
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and contractual obligations payable, including premium:	(58,070,500)
Less: Deferred charge for issuance costs	1,534,831
Less: Issuance discount	1,001,804
Accretion of interest payable	(3,557,335)
Interest payable	(103,439)
Capital lease payable	(557,123)
Note payable	(62,619)
Accumulated unpaid vacation and benefits	(475,997)
Net assets of governmental activities	<u>\$ 15,966,429</u>

The notes to the financial statements are an integral part of this statement

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2011

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 8,708,771	3,331,326	58,529	1,367,206	13,465,832
State program revenues	13,679,854	408,634	-	923,614	15,012,102
Federal program revenues	331,892	-	-	6,668,626	7,000,518
Total revenues	<u>22,720,517</u>	<u>3,739,960</u>	<u>58,529</u>	<u>8,959,446</u>	<u>35,478,452</u>
EXPENDITURES:					
Current:					
Instruction	11,912,415	-	-	4,949,502	16,861,917
Instructional resources and media services	316,342	-	-	240	316,582
Curriculum and staff development	224,297	-	-	267,435	491,732
Instructional leadership	200,337	-	-	459,693	660,030
School leadership	1,223,414	-	-	269,632	1,493,046
Guidance, counseling, and evaluation services	460,634	-	-	534,273	994,907
Social work services	-	-	-	43,334	43,334
Health services	272,538	-	-	-	272,538
Student transportation	807,719	-	-	-	807,719
Food service	1,246	-	-	1,465,493	1,466,739
Extracurricular activities	918,137	-	-	392,827	1,310,964
General administration	869,253	-	-	-	869,253
Plant maintenance and operations	2,379,753	-	31,897	34,360	2,446,010
Security and monitoring services	50,663	-	-	-	50,663
Data processing services	219,289	-	-	14,167	233,456
Community services	325,534	-	-	145,788	471,322
Payments related to shared services arrangements	1,090,054	-	-	603,586	1,693,640
Payments to juvenile justice alternative education programs	95,227	-	-	-	95,227
Other intergovernmental charges	95,981	-	-	-	95,981
Debt service	180,939	3,537,181	65,066	-	3,783,186
Capital outlay	672,450	-	29,844,262	-	30,516,712
Total expenditures	<u>22,316,222</u>	<u>3,537,181</u>	<u>29,941,225</u>	<u>9,180,330</u>	<u>64,974,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>404,295</u>	<u>202,779</u>	<u>(29,882,696)</u>	<u>(220,884)</u>	<u>(29,496,506)</u>
OTHER FINANCING SOURCES:					
Proceeds on sale of bonds	-	-	5,000,000	-	5,000,000
Premium on sale of bonds	-	-	1,576	-	1,576
Proceeds from capital lease	557,123	-	-	-	557,123
Sale of real and personal property	8,128	-	-	-	8,128
Total other financing sources	<u>565,251</u>	<u>-</u>	<u>5,001,576</u>	<u>-</u>	<u>5,566,827</u>
Net change in fund balances	969,546	202,779	(24,881,120)	(220,884)	(23,929,679)
Fund balances - beginning	<u>5,507,749</u>	<u>811,209</u>	<u>28,935,555</u>	<u>1,063,337</u>	<u>36,317,850</u>
Fund balances - ending	<u>\$ 6,477,295</u>	<u>1,013,988</u>	<u>4,054,435</u>	<u>842,453</u>	<u>12,388,171</u>

The notes to the financial statements are an integral part of this statement.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended August 31, 2011

Net change in fund balances-total governmental funds	\$ (23,929,679)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	28,552,425
Depreciation expense	(1,042,967)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(28,013)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Bond proceeds, including premiums	(5,001,576)
Issuance costs	65,066
Capital lease proceeds	(557,123)
Repayment of bond principal and contractual obligations	1,110,881
Repayment of capital lease principal	109,410
Repayment of note payable principal	59,074
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accretion payable	(144,373)
Change in bond interest payable	(3,740)
Amortization of issuance costs	(76,771)
Amortization of bond premiums	1,459
Amortization of bond issuance discounts	(35,779)
Change in accumulated unpaid vacation and benefits	(39,328)
Change in net assets of governmental activities	\$ (961,034)

The notes to the financial statements are an integral part of this statement.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 8,127,801	8,545,216	8,708,771	163,555
State program revenues	13,329,878	13,370,104	13,679,854	309,750
Federal program revenues	122,000	243,490	331,892	88,402
Total revenues	<u>21,579,679</u>	<u>22,158,810</u>	<u>22,720,517</u>	<u>561,707</u>
EXPENDITURES:				
Current:				
Instruction	11,960,677	11,996,968	11,912,415	84,553
Instructional resources and media services	332,149	332,149	316,342	15,807
Curriculum and staff development	260,515	296,057	224,297	71,760
Instructional leadership	209,818	224,453	200,337	24,116
School leadership	1,231,661	1,241,481	1,223,414	18,067
Guidance, counseling, and evaluation services	471,685	489,136	460,634	28,502
Health services	274,588	276,288	272,538	3,750
Student transportation	872,677	868,277	807,719	60,558
Food service	2,095	2,095	1,246	849
Extracurricular activities	887,136	928,491	918,137	10,354
General administration	799,380	874,380	869,253	5,127
Plant maintenance and operations	2,374,973	2,418,076	2,379,753	38,323
Security and monitoring services	67,904	63,454	50,663	12,791
Data processing services	235,662	235,662	219,289	16,373
Community services	344,192	350,192	325,534	24,658
Payments related to shared services arrangements	1,083,683	1,095,683	1,090,054	5,629
Payments to juvenile justice alternative education programs	95,227	95,227	95,227	-
Other intergovernmental charges	99,777	99,777	95,981	3,796
Debt service	180,941	180,941	180,939	2
Capital outlay	-	672,791	672,450	341
Total expenditures	<u>21,784,740</u>	<u>22,741,578</u>	<u>22,316,222</u>	<u>425,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(205,061)</u>	<u>(582,768)</u>	<u>404,295</u>	<u>987,063</u>
OTHER FINANCING SOURCES:				
Proceeds from capital lease	-	557,123	557,123	-
Sale of real and personal property	2,000	2,000	8,128	6,128
Total other financing sources	<u>2,000</u>	<u>559,123</u>	<u>565,251</u>	<u>6,128</u>
Net change in fund balance	<u>(203,061)</u>	<u>(23,645)</u>	<u>969,546</u>	<u>993,191</u>
Fund balance - beginning	<u>5,507,749</u>	<u>5,507,749</u>	<u>5,507,749</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,304,688</u>	<u>5,484,104</u>	<u>6,477,295</u>	<u>993,191</u>

