

**FRISCO
INDEPENDENT SCHOOL DISTRICT**

Financial Report For the Year Ended

June 30, 2009

FRISCO INDEPENDENT SCHOOL DISTRICT
 Financial Report
 For the Year Ended June 30, 2009

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 Financial Report
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CERTIFICATE OF BOARD

<u>Frisco Independent School District</u>	<u>Collin</u>	<u>043-905</u>
Name of School District	County	Co.- Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and () approved () disapproved for the year ended June 30, 2009, at a meeting of the Board of School Trustees of such school district on the ____ day of _____, 2009.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 148
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972-335-9754/FAX 972-335-9758

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MEMBERS
AMERICAN INSTITUTE OF CPAs
AICPA DIVISION FOR CPA FIRMS
TEXAS SOCIETY OF CPAs

**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

Board of School Trustees
Frisco Independent School District
6942 Maple
Frisco, Texas 75034

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frisco Independent School District, Frisco Texas (the District) as of and for the year ended June 30, 2009, 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 administrators. Our responsibility is to express an opinion on them 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Frisco Independent School District as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on page 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic 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 not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements and the T.E.A. required schedules (except for Exhibit G-3, the Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Pingleton, Howard & Company, P.C.

October 14, 2009

Management's Discussion and Analysis

This section of the Frisco Independent School District annual financial report presents the discussion and analysis of the District's financial performance during the year ended June 30, 2009. The following report and analysis will be an extension to the District's financial statements.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets (Exhibit A-1) and the Statement of Activities (Exhibit B-1). These reports provide information about the activities of the District as a whole, long-term view of the District's property, debt obligations, and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting with Exhibit C-1) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For government activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They also reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefits of those outside of the District.

The notes to the financial statements (following Exhibit E-1) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA and are contained in Exhibits G-1 and G-2. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of the grants.

Reporting the District Financial Performance as a Whole

Government-wide Statements: The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets, Exhibit A-1, includes all of the government's assets and liabilities. The Statement of Activities, Exhibit B-1, accounts for all of the current period's revenue and expenses.

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

Within the government-wide financial statements of the District, most of the District's basic services are included, such as instructions, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, grants, and state revenues finance most of the activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

- Some funds are required to State law and bond covenants
- Other funds are established to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

This District has three kinds of funds:

- **Governmental funds** - Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal period. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The difference between the governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements. (Exhibits C-2 and C-4)
- **Proprietary funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - Internal Service Funds are used to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund.
- **Fiduciary funds** - The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets (Exhibit E-1). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Financial Analysis of the District

The District implemented GASB Statement #34 for the 2001-2002 fiscal year. As of 2008-2009 fiscal year, the analysis will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net assets (Table A1) and changes in net assets (Table A2) of the District's governmental and business-type activities.

Net Assets - The District's combined net assets were \$(82,899,936) on June 30, 2009. The prior year's net assets were \$(40,383,010) (See Table A1).

Statement of Net Assets (Exhibit A-1)

**Table A-1
District's Net Assets**

	2008-2009 <u>Governmental</u>	2007-2008 <u>Governmental</u>	Percentage <u>Change</u>
Current and other assets	\$ 275,650,178	240,957,702	14.4%
Capital and non-current assets	<u>996,890,365</u>	<u>844,426,024</u>	18.1%
Total assets	<u>1,272,540,543</u>	<u>1,085,383,726</u>	17.2%
Current liabilities	134,216,506	93,858,773	43.0%
Long term liabilities	<u>1,221,223,973</u>	<u>1,031,907,963</u>	18.3%
Total liabilities	<u>1,355,440,479</u>	<u>1,125,766,736</u>	20.4%
Net assets:			
Invested in capital assets (net of related debt)	(171,154,403)	(122,276,884)	-40.0%
Restricted	66,321,195	51,515,881	28.7%
Unrestricted	<u>21,933,272</u>	<u>30,377,993</u>	-27.8%
Total net assets	\$ <u><u>(82,899,936)</u></u>	<u><u>(40,383,010)</u></u>	-105.3%

Statement of Activities (Exhibit B-1)