The notes to the financial statements are an integral part of this statement.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
August 31, 2011

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS-		
Cash and temporary investments	\$ 2,584,566	\$ 534,440
Total assets	<u>\$ 2,584,566</u>	<u>\$ 534,440</u>
LIABILITIES-		
Due to student groups	\$ -	\$ 534,440
Total liabilities	<u>\$ -</u>	<u>\$ 534,440</u>
NET ASSETS-		
Held in trust for private purposes	<u>\$ 2,584,566</u>	

The notes to the financial statements are an integral part of this statement.

TAYLOR INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended August 31, 2011

	<u>Private Purpose Trust Funds</u>
ADDITIONS-	
Contributions	\$ 168,047
Total additions	<u>168,047</u>
DEDUCTIONS-	
Other operating costs	<u>114,398</u>
Total deductions	<u>114,398</u>
Change in net assets	53,649
Net assets - beginning of year	<u>2,530,917</u>
Net assets - end of year	<u><u>\$ 2,584,566</u></u>

The notes to the financial statements are an integral part of this statement.

TAYLOR INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Taylor Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of School Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred revenue.

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

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Private Purpose Trust Funds are fiduciary trust funds and are used to account for the principal and income that benefit individuals in the form of scholarships.

Agency Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budgets were amended by the Board as needed throughout the year.

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 provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2011, that were provided for in the subsequent year's budget.

Assets, Liabilities, and Net Assets or Equity

Investments - Temporary investments throughout the year consisted of investments in external investment pools and certificates of deposit. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 50 years, furniture and equipment - 5 to 10 years.

Ad Valorem Property Taxes - Delinquent 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. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Unpaid Vacation and Benefits - The District provides employees with compensation benefits for absences for vacation, sick leave, and personal matters. The costs of these benefits are recognized by the District when paid. There are limitations on carryover and accumulation of benefits, and the liability for accrued but unpaid benefits is included in the Statement of Net Assets.

Fund Equity - The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 9 for additional information on those fund balance classifications.

Inventories - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Cash and Cash Equivalents - The District considers all liquid investments (including external investment pools) with original maturities of 90 days or less to be cash equivalents.

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$15,561,024 and the bank balance was \$16,570,416.

The District's deposits with financial institutions at August 31, 2011 and during the year ended August 31, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.

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

- a. Name of depository bank: Citizens National Bank
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$23,051,489.
- c. Largest cash, savings and time deposit combined account balance amounted to \$17,533,584 and occurred during the month of February 2011.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2011 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
MBIA	\$ 2,194,944	1	AAAm
Lone Star	1,954,872	1	AAAf
Total	<u>\$ 4,149,816</u>		

The District had investments in two external local government investment pools at August 31, 2011: MBIA Texas CLASS (“MBIA”) and Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. MBIA is registered with the SEC. These investments are stated at fair value which is the same as the value of the pool shares.

MBIA is administered by MBIA-Municipal Investors Service Corporation (“MISC”) and Wells Fargo Bank Texas. MISC is a subsidiary of MBIA Asset Management Group, one of the nation’s largest providers of administrative and portfolio management services for local government investment pools. MBIA is supervised by a Board of Trustees who are elected by participants. The responsibility of the board includes the ability to influence operations, designation of management and accountability for fiscal matters. In addition, MBIA has an Advisory Board which provides input and feedback on the operations and direction of the program. Standard and Poor’s reviews the pool on a weekly basis to ensure the pool’s compliance with its rating requirements. MBIA’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

The investments are reported by the District at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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 August 31, 2011, investments were included in local government investment pools with ratings in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At August 31, 2011, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. At August 31, 2011, all of the District's investments were in external local investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of 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 year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2010, upon which the October 2010 levy was based, was \$802,297,119. The District levied taxes based on a combined tax rate of \$1.47 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$476,500. The District was not above the equalized wealth level for the 2010-2011 fiscal year.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. In addition, the District has entered into interlocal agreements with local governments in which the District is to be reimbursed for certain construction costs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of August 31, 2011.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 3,163	-	3,163
Federal and state grants	-	340,138	340,138
Total	<u>\$ 3,163</u>	<u>340,138</u>	<u>343,301</u>

5. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of August 31, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 173,835
Capital Projects Fund	Debt Service Fund	7,135
Nonmajor Governmental Funds	General Fund	27,201
Total		<u>\$ 208,171</u>

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.”