**Table A2
Changes in Net Assets**

	<u>2008-2009 Governmental</u>	<u>2007-2008 Governmental</u>	<u>Percentage Change</u>
REVENUES			
Program revenues			
Charges for services	\$ 12,358,105	10,334,116	19.6%
Operating grants and contributions	<u>18,596,276</u>	<u>16,447,353</u>	13.1%
Total program revenues	<u>30,954,381</u>	<u>26,781,469</u>	15.6%
General revenues			
Property taxes	226,525,817	188,769,030	20.0%
State aid-formula	68,601,051	52,027,127	31.9%
Investment earnings	2,509,504	6,400,879	-60.8%
Grants and contributions	27,945		
Other revenue	<u>21,090,145</u>	<u>28,255,988</u>	-25.4%
Total general revenues	<u>318,754,462</u>	<u>275,453,024</u>	15.7%
Total Revenues	<u>349,708,843</u>	<u>302,234,493</u>	15.7%
EXPENSES			
Instructional and instructional related	190,484,088	140,764,900	35.3%
Instructional leadership and administration	17,478,440	13,389,118	30.5%
Guidance, social work, health and transportation	19,130,993	15,527,620	23.2%
Food services	12,921,293	10,181,062	26.9%
Extracurricular activities	12,113,595	9,456,889	28.1%
General administration	9,650,382	5,800,055	66.4%
Plant maintenance and security	28,584,878	20,348,847	40.5%
Data processing services	4,766,862	1,785,957	166.9%
Community services	1,424,151	850,082	67.5%
Debt	67,009,800	39,696,630	68.8%
Contracted instructional services	<u>28,661,287</u>	<u>19,614,719</u>	46.1%
Total expenses	<u>392,225,769</u>	<u>277,415,879</u>	41.4%
Increase/(decrease) in net assets	(42,516,926)	24,818,614	-171.3%
Beginning net assets	<u>(40,383,010)</u>	<u>(65,201,624)</u>	-38.1%
Ending net assets	\$ <u>(82,899,936)</u>	<u>(40,383,010)</u>	-105.3%

The increase in expenses for the 2008 - 2009 school year is a result of the District's decision to change the year end from August 31 to June 30 beginning with the 2007 - 2008 school year. The impact of opening of one (1) elementary school, one (1) high school, and an Early Childhood School contributed to the increase of expenses.

Budgetary Highlights: (Information from Exhibit F-1)

General Fund

At the end of the 2008 fiscal period, the ending fund balance of \$43,473,686 represented 18.5% of the 2008 - 2009 operating budget. For the 2009 fiscal period, the ending fund balance of \$44,962,721 represents 17.7% of the 2009 - 2010 operating budget.

Total revenues increased from \$214,541,962 in 2007 - 2008 to \$254,986,921 for 2008 - 2009 or an 18.9% increase. Total local revenue continues to increase due to the increase in the District's property values of 5.6% in 2008 - 2009 from the previous year. The District received an increase of \$17,862,047 from the State compared to the previous year.

Regarding expenditures, in Function 11 the District had a variance in instructional costs of approximately \$0.9M mainly due to the personnel benefits for TRS on Behalf being \$0.5M less than expected. The majority of the District's approximately 4,900 employees are included in Function 11. The \$0.6M favorable variance in Function 34 is due to a change in procedures for billing the cost of student field trips to the campuses. In Function 51, the budget for utilities was \$9.1M and the actual was \$8.5M thus contributing to the \$1.0M favorable variance. The \$0.8M unfavorable variance in Function 97 is linked directly to the revenue received in the Tax Increment Refunding Zone. The revenue and expenses relating to this zone were more than originally anticipated.

Capital Assets and Debt Administration

At the end of 2009, the District had invested \$1,091,382,355 in various capital assets, including land, equipment, buildings, and construction in progress. The following table (A3) represents the District's total Capital Assets:

Table A3
Capital Assets

<u>Description</u>	<u>Total Costs</u> <u>2008-2009</u>	<u>Total Costs</u> <u>2007-2008</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 119,199,396	114,467,329	4.1%
Buildings and improvements	738,380,083	622,386,344	18.6%
Furniture and equipment	26,818,342	18,829,150	42.4%
Construction in progress	<u>206,984,534</u>	<u>165,009,891</u>	25.4%
Total cost (historical)	<u>1,091,382,355</u>	<u>920,692,714</u>	18.5%
Total accumulated depreciation	<u>(99,956,098)</u>	<u>(78,874,174)</u>	26.7%
Net capital assets	\$ <u>991,426,257</u>	<u>841,818,540</u>	17.8%

The District's fiscal year 2010 capital budget will include expenditures for the completion of five (5) additional campuses. The five campuses consist of two (2) elementary schools and three (3) middle schools. Additional information on capital assets is contained in Note 4, Section E of the Notes to the Financial Statements.

At the end of the 2009 fiscal year, the District had \$1,239,824,093 in bonds outstanding as compared to \$1,045,163,317 the previous fiscal year 2008.

Table A4
Long Term Debt Analysis

<u>Description</u>	<u>Total</u> <u>2008-2009</u>	<u>Total</u> <u>2007-2008</u>	<u>Percentage</u> <u>Change</u>
Bonds payable	\$ <u>1,239,824,093</u>	<u>1,045,163,317</u>	18.6%
Total bonds payable	\$ <u>1,239,824,093</u>	<u>1,045,163,317</u>	18.6%

More detailed information is available about the District's debt in Note 4, Section G of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

- Appraised values used for the 2010 budget preparation has increased to approximately \$16,276,550,271 which represents an increase of 9.0% from the prior year appraised values. The assessed property values for the 2009 - 2010 budget year is approximately \$17,164,437,205 or a 5.5% increase. The District continues to have an excellent tax collection rate of 99.13% compared to 98.62% in 2008.
- The District's 2009 - 2010 student enrollment is expected to be approximately 34,000 which represents an 11.9% increase over the enrollment in 2008 - 2009.
- The District's debt obligations will continue to have a financial impact as long as the District continues to add additional building and campuses.
- Frisco ISD has received a rating of "Superior Achievement" under Texas' new financial accountability rating system. The Superior Achievement rating is the state's highest, demonstrating the quality of the District's financial management and reporting system. This is the seventh year of Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for school districts developed by the Texas Education Agency. The primary goal of FIRST is to achieve quality performance in the management of the District's financial resources. Frisco ISD has received a superior rating for all seven years of the program.

Contacting the District's Financial Management

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

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BASIC FINANCIAL STATEMENTS

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 261,148,008
1220 Property Taxes Receivable (Delinquent)	4,572,210
1230 Allowance for Uncollectible Taxes	(450,134)
1240 Due from Other Governments	10,187,643
1290 Other Receivables, net	192,451
1420 Capitalized Bond and Other Debt Issuance Costs	5,464,108
Capital Assets:	
1510 Land	119,199,396
1520 Buildings, Net	650,197,797
1530 Furniture and Equipment, Net	15,044,530
1580 Construction in Progress	206,984,534
1000 Total Assets	1,272,540,543
LIABILITIES	
2110 Accounts Payable	34,561,640
2140 Interest Payable	22,911,253
2150 Payroll Deductions & Withholdings	1,565,461
2160 Accrued Wages Payable	25,928,630
2200 Accrued Expenses	10,113,677
2300 Deferred Revenues	19,280,008
Noncurrent Liabilities	
2501 Due Within One Year	19,855,837
2502 Due in More Than One Year	1,219,968,256
2600 Deferred Gain on Refunding Bonds	1,255,717
2000 Total Liabilities	1,355,440,479
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	(171,154,403)
3820 Restricted for Federal and State Programs	3,121,981
3850 Restricted for Debt Service	59,011,864
3860 Restricted for Capital Projects	4,187,350
3900 Unrestricted Net Assets	21,933,272
3000 Total Net Assets	\$ (82,899,936)

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

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Primary Gov. Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 179,255,336	\$ 315,818	\$ 11,237,196	\$ (167,702,322)
12 Instructional Resources and Media Services	7,527,217	-	206,056	(7,321,161)
13 Curriculum and Instructional Staff Development	3,701,535	-	535,019	(3,166,516)
21 Instructional Leadership	3,707,131	-	249,111	(3,458,020)
23 School Leadership	13,771,309	-	494,258	(13,277,051)
31 Guidance, Counseling and Evaluation Services	8,615,821	-	2,274,122	(6,341,699)
32 Social Work Services	233,822	-	3,964	(229,858)
33 Health Services	2,875,656	-	109,529	(2,766,127)
34 Student (Pupil) Transportation	7,405,694	-	297,115	(7,108,579)
35 Food Services	12,921,293	10,534,707	2,078,938	(307,648)
36 Extracurricular Activities	12,113,595	746,020	162,122	(11,205,453)
41 General Administration	9,650,382	-	161,807	(9,488,575)
51 Plant Maintenance and Operations	27,055,506	761,560	447,317	(25,846,629)
52 Security and Monitoring Services	1,529,372	-	16,217	(1,513,155)
53 Data Processing Services	4,766,862	-	89,248	(4,677,614)
61 Community Services	1,424,151	-	54,128	(1,370,023)
72 Debt Service - Interest on Long Term Debt	66,796,474	-	-	(66,796,474)
73 Debt Service - Bond Issuance Cost and Fees	213,326	-	-	(213,326)
81 Facilities Acquisition and Construction	-	-	53,105	53,105
91 Contracted Instructional Services Between Schools	12,904,887	-	-	(12,904,887)
93 Payments to Fiscal Agent/Member Districts of SSA	127,022	-	127,022	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	112,838	-	-	(112,838)
97 Payments to Tax Increment Fund	15,516,540	-	-	(15,516,540)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 392,225,769	\$ 12,358,105	\$ 18,596,276	(361,271,388)