6. DEFERRED REVENUE

At August 31, 2011, deferred revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Net tax revenue	\$ 222,938	61,041	-	283,979
Federal and state grants	209,491	85,986	9,418	304,895
Total	<u>\$ 432,429</u>	<u>147,027</u>	<u>9,418</u>	<u>588,874</u>

7. CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,437,326	-	-	1,437,326
Construction in progress	9,198,536	-	(9,198,536)	-
Total capital assets, not being depreciated	<u>10,635,862</u>	<u>-</u>	<u>(9,198,536)</u>	<u>1,437,326</u>
Capital assets, being depreciated:				
Buildings and improvements	40,037,742	27,773,554	9,198,536	77,009,832
Furniture and equipment	4,326,355	778,871	(272,000)	4,833,226
Total capital assets being depreciated	<u>44,364,097</u>	<u>28,552,425</u>	<u>8,926,536</u>	<u>81,843,058</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,536,766)	(803,192)	-	(16,339,958)
Furniture and equipment	(3,387,994)	(239,775)	272,000	(3,355,769)
Total accumulated depreciation	<u>(18,924,760)</u>	<u>(1,042,967)</u>	<u>272,000</u>	<u>(19,695,727)</u>
Total capital assets, being depreciated, net	<u>25,439,337</u>	<u>27,509,458</u>	<u>9,198,536</u>	<u>62,147,331</u>
Governmental activities capital assets, net	<u>\$ 36,075,199</u>	<u>27,509,458</u>	<u>-</u>	<u>63,584,657</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction	\$ 558,919
Instruction resources and media services	14,722
Curriculum and staff development	10,439
Instructional leadership	9,324
School leadership	56,937
Guidance, counseling, and evaluation services	21,438
Health services	12,684
Student transportation	46,294
Food service	76,347
Extracurricular activities	42,729
General administration	44,855
Plant maintenance and operations	120,565
Security and monitoring services	2,358
Data processing services	10,206
Community services	15,150
Total depreciation expense - governmental activities	<u>\$ 1,042,967</u>

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the period ended August 31, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 54,166,128	5,000,000	(1,110,881)	58,055,247
Accretion payable	3,412,962	218,492	(74,119)	3,557,335
Premium on bonds	15,136	1,576	(1,459)	15,253
Issuance discount on bonds	(1,037,583)	-	35,779	(1,001,804)
Capital lease payable	109,410	557,123	(109,410)	557,123
Note payable	121,693	-	(59,074)	62,619
Accumulated unpaid vacation and benefits	436,669	146,862	(107,534)	475,997
Total	<u>\$ 57,224,415</u>	<u>5,924,053</u>	<u>(1,426,698)</u>	<u>61,721,770</u>

Bonded debt consists of the following at August 31, 2011:

<u>Series</u>	<u>Date of Issue</u>	<u>Amounts of Original Issue</u>	<u>Matures Through</u>	<u>Interest Rate</u>	<u>Outstanding at 8-31-11</u>	<u>Due Within One Year</u>
General obligation bonds:						
1998	11-16-98	\$ 7,624,996	2012	3.95 – 4.75%	\$ 5,304	\$ 5,304
2005	5-25-05	9,044,992	2025	3.00 – 4.25%	7,255,000	45,000
2009	5-19-09	37,999,943	2039	2.00 – 5.25%	37,494,943	195,000
2009 Refunding	5-19-09	8,805,000	2021	1.30 – 3.75%	8,300,000	365,000
2010	12-22-10	<u>5,000,000</u>	2029	2.00 – 3.70%	<u>5,000,000</u>	<u>215,000</u>
Total		<u>\$ 68,474,931</u>			<u>\$ 58,055,247</u>	<u>\$ 825,304</u>

On December 22, 2010, the District issued \$5,000,000 in Unlimited Tax School Building Bonds, Series 2010, to construct, renovate and equip school buildings and pay the costs associated with the issuance of the bonds. The net proceeds of \$4,949,543 (after payment of \$60,625 in issuance costs) were used for the following: \$4,934,375 was invested by the District for future capital projects and bond issuance costs and \$15,168 was deposited in the Debt Service Fund for future interest payments.

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.43.

In prior years, the District defeased outstanding general obligation bonds through the 2005 and 2009 Unlimited Tax Refunding Bonds. At August 31, 2011 there are no outstanding bonds that are considered defeased as all defeased balances have been retired.

The annual principal installments for each of the outstanding issues vary each year. As of August 31, 2011, the debt service requirements of bonded indebtedness to maturity are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 825,304	3,022,026	3,847,330
2013	1,535,000	2,349,056	3,884,056
2014	1,615,000	2,307,993	3,922,993
2015	1,670,000	2,261,721	3,931,721
2016	1,720,000	2,210,893	3,930,893
2017 - 2021	9,545,000	10,109,526	19,654,526
2022 - 2026	9,665,374	10,021,547	19,686,921
2027 - 2031	7,024,569	12,753,946	19,778,515
2032 - 2036	15,820,000	4,058,225	19,878,225
2037 - 2039	8,635,000	505,944	9,140,944
Total	<u>\$ 58,055,247</u>	<u>49,600,877</u>	<u>107,656,124</u>

The outstanding 1998 Series Bonds include Capital Appreciation Bonds while the 2009 Series Bonds include both Serial Bonds and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

As of August 31, 2011, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of school buses through a capital lease agreement with a finance company. The purchase price of the school buses was \$557,123 which equates to the capital lease principal amount. Under the terms of the capital lease agreement, principal and interest payments of \$92,668 are due annually on August 5th beginning on August 5, 2012 through August 5, 2018. The effective interest rate on the lease is 3.96%. Lease payment requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 70,633	22,035	92,668
2013	73,427	19,241	92,668
2014	76,331	16,337	92,668
2015	79,350	13,318	92,668
2016	82,489	10,179	92,668
2017-2018	174,893	10,443	185,336
Total	<u>\$ 557,123</u>	<u>91,553</u>	<u>648,676</u>

The District financed the purchase of land through a note payable agreement. The purchase price of the land was \$300,000, and the District paid \$70,000 and financed the remaining \$230,000 through the note payable agreement. Under the terms of the note payable agreement, principal and interest payments of \$66,376 are due annually on February 1st beginning on February 1, 2009 through February 1, 2012. The effective interest rate on the note is 6%. Debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 62,619	3,757	66,376

Upon retirements or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employees or their estate. A summary of changes in the accumulated unpaid vacation and benefits liability for the year ended August 31, 2011 are as follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>	<u>Total</u>	<u>Due Within One Year</u>
Beginning Balance	\$ 232,203	204,466	436,669	75,595
Additions	32,400	114,462	146,862	84,462
Deductions	(32,400)	(75,134)	(107,534)	(49,214)
Ending Balance	\$ 232,203	243,794	475,997	110,843

9. FUND BALANCES

For the year ended August 31, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 14.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the Superintendent or his or her designee.