Data Control Codes	General Revenues: Taxes:	
MT	Property Taxes, Levied for General Purposes	168,875,322
DT	Property Taxes, Levied for Debt Service	57,650,495
SF	State Aid - Formula Grants	68,601,051
GC	Grants and Contributions not Restricted	27,945
IE	Investment Earnings	2,509,504
MI	Miscellaneous Local and Intermediate Revenue	21,090,145
TR	Total General Revenues	318,754,462
CN	Change in Net Assets	(42,516,926)
NB	Net Assets--Beginning	(40,383,010)
NE	Net Assets--Ending	\$ (82,899,936)

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

FRISCO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 92,492,051	\$ 59,914,245	\$ 100,915,842
1220 Property Taxes - Delinquent	3,371,035	1,201,175	-
1230 Allowance for Uncollectible Taxes (Credit)	(350,696)	(99,438)	-
1240 Due from Other Governments	9,513,883	-	-
1260 Due from Other Funds	175,856	-	-
1290 Other Receivables	32,846	-	159,605
1000 Total Assets	<u>\$ 105,234,975</u>	<u>\$ 61,015,982</u>	<u>\$ 101,075,447</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 10,997,357	\$ 500	\$ 22,020,257
2140 Interest Payable - Current	-	901,881	-
2150 Payroll Deductions and Withholdings Payable	1,565,461	-	-
2160 Accrued Wages Payable	24,645,597	-	111,600
2170 Due to Other Funds	-	-	175,856
2200 Accrued Expenditures	999,884	-	9,113,793
2300 Deferred Revenues	22,063,955	1,101,737	-
2000 Total Liabilities	<u>60,272,254</u>	<u>2,004,118</u>	<u>31,421,506</u>
Fund Balances:			
Reserved For:			
3420 Retirement of Long Term Debt	-	59,011,864	-
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	-	-	69,653,941
3590 Other Purposes	23,000,000	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	21,962,721	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>44,962,721</u>	<u>59,011,864</u>	<u>69,653,941</u>
4000 Total Liabilities and Fund Balances	<u>\$ 105,234,975</u>	<u>\$ 61,015,982</u>	<u>\$ 101,075,447</u>

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

Other Funds	Total Governmental Funds
\$ 5,412,121	\$ 258,734,259
-	4,572,210
-	(450,134)
673,760	10,187,643
-	175,856
-	192,451
<u>\$ 6,085,881</u>	<u>\$ 273,412,285</u>
\$ 56,860	\$ 33,074,974
-	901,881
-	1,565,461
1,171,433	25,928,630
-	175,856
-	10,113,677
236,392	23,402,084
<u>1,464,685</u>	<u>95,162,563</u>
-	59,011,864
3,121,981	3,121,981
-	69,653,941
-	23,000,000
-	21,962,721
1,499,215	1,499,215
<u>4,621,196</u>	<u>178,249,722</u>
<u>\$ 6,085,881</u>	<u>\$ 273,412,285</u>

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FRISCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds	\$	178,249,722
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		927,083
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$920,692,714 and the accumulated depreciation was \$78,874,174. In addition, long-term liabilities, including bonds payable of \$992,862,979, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets.		(151,044,439)
3 Current period capital outlays of \$170,851,510, current period disposals of \$(4,650), and current period long-term debt principal payments of \$14,393,638 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current period capital outlays is to increase net assets.		185,240,498
4 Accrued interest payable on long-term debt is not shown on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accrued interest payable is to decrease net assets.		(22,009,372)
5 Accreted interest on capital appreciation bonds on not included on the fund financial statements, but is included on the government-wide financial statements. The effect of including accreted interest is to decrease net assets.		(64,577,910)
6 The current period depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(21,239,143)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(188,446,375)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>(82,899,936)</u>