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, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the period ended August 31, 2011, revenues from local and intermediate sources in governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 7,941,210	3,281,930	-	-	11,223,140
Food service	-	-	-	226,848	226,848
Investment income	90,109	130	58,529	268	149,036
Penalties, interest, and other tax related income	122,332	49,266	-	-	171,598
Tuition and fees from patrons	184,342	-	-	-	184,342
Co-curricular student activities	65,564	-	-	391,464	457,028
Shared services arrangements	-	-	-	727,615	727,615
Other	305,214	-	-	21,011	326,225
Total	<u>\$ 8,708,771</u>	<u>3,331,326</u>	<u>58,529</u>	<u>1,367,206</u>	<u>13,465,832</u>

11. PENSION PLAN OBLIGATIONS

The District's employees participate in the Teacher Retirement System of Texas (the "System"), a public employee retirement system ("PERS"). 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 under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. During the year ended August 31, 2011, contributions of \$1,130,535 were made by the State. These contributions made by the State on behalf of the District have been reflected in the accompanying basic financial statements as both revenue and expenditures. The System's annual financial report and other required disclosures are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ended August 31, 2011, 2010, and 2009 were approximately \$1,079,000, \$1,044,000, and \$980,000, respectively, which were equal to the required contributions for the years. Other contributions made from federal grants and from the District for salaries above the statutory minimum for the year ended August 31, 2011, 2010, and 2009 were approximately \$177,000, \$175,000, and \$149,000, respectively, which was equal to the required contributions for the year.

12. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to the System on behalf of the District. For the year ended August 31, 2011, reimbursements of \$44,619 were received by the System and allocated to the District.

13. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, casualty, automobile liability, school professional liability and workers compensation. During the year ended August 31, 2011, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance with transfer of risk, whereas member districts pool risks and funds and share in the costs of losses. The plan year of the public entity risk pool begins September 1 and ends August 31 of each year. During the year ended August 31, 2011, the District was responsible for paying the cost of each of its claim occurrences up to a per-occurrence limit of \$64,605. For costs exceeding this limit, the member districts shared responsibility for paying the claims not covered by excess insurance. The District's maximum financial exposure for the year ended August 31, 2011 was \$215,351. Excess insurance is provided by a commercial carrier. The policy provides for specific stop-loss attachment at \$250,000 per occurrence and additional aggregate stop-loss attachment of 125% of pool funds. At August 31, 2011, the General Fund has assigned fund balance of \$150,000 to pay for any open claims. Incurred but not reported claims were minimal at August 31, 2011.

14. SHARED SERVICES ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides speech therapists for special education to the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund, Shared Services Arrangements – Special Education. Contributions from the SSA are summarized below:

Taylor ISD	\$	496,682
Coupland ISD		8,952
Bartlett ISD		50,751
Granger ISD		74,575
Thrall ISD		90,962
Total	\$	<u>721,922</u>

15. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through August 31, 2011, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At August 31, 2011, the District is also committed under construction contracts with a remaining balance of approximately \$152,000.

COMBINING AND INDIVIDUAL FUND STATEMENTS

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
All Nonmajor Governmental Funds
August 31, 2011

	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	ESEA Title I, Part B Even Start Family Literacy	IDEA - Part B Preschool	National School Breakfast and Lunch Program	Vocational Education Basic	ESEA, Title II Part A, Principal and Teacher Training and Recruiting	Title III, Part A English Language Acquisition and Language Enhancement	Title IV Part B 21st Century	Title XIV State Fiscal Stabilization Fund	IDEA - Part B Formula Recovery Act
Assets:											
Cash and temporary investments	\$ 66,174	2,697	-	118	264,691	-	18,408	-	-	-	-
Receivables:											
Due from other governments	15,533	9,605	34,634	-	89,901	-	8,000	216	36,796	-	61,830
Due from other funds	-	-	-	-	-	-	-	-	-	26,865	-
Total assets	\$ 81,707	12,302	34,634	118	354,592	-	26,408	216	36,796	26,865	61,830
Liabilities and fund balances:											
Payroll deductions and withholdings payable	\$ 4,102	808	-	-	1,540	-	1,275	-	349	5,540	1,789
Accrued wages payable	76,028	9,677	434	-	17,796	-	17,972	-	1,591	-	6,354
Due to other funds	1,577	1,817	34,200	-	-	-	7,161	216	34,856	-	53,687
Due to other governments	-	-	-	118	-	-	-	-	-	21,325	-
Due to student groups	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	81,707	12,302	34,634	118	19,336	-	26,408	216	36,796	26,865	61,830
Fund balances:											
Restricted	-	-	-	-	335,256	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	335,256	-	-	-	-	-	-
Total liabilities and fund balances	\$ 81,707	12,302	34,634	118	354,592	-	26,408	216	36,796	26,865	61,830

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
All Nonmajor Governmental Funds (continued)
August 31, 2011

	IDEA - Part B Preschool Recovery Act	ESEA Title I, Part A Recovery Act	Education Jobs Fund Recovery Act	Summer School LEP	SSA IDEA - Part B Formula	SSA IDEA - Part B Formula	SSA IDEA - Part B Recovery Act	SSA IDEA - Part B Recovery Act	SSA IDEA - Part B Recovery Act	Pregnancy Education and Parenting	Advanced Placement Incentives	Student Success Initiative	Technology Allotment	Kindergarten and Pre-K Grants	AP Campus Awards
Assets:															
Cash and temporary investments	\$ -	-	-	4,202	84,860	4,293	-	272	-	-	4,242	-	5,216	-	-
Receivables:															
Due from other governments	7,736	880	18,293	-	46,860	515	-	-	2	-	-	4,345	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	336	-	-	-	-	-	-
Total assets	\$ 7,736	880	18,293	4,202	131,720	4,808	-	272	338	4,242	4,345	5,216	-	-	-
Liabilities and fund balances:															
Payroll deductions and withholdings payable	-	235	-	-	6,119	266	-	-	-	-	222	-	-	-	-
Accrued wages payable	-	-	-	-	89,440	2,754	-	-	-	-	-	-	-	-	-
Due to other funds	7,736	645	18,293	-	7,118	358	-	-	-	-	-	4,345	-	-	-
Due to other governments	-	-	-	-	29,043	1,430	-	272	-	-	-	-	-	-	-
Due to student groups	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	4,202	-	-	-	-	-	-	-	-	5,216	-	-
Total liabilities	7,736	880	18,293	4,202	131,720	4,808	-	272	-	222	4,345	5,216	-	-	-
Fund balances:															
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	338	4,020	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	338	4,020	-	-	-	-	-
Total liabilities and fund balances	\$ 7,736	880	18,293	4,202	131,720	4,808	-	272	338	4,242	4,345	5,216	-	-	-

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet

All Nonmajor Governmental Funds (continued)

August 31, 2011

	SSA Visually Impaired	SSA Special Education	SSA Local Funded Legacy HS	Other SSA Special Revenue Funds	Campus Activity Fund	Total Nonmajor Governmental Funds
Assets:						
Cash and temporary investments	\$ -	391,326	201,086	-	55,801	1,103,386
Receivables:						
Due from other governments	1,904	3,088	-	-	-	340,138
Due from other funds	-	-	-	-	-	27,201
Total assets	<u>\$ 1,904</u>	<u>394,414</u>	<u>201,086</u>	<u>-</u>	<u>55,801</u>	<u>1,470,725</u>
Liabilities and fund balances:						
Payroll deductions and						
withholdings payable	-	725	1,103	-	-	24,073
Accrued wages payable	-	47,683	43,150	-	-	312,879
Due to other funds	1,826	-	-	-	-	173,835
Due to other governments	78	-	-	-	-	52,266
Due to student groups	-	-	-	-	55,801	55,801
Deferred revenue	-	-	-	-	-	9,418
Total liabilities	<u>1,904</u>	<u>48,408</u>	<u>44,253</u>	<u>-</u>	<u>55,801</u>	<u>628,272</u>
Fund balances:						
Restricted	-	-	-	-	-	335,256
Assigned	-	346,006	156,833	-	-	507,197
Total fund balances	<u>-</u>	<u>346,006</u>	<u>156,833</u>	<u>-</u>	<u>-</u>	<u>842,453</u>
Total liabilities and fund balances	<u>\$ 1,904</u>	<u>394,414</u>	<u>201,086</u>	<u>-</u>	<u>55,801</u>	<u>1,470,725</u>

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
All Nonmajor Governmental Funds
Year Ended August 31, 2011

	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	ESEA Title I, Part B Even Start Family Literacy	IDEA - Part B Preschool	National School Breakfast and Lunch Program	Vocational Education Basic	ESEA, Title II		Title IV Part B 21st Century	Title XIV State Fiscal Stabilization Fund Recovery Act	IDEA - Part B Formula Recovery Act
							Part A, Principal and Teacher Training and Recruiting	Title III, Part A English Language Acquisition and Language Enhancement			
Revenues:											
Local and intermediate sources	\$ -	-	-	-	248,126	-	-	-	-	-	-
State program revenues	-	-	-	-	8,284	-	-	-	-	-	-
Federal program revenues	782,229	110,933	154,900	8,716	1,223,200	49,031	193,815	428,578	1,511,796	-	264,282
Total revenues	782,229	110,933	154,900	8,716	1,479,610	49,031	193,815	428,578	1,511,796	-	264,282
Expenditures:											
Current:											
Instruction	634,869	95,306	151,959	8,716	-	25,523	84,977	205,331	774,497	-	233,887
Instructional resources and media services	-	-	-	-	-	-	-	-	-	-	-
Curriculum and staff development	77,401	-	2,941	-	-	-	-	672	3,988	25,500	30,395
Instructional leadership	1,927	-	-	-	-	-	107,863	-	218,265	118,584	-
School leadership	-	-	-	-	-	-	975	-	-	138,613	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-	-	-	127,380	-
Social work services	-	-	-	-	-	-	-	-	-	43,334	-
Food service	-	-	-	-	1,465,493	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	-	-	-	-
Plant maintenance and operations	-	-	-	-	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-	-	-	-	-
Community services	68,032	15,627	-	-	-	-	-	-	994	14,167	-
Payments related to shared services arrangements	-	-	-	-	-	23,508	-	289	-	-	-
Total expenditures	782,229	110,933	154,900	8,716	1,465,493	49,031	193,815	428,578	1,511,796	-	264,282
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	14,117	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	321,139	-	-	-	-	-	-
Fund balances - ending	\$ -	-	-	-	335,256	-	-	-	-	-	-

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
All Nonmajor Governmental Funds (continued)
Year Ended August 31, 2011