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

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 177,165,313	\$ 58,613,963	\$ 13,851,023
5800 State Program Revenues	77,793,663	-	53,105
5900 Federal Program Revenues	27,945	-	-
5020 Total Revenues	<u>254,986,921</u>	<u>58,613,963</u>	<u>13,904,128</u>
EXPENDITURES:			
Current:			
0011 Instruction	146,262,459	-	-
0012 Instructional Resources and Media Services	5,621,291	-	-
0013 Curriculum and Instructional Staff Development	3,259,066	-	-
0021 Instructional Leadership	3,556,453	-	-
0023 School Leadership	13,377,731	-	-
0031 Guidance, Counseling and Evaluation Services	6,601,100	-	-
0032 Social Work Services	233,822	-	-
0033 Health Services	2,781,160	-	-
0034 Student (Pupil) Transportation	5,877,442	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	6,732,672	-	-
0041 General Administration	6,838,930	-	-
0051 Facilities Maintenance and Operations	23,212,771	-	-
0052 Security and Monitoring Services	1,237,700	-	-
0053 Data Processing Services	1,770,527	-	-
0061 Community Services	737,561	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	14,393,638	-
0072 Debt Service - Interest on Long Term Debt	-	47,192,970	-
0073 Debt Service - Bond Issuance Cost and Fees	-	3,069,950	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	197,245,977
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	12,904,887	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	112,838	-	-
0097 Payments to Tax Increment Fund	12,783,093	-	2,733,447
6030 Total Expenditures	<u>253,901,503</u>	<u>64,656,558</u>	<u>199,979,424</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,085,418</u>	<u>(6,042,595)</u>	<u>(186,075,296)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	14,170,000	185,000,000
7912 Sale of Real and Personal Property	17,096	-	-
7915 Transfers In	401,521	10,074,910	-
7916 Premium or Discount on Issuance of Bonds	-	8,865,586	-
8911 Transfers Out (Use)	(15,000)	-	(10,074,910)
8949 Other (Uses)	-	(14,326,603)	-
7080 Total Other Financing Sources (Uses)	<u>403,617</u>	<u>18,783,893</u>	<u>174,925,090</u>
1200 Net Change in Fund Balances	1,489,035	12,741,298	(11,150,206)
0100 Fund Balance - July 1 (Beginning)	<u>43,473,686</u>	<u>46,270,566</u>	<u>80,804,147</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 44,962,721</u>	<u>\$ 59,011,864</u>	<u>\$ 69,653,941</u>

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

	Other Funds	Total Governmental Funds
\$	12,894,304	\$ 262,524,603
	2,937,482	80,784,250
	6,413,077	6,441,022
	<u>22,244,863</u>	<u>349,749,875</u>
	4,536,591	150,799,050
	-	5,621,291
	443,044	3,702,110
	149,486	3,705,939
	-	13,377,731
	2,016,990	8,618,090
	-	233,822
	-	2,781,160
	1,475	5,878,917
	11,615,911	11,615,911
	1,398,617	8,131,289
	114,057	6,952,987
	1,475	23,214,246
	-	1,237,700
	-	1,770,527
	674,557	1,412,118
	-	14,393,638
	-	47,192,970
	-	3,069,950
	-	197,245,977
	-	12,904,887
	127,022	127,022
	-	112,838
	-	15,516,540
	<u>21,079,225</u>	<u>539,616,710</u>
	<u>1,165,638</u>	<u>(189,866,835)</u>
	-	199,170,000
	-	17,096
	15,000	10,491,431
	-	8,865,586
	(401,521)	(10,491,431)
	-	(14,326,603)
	<u>(386,521)</u>	<u>193,726,079</u>
	779,117	3,859,244
	<u>3,842,079</u>	<u>174,390,478</u>
\$	<u>4,621,196</u>	\$ <u>178,249,722</u>

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FRISCO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	3,859,244
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		149,541
Current period capital outlays of \$170,851,510, current period disposals of \$(4,650), and current period long-term debt principal payments of \$14,393,638 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the current period capital outlays is to increase net assets.		185,240,498
Accrued interest payable on long-term debt is not shown on the fund financial statements, but is shown on the government-wide financial statements. The net effect of showing accrued interest payable is to decrease net assets.		(4,572,002)
Accreted interest on capital appreciation bonds is not included on the fund financial statements, but is included on the government-wide financial statements. The effect of including accreted interest is to decrease net assets.		(15,624,665)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current period's depreciation is to decrease net assets.		(21,239,143)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(190,330,399)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(42,516,926)</u>

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

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,413,749
Total Assets	<u>2,413,749</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>1,486,666</u>
Total Liabilities	<u>1,486,666</u>
NET ASSETS	
Unrestricted Net Assets	<u>927,083</u>
Total Net Assets	<u><u>\$ 927,083</u></u>