	IDEA - Part B Preschool Recovery Act	ESEA Title I, Part A Recovery Act	Education Jobs Fund Recovery Act	Summer School LEP	SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool	SSA IDEA - Part B Formula Recovery Act	SSA IDEA - Part B Preschool Recovery Act	Pregnancy Education and Parenting	Advanced Placement Incentives	Student Success Initiative	Technology Allotment	Kindergarten and Pre-K Grants	AP Campus Awards
Revenues:														
Local and intermediate sources	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	-	-	22,499	4,950	43,454	84,986	34,787	828
Federal program revenues	12,045	203,838	18,293	-	1,115,667	30,036	346,179	9,728	-	-	-	-	-	-
Total revenues	12,045	203,838	18,293	-	1,115,667	30,036	346,179	9,728	22,499	4,950	43,454	84,986	34,787	828
Expenditures:														
Current:														
Instructional resources and media services	8,545	203,838	-	-	916,677	30,036	21,080	962	160	1,965	43,454	84,173	34,787	828
Curriculum and staff development	-	-	-	-	-	-	-	-	-	-	-	240	-	-
Instructional leadership	3,500	-	-	-	5,289	-	-	-	-	2,985	-	573	-	-
School leadership	-	-	18,293	-	-	-	-	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	193,701	-	-	-	-	-	-	-	-	-
Social work services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant maintenance and operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	22,339	-	-	-	-	-
Payments related to shared services arrangements	-	-	-	-	-	-	325,099	8,766	-	-	-	-	-	-
Total expenditures	12,045	203,838	18,293	-	1,115,667	30,036	346,179	9,728	22,499	4,950	43,454	84,986	34,787	828
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	-	-	338	4,020	-	-	-	-
Fund balances - ending	-	-	-	-	-	-	-	-	338	4,020	-	-	-	-

(continued)

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
All Nonmajor Governmental Funds (continued)

Year Ended August 31, 2011

	SSA Visually Impaired	SSA Special Education	SSA Local Funded Legacy HS	Other SSA Special Revenue Funds	Campus Activity Fund	Total Nonmajor Governmental Funds
Revenues:						
Local and intermediate sources	\$ -	-	727,616	-	391,464	1,367,206
State program revenues	1,904	721,922	-	-	-	923,614
Federal program revenues	-	164,803	-	-	-	6,668,626
Total revenues	1,904	886,725	727,616	-	391,464	8,959,446
Expenditures:						
Current:						
Instruction	1,904	765,788	580,644	-	-	4,949,502
Instructional resources and media services	-	-	-	-	-	240
Curriculum and staff development	-	3,488	2,840	-	-	267,435
Instructional leadership	-	120,917	-	-	-	459,693
School leadership	-	-	111,751	-	-	269,632
Guidance, counseling and evaluation services	-	155,244	57,948	-	-	534,273
Social work services	-	-	-	-	-	43,334
Food service	-	-	-	-	-	1,465,493
Extracurricular activities	-	-	1,363	-	391,464	392,827
Plant maintenance and operations	-	32,685	1,675	-	-	34,360
Data processing services	-	-	-	-	-	14,167
Community services	-	-	-	14,999	-	145,788
Payments related to shared services arrangements	-	-	-	-	-	603,586
Total expenditures	1,904	1,078,122	756,221	14,999	391,464	9,180,330
Excess (deficiency) of revenues over (under) expenditures	-	(191,397)	(28,605)	(14,999)	-	(220,884)
Fund balances - beginning	-	537,403	185,438	14,999	-	1,063,337
Fund balances - ending	\$ -	346,006	156,833	-	-	842,453

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds
August 31, 2011

	<u>Non-Expendable Trust Fund</u>	<u>Expendable Trust Fund</u>	<u>TOTALS</u>
ASSETS-			
Cash and temporary investments	\$ 1,900,396	684,170	2,584,566
Total assets	<u>\$ 1,900,396</u>	<u>684,170</u>	<u>2,584,566</u>
NET ASSETS-			
Held in trust for private purposes	<u>\$ 1,900,396</u>	<u>684,170</u>	<u>2,584,566</u>

TAYLOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
Year Ended August 31, 2011

	<u>Non-Expendable Trust Fund</u>	<u>Expendable Trust Fund</u>	<u>TOTALS</u>
ADDITIONS-			
Contributions	\$ 97,133	70,914	168,047
Total additions	<u>97,133</u>	<u>70,914</u>	<u>168,047</u>
DEDUCTIONS-			
Other operating costs	<u>72,570</u>	<u>41,828</u>	<u>114,398</u>
Total deductions	<u>72,570</u>	<u>41,828</u>	<u>114,398</u>
Change in net assets	24,563	29,086	53,649
Net assets - beginning of year	<u>1,875,833</u>	<u>655,084</u>	<u>2,530,917</u>
Net assets - end of year	<u><u>\$ 1,900,396</u></u>	<u><u>684,170</u></u>	<u><u>2,584,566</u></u>

TAYLOR INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 3,141,245	3,141,245	3,331,326	190,081
State program revenues	402,123	402,123	408,634	6,511
Total revenues	<u>3,543,368</u>	<u>3,543,368</u>	<u>3,739,960</u>	<u>196,592</u>
EXPENDITURES-				
Debt service	<u>3,447,251</u>	<u>3,611,800</u>	<u>3,537,181</u>	<u>74,619</u>
Total expenditures	<u>3,447,251</u>	<u>3,611,800</u>	<u>3,537,181</u>	<u>74,619</u>
Excess (deficiency) of revenues over (under) expenditures	96,117	(68,432)	202,779	271,211
Fund balance - beginning	<u>811,209</u>	<u>811,209</u>	<u>811,209</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 907,326</u></u>	<u><u>742,777</u></u>	<u><u>1,013,988</u></u>	<u><u>271,211</u></u>

TAYLOR INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 375,410	375,685	248,126	(127,559)
State program revenues	10,100	10,100	8,284	(1,816)
Federal program revenues	1,170,668	1,170,668	1,223,200	52,532
Total revenues	<u>1,556,178</u>	<u>1,556,453</u>	<u>1,479,610</u>	<u>(76,843)</u>
EXPENDITURES-				
Current-				
Food service	<u>1,413,832</u>	<u>1,496,107</u>	<u>1,465,493</u>	<u>30,614</u>
Total expenditures	<u>1,413,832</u>	<u>1,496,107</u>	<u>1,465,493</u>	<u>30,614</u>
Excess (deficiency) of revenues over (under) expenditures	142,346	60,346	14,117	(46,229)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>321,139</u>	<u>321,139</u>
Fund balance - ending	<u>\$ 142,346</u>	<u>60,346</u>	<u>335,256</u>	<u>274,910</u>

OTHER SCHEDULES

TAYLOR INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2011

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2010	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2011
	Maintenance	Debt Service							
2002 & Prior	Various	Various	-	51,617	-	1,150	103	(9,740)	40,624
2003	1.460000	0.150000	571,330,807	19,789	-	987	101	(458)	18,243
2004	1.500000	0.150000	595,314,631	21,568	-	1,022	102	(519)	19,925
2005	1.500000	0.170000	624,364,910	16,352	-	979	111	(502)	14,760
2006	1.500000	0.170000	659,065,219	18,645	-	1,334	151	(728)	16,432
2007	1.370000	0.170000	698,977,875	20,137	-	(317)	(39)	(5,413)	15,080
2008	1.040000	0.160000	756,752,497	12,557	-	3,202	493	(831)	8,031
2009	1.040000	0.160000	795,151,526	19,706	-	4,108	632	(4,849)	10,117
2010	1.040000	0.450000	812,805,823	209,619	-	106,315	46,002	(31,626)	25,676
2011	1.040000	0.430000	802,297,119	-	11,204,022	7,822,430	3,234,274	38,768	186,086
Totals				\$ 389,990	11,204,022	7,941,210	3,281,930	(15,898)	354,974

TAYLOR INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures for Computation of Indirect Cost
for General and Special Revenue Funds
Year Ended August 31, 2011

FUNCTION 41 AND RELATED FUNCTIONS 53 AND 99 - GENERAL ADMINISTRATION

Account Number	Account Name	A School Board	B Tax Collection	C Supt's Office	D Indirect Cost	E Direct Cost	F Miscellaneous	G Total
611x-6146	Payroll costs	\$ -	-	150,097	440,699	-	-	590,796
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	-	-	130,761	-	-	-	130,761
6212	Audit services	-	-	-	34,150	-	-	34,150
6213	Tax appraisal and collection	-	2,070	-	-	-	-	2,070
621x	Other professional services	-	-	-	497	-	-	497
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	-	-	-	-
6240	Contr. maintenance and repairs	-	-	-	710	-	-	710
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	17,132	-	-	17,132
6290	Miscellaneous contr.	8,884	-	6,614	16,241	-	-	31,739
6320	Textbooks and reading	-	-	-	-	-	-	-
6330	Testing materials	-	-	-	-	-	-	-
63xx	Other supplies, materials	-	-	3,805	14,111	-	-	17,916
6410	Travel, subsistence, stipends	3,876	-	2,633	3,731	-	-	10,240
6420	Insurance and bonding costs	2,500	-	-	-	-	-	2,500
6430	Election costs	-	-	-	-	-	-	-
6490	Miscellaneous operating	2,490	-	111,110	11,699	-	-	125,299
6000 - TOTAL		\$ 17,750	2,070	405,020	538,970	-	-	963,810

Total expenditures/expenses for General and Special Revenue Funds

\$ 31,496,552

Less: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	\$ 919,708
Total Debt & Lease (6500)	180,939
Plant Maintenance (Function 51, 6100-6400)	2,372,194
Food (Function 35, 6341 and 6499)	1,600
Stipends (6413)	-
Total Indirect Cost	538,970

Subtotal

4,013,411

Net Allowed Direct Cost

\$ 27,483,141

CUMULATIVE

Total Cost of Buildings before Depreciation	\$ 77,009,832
Historical Cost of Buildings over 50 Years Old	\$ 2,500,737
Amount of Federal Money in Building Cost (Net of Above)	\$ -
Total Cost of Furniture & Equipment before Depreciation	\$ 4,833,226
Historical Cost of Furniture & Equipment Over 16 Years Old	\$ 926,908
Amount of Federal Money in Furniture & Equipment (Net of Above)	\$ -

(8) Note A - No Function 53 or Function 99 expenditures are included in this report on administrative costs.

FEDERAL AWARDS SECTION



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**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***

The Board of Trustees of
Taylor Independent School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor Independent School District (the “District”) as of and for the year ended August 31, 2011, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*“A Registered Investment Advisor”
This firm is not a CPA firm*

Our consideration of internal control over financial reporting was for the limited purposes 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting (2011-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Maxwell Toche + Pitter LLP

January 6, 2012



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INDEPENDENT AUDITORS' 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

The Board of Trustees of
Taylor Independent School District:

Compliance

We have audited Taylor Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-2, 2011-3, and 2011-4.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"
This firm is not a CPA firm

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 that we consider to be material weaknesses, as defined above.

The District's responses to the findings indentified 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 the Board of Trustees, management, 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.