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

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 14,747,735
Total Operating Revenues	14,747,735
OPERATING EXPENSES:	
Other Operating Costs	14,615,919
Total Operating Expenses	14,615,919
Operating Income	131,816
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	17,725
Total Nonoperating Revenues (Expenses)	17,725
Change in Net Assets	149,541
Total Net Assets - July 1 (Beginning)	777,542
 Total Net Assets - June 30 (Ending)	 \$ 927,083

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

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 14,831,780
Cash Payments for Other Operating Expenses	(14,441,119)
Net Cash Provided by Operating Activities	390,661
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	17,725
Net Increase in Cash and Cash Equivalents	408,386
Cash and Cash Equivalents at Beginning of the Year:	2,005,363
Cash and Cash Equivalents at the End of the Year:	\$ 2,413,749
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income:	\$ 131,816
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	84,045
Increase (decrease) in Accounts Payable	174,800
Net Cash Provided by Operating Activities	\$ 390,661

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

FRISCO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 618,070
Total Assets	<u>618,070</u>
LIABILITIES	
Accounts Payable	\$ 5,449
Due to Student Groups	<u>612,621</u>
Total Liabilities	<u>618,070</u>

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

FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Frisco Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary 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.

C. 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*, as are the proprietary fund and

-continued-

FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The District reports the following major governmental funds:

1. **General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

2. **Internal Service Fund** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is a self-funded health insurance fund.

Fiduciary Funds:

3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is for student groups.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

-continued-

FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

2. Due From (To) Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	10
Office equipment	7
Computer equipment	5

4. Vacation and Sick Leave

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

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Debt Service Fund reserves total \$59,011,864 for retirement of funded indebtedness as of June 30, 2009. A total of \$69,653,941 has been designated for authorized construction programs in the Capital Projects Fund. The Special Revenue Fund reserves total \$3,121,981 for Food Service. Unreserved Designated Fund balances for other purposes included \$23,000,000 in the General Fund.

7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

8. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by T.E.A. in the *Financial Accountability System Resources Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

9. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(188,446,375) adjustment are as follows:

Long-term debt:	
Issuance of bonds payable	\$ (185,000,000)
Premium and discount on bonds	(11,776,842)
Deferred gain on refunding bonds	(1,255,717)
Issuance costs on bonds	<u>5,464,108</u>
	<u>(192,568,451)</u>
Deferred revenue:	
To remove the current year uncollected tax levy from deferred revenue	3,551,476
To remove prior year collectible delinquent tax levy receivable from deferred revenue	<u>570,600</u>
	<u>4,122,076</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>(188,446,375)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(190,330,399) adjustment are as follows:

-continued-

FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Long-term debt:

Issuance of bonds payable	\$ (185,000,000)
Current period amortization	548,438
Current period premium and discount on bonds	(8,865,586)
Current period issuance costs on bonds	<u>3,057,952</u>
	<u>(190,259,196)</u>

Taxes:

To move the current year uncollected tax levy to revenue	3,551,476
To remove the prior year tax collection from current year revenue	<u>(3,622,679)</u>
	<u>(71,203)</u>

Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>(190,330,399)</u>
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NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit F-1 and the other two reports are in Exhibit H-3 and H-4.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end. The budget was properly amended throughout the year by the Board of Trustees.

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2009 Fund Balance

Appropriated budget funds - Food Service Special Revenue Fund	\$ 3,121,981
Nonappropriated budget funds	<u>1,499,215</u>
All Special Revenue Funds	<u>\$ 4,621,196</u>

B. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year end.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

At June 30, 2009, the carrying amount of the District's cash, savings, and time deposits was \$7,578,802. The bank balance was \$8,856,375. The District's combined deposits at June 30, 2009, and during the year ended June 30, 2009 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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

- a. Name of bank JPMorgan Chase Bank, Frisco, Texas.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$ 54,406,326.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 37,017,596 and occurred during the month of January.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 250,000.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings account; (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Fund; (8) Investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

-continued-

FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Lone Star Investment Pool (“LoneStar”). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission’s Rule 2a7 of the Investment Company Act of 1940. Administration of LoneStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for LoneStar at year end was Aaa by Moody’s Investor Service.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District’s investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2009, were as follows:

<u>Investment type:</u>	<u>Fair Value</u>
Lone Star investment pool	\$ <u>254,186,010</u>

B. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

B. Property Taxes (continued)

by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2008, upon which the levy for the 2008-09 fiscal year was based, was \$16,276,550,271. The roll was subsequently increased to a period end assessed value of \$16,641,378,797. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the year ended June 30, 2009, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.00 and \$0.37 per \$100 valuation, respectively, for the total of \$1.37 per \$100 valuation.

Total tax collections for the year ended June 30, 2009 were 99.9% of the period end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2009, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,020,339 and \$1,101,737 for the General and Debt Service Funds, respectively.

C. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2009, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 9,513,883		9,513,883
Special revenue	<u>19,461</u>	<u>654,299</u>	<u>673,760</u>
Total	<u>\$ 9,533,344</u>	<u>654,299</u>	<u>10,187,643</u>

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund Receivables and Payables

Interfund balances at June 30, 2009, consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Capital Projects Fund	\$ <u>175,856</u>	
Capital Projects Fund:		
General Fund		<u>175,856</u>
Total	\$ <u>175,856</u>	<u>175,856</u>

E. Capital Assets

Capital asset activity for the period ended June 30, 2009, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Government activities:				
Land	\$ 114,467,329	4,732,067		119,199,396
Buildings and improvements	622,386,344	115,993,739		738,380,083
Furniture and equipment	18,829,150	8,151,061	(161,869)	26,818,342
Construction in progress	<u>165,009,891</u>	<u>159,536,799</u>	<u>(117,562,156)</u>	<u>206,984,534</u>
Totals at historical cost	<u>920,692,714</u>	<u>288,413,666</u>	<u>(117,724,025)</u>	<u>1,091,382,355</u>
Less accumulated depreciation for:				
Buildings and improvements	(69,946,804)	(18,235,482)		(88,182,286)
Furniture and equipment	<u>(8,927,370)</u>	<u>(3,003,661)</u>	<u>157,219</u>	<u>(11,773,812)</u>
Total accumulated depreciation	<u>(78,874,174)</u>	<u>(21,239,143)</u>	<u>157,219</u>	<u>(99,956,098)</u>
Governmental activities capital assets, net	\$ <u>841,818,540</u>	<u>267,174,523</u>	<u>(117,566,806)</u>	<u>991,426,257</u>

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 13,791,894
Instructional resources and media	375,712
School leadership	225,566
Student transportation	1,532,050
Food services	1,173,360
Extracurricular activities	1,727,859
General administration	377,537
Plant maintenance and operations	954,749
Security monitoring	172,695
Data processing services	895,688
Community services	<u>12,033</u>
Total depreciation expense	\$ <u>21,239,143</u>

F. Construction Commitments

At June 30, 2009, the District had several projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	<u>Costs Incurred Through 06/30/09</u>	<u>Amount Retained</u>
Heritage HS	08/09	64,411,851	62,441,788	2,908,664
Lone Star HS	08/09	65,325,441	65,092,268	3,280,277
Lawler ES			46,524	
Ag Facility	09/09	840,000	78,282	1,774
Memorial turf	08/09	621,002	19,553	304
East Side stadium			73,412	
Allen ES	08/09	15,487,253	15,316,828	353,647
Running Trails	09/09	176,942	10,812	
Grayhawk ES			11,391	
Service Ctr. Phase IV	08/09	1,548,948	1,477,901	68,540
Various projects	08/09	4,110,828	1,930,564	94,146
West Side Stadium			631,637	
Hunt MS	08/10	24,520,000	10,079,121	449,950
Early Child Ctr.	08/09	19,293,538	18,619,564	440,787
Sonntag ES	08/10	12,372,000	5,405,466	234,301
Maus MS	08/10	24,936,000	10,793,367	494,960
Cobb MS	08/10	26,263,000	12,206,776	570,815

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

F. Construction Commitments (continued)

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	<u>Costs Incurred Through 06/30/09</u>	<u>Amount Retained</u>
Purefoy ES	08/10	13,237,000	1,655,985	40,204
Shaddock MS			207,995	
Central Admin.			885,300	