Maxwell Socha + Pitter LLP

January 6, 2012

TAYLOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2011

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Education Service Center XIII:</u>			
11-246911	IDEA-B, Preschool	84.173A	\$ 8,716
<u>Passed Through Texas Education Agency:</u>			
11610101246911	ESEA Title I, Part A	84.010A	782,229
10551001246911	ESEA Title I, Part A, Recovery Act	84.389A	203,838
11615001246911	ESEA Title I, Part C	84.011A	110,933
116120017110425	ESEA Title I, Part B	84.213C	154,900
11420006246911	Vocational Education Basic	84.048A	49,031
11694501246911	ESEA Title II, Part A	84.367A	193,815
11671001246911	Title III, Part A	84.365A	40,557
106950137110057	Title IV, Part B, 21st Century	84.287C	428,578
11557001246911	Title XIV, State Fiscal Stabilization Fund, Recovery Act	84.394A	1,511,796
10554001246911	IDEA-B, Formula, Recovery Act	84.391A	264,282
10554001246911	SSA - IDEA-B, Formula, Recovery Act	84.391A	346,179
10555001246911	IDEA-B, Preschool, Recovery Act	84.392A	12,045
10555001246911	SSA - IDEA-B, Preschool, Recovery Act	84.392A	9,728
116600012469116000	SSA - IDEA-B, Formula	84.027A	1,115,667
116610012469116000	SSA - IDEA-B, Preschool	84.173A	30,036
11550101246911	Education Jobs Fund, Recovery Act	84.410	18,293
TOTAL DEPARTMENT OF EDUCATION			5,280,623
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency:</u>			
71301101	National School Lunch Program	10.555	862,647
71401101	School Breakfast Program	10.553	277,047
<u>Passed Through the Texas Department of Human Services:</u>			
	Non-cash assistance - Food Distribution Program	10.555	83,506
TOTAL DEPARTMENT OF AGRICULTURE			1,223,200
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,503,823

The accompanying notes are an integral part of this schedule.

TAYLOR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Taylor Independent School District (the "District").

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program and the Food Distribution Program. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, School Breakfast Program and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the District's basic financial statements in the special revenue funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs - The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

TAYLOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs:

Title I, Part A Cluster	unqualified
Special Education Cluster	unqualified
Title IV, Part B, 21st Century	unqualified
Title XIV, State Fiscal Stabilization Fund, Recovery Act	unqualified

Any audit findings disclosed that are required to be reported with section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Title I, Part A Cluster:
84.010A	ESEA Title I, Part A
84.389A	ESEA Title I, Part A, Recovery Act
	Special Education Cluster:
84.027A	IDEA-B, Formula
84.173A	IDEA-B, Preschool
84.391A	IDEA-B, Formula, Recovery Act
84.392A	IDEA-B, Preschool, Recovery Act
84.287C	Title IV, Part B, 21st Century
84.394A	Title XIV, State Fiscal Stabilization Fund, Recovery Act

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

TAYLOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings Relating to Internal Control over Financial Reporting in Accordance with Government Auditing Standards:

2011-1

- Criteria: The District records expenditures in the reporting period in which they are incurred.
- Condition Found: There were multiple invoices for expenditures incurred at the end of the current year related to capital projects that were not recorded in the proper reporting period.
- Effect: There were \$2,819,224 in capital outlay expenditures incurred in August 2011 in the Capital Projects Fund that were not recorded as of August 31, 2011, thus expenditures and the related liability balances were understated at year-end.
- Recommendations: District management should ensure that policies and procedures are in place and functioning so that all expenditures are recorded in the proper reporting period based on when the expenditures were incurred by the District.
- Corrective Action Plan: The Business Manager will put procedures in place to ensure that all expenditures are properly recorded when the expenditures are incurred.

No findings or questioned costs required to be reported in accordance with Government Auditing Standards for the year ended August 31, 2010.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings Relating to Federal Awards Reported in Accordance with section 510(a) of OMB Circular A-133:

2011-2

- Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.

Condition Found: The District's employees who worked on the Child Nutrition program only completed one semi-annual certification during the current year.

Questioned Costs: None

Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that employees complete semi-annual certifications.

Corrective Action Plan: The District has implemented policies and procedures to ensure that employees complete semi-annual certifications or maintain time and effort activity reports.

2011-3

Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.

Condition Found: Some of the District's employees who worked on the IDEA-B program only completed one semi-annual certification during the current year.

Questioned Costs: None

Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that employees complete semi-annual certifications.

Corrective Action Plan: The District has implemented policies and procedures to ensure that employees complete semi-annual certifications or maintain time and effort activity reports.

2011-4

Criteria: OMB Circular A-87 requires that employees who work on multiple cost objectives to complete a personnel activity report, which reflects the actual time spent on each cost objective. These personnel activity reports must be prepared at least monthly and signed by the employee or a supervisor with knowledge of how an employee's time has been spent.

- Condition Found:** Payroll expenditures recorded to the Title I, Part A program for one employee who worked on the Title I, Part A program and another cost objective were based on a budgeted allocation instead of personnel activity reports reflecting actual time spent on the program in the current year.
- Questioned Costs:** Payroll expenditures recorded to the Title I, Part A program in the current year related to this employee who worked on the Title I, Part A program and another cost objective were \$29,095.
- Effect:** Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if personnel activity reports do not support the allocation of payroll expenditures to a federal program.
- Recommendations:** District management should ensure that policies and procedures are in place and functioning so that the allocation of payroll expenditures to federal programs is supported by personnel activity reports.
- Corrective Action Plan:** The District will monitor all of its federal program payroll expenditures to ensure that they are supported by personnel activity reports.

2010-1

- Criteria:** OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source. For employees who work on multiple cost objectives, a personnel activity report, which reflects the actual time spent on each cost objective, must be prepared at least monthly and signed by the employee.
- Condition Found:** District employees who worked on the IDEA-B program did not complete semi-annual certifications or personnel activity reports.
- Questioned Costs:** None
- Effect:** Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications or personnel activity reports are not completed.
- Recommendations:** District management should ensure that policies and procedures are in place and functioning so that employees complete semi-annual certifications or personnel activity reports.
- Corrective Action Plan:** The District has implemented policies and procedures to ensure that employees complete semi-annual certifications or maintain personnel activity reports.