G. Bonds Payable

Bonds payable activity for the year ended June 30, 2009, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
1997 School Building	7.75%	8,300,000	220,000		(220,000)		
1998 School Building	7.25%	17,700,000	14,655,000		(14,655,000)		
1998A School Building	6.50%	25,000,000	22,180,000		(575,000)	21,605,000	605,000
1999 Refunding & School Building	5.75%	40,033,092	33,808,092		(1,490,000)	32,318,092	1,585,000
2000 School Building	7.00%	45,000,000	14,565,000		(820,000)	13,745,000	870,000
2000A School Building	7.00%	28,000,000	26,640,000		(515,000)	26,125,000	550,000
2001 School Building	6.50%	60,000,000	56,995,000		(1,115,000)	55,880,000	1,175,000
2002 School Building	7.25%	75,000,000	72,135,000		(1,085,000)	71,050,000	1,165,000
2002A Refunding & School Building	5.77%	38,019,141	37,834,141		(1,705,000)	36,129,141	1,785,000
2003A School Building	2.60%	1,900,000	500,000		(500,000)		
2003B School Building	7.00%	38,100,000	38,100,000			38,100,000	520,000
2004 Refunding & School Building	5.25%	60,661,071	58,139,395		(1,378,882)	56,760,513	1,313,596
2005A School Building	5.50%	40,000,000	39,505,000		(520,000)	38,985,000	555,000
2005B School Building	5.50%	25,000,000	24,560,000		(465,000)	24,095,000	485,000
2005C Refunding & School Building	5.00%	104,595,831	102,839,756		(1,869,756)	100,970,000	2,315,000
2006 School Building	4.58%	85,000,000	85,000,000		(650,000)	84,350,000	1,190,000
2006A School Building	4.86%	80,000,000	80,000,000		(1,000,000)	79,000,000	1,050,000
2007 Refunding & School Building	4.41%	95,186,595	95,186,595			95,186,595	1,840,000
2007A School Building	4.83%	100,000,000	100,000,000			100,000,000	1,480,000
2008 School Building	5.00%	90,000,000	90,000,000			90,000,000	
2008A School Building	5.91%	100,000,000		100,000,000		100,000,000	
2009 School Building	5.23%	85,000,000		85,000,000		85,000,000	
2009 Refunding	3.76%	14,170,000		<u>14,170,000</u>		<u>14,170,000</u>	<u>670,000</u>
Subtotal			992,862,979	199,170,000	(28,563,638)	1,163,469,341	19,153,596
Bond Premium			3,347,093	8,865,586	(435,837)	11,776,842	435,837
Accreted interest			<u>48,953,245</u>	<u>16,056,027</u>	<u>(431,362)</u>	<u>64,577,910</u>	<u>266,404</u>
Total bonded indebtedness	\$		<u>1,045,163,317</u>	<u>224,091,613</u>	<u>(29,430,837)</u>	<u>1,239,824,093</u>	<u>19,855,837</u>

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable (continued)

General obligation bonds consist of 1998 through 2009 School Building Bonds bearing interest at 2.0 - 7.25% per annum and 1999, 2002, 2004, 2005, 2007, and 2009 Refunding Bonds bearing interest at 2.0 - 5.75% per annum. Interest expense for the year on all bonded indebtedness was \$47,192,970.

Debt service requirements for the general obligation bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 19,153,596	57,423,202	76,576,798
2011	20,817,773	56,083,398	76,901,171
2012	20,631,134	59,600,172	80,231,306
2013	21,959,605	58,199,044	80,158,649
2014	25,250,000	54,819,509	80,069,509
2015-2019	149,325,000	250,480,479	399,805,479
2020-2024	186,463,812	212,576,540	399,040,352
2025-2029	195,918,953	202,847,609	398,766,562
2030-2034	234,966,776	162,898,449	397,865,225
2035-2039	231,552,692	66,381,496	297,934,188
2040-2042	<u>57,430,000</u>	<u>3,377,684</u>	<u>60,807,684</u>
Total	<u>\$ 1,163,469,341</u>	<u>1,184,687,582</u>	<u>2,348,156,923</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2009.

H. Defeasance of Debt

On April 28, 2009, the District issued general obligation bonds (refunding bonds) of \$14,170,000 (par value) with an effective interest rate of 3.76 percent to advance refund the Unlimited Tax School Building Bonds, Series 1998 (refunded bonds), with an effective interest rate of 4.97 percent and par value of \$14,170,000. The refunding bonds were issued at par and, after paying issuance costs of \$225,580, and receiving a premium of \$382,183, the net proceeds were \$14,326,603. The net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

As a result of the advance refunding, the District's total debt service requirements decreased by \$636,455, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$592,621. The District issued the refunding bonds in order to restructure the bond debt and to enable the District to issue additional bonds for the purpose of capital improvements with an approximate annual level debt service.

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

H. Defeasance of Debt (continued)

In prior years, the District defeased previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2009, \$26,470,000 of the bonds outstanding (including those defeased in 2009) are considered defeased.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2009, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2009, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

C. Revenues from Local and Intermediate Sources

During the current period, revenues from local and intermediate sources consisted of the following:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Internal Service <u>Fund</u>	<u>Total</u>
Property taxes	\$ 155,843,426		57,717,305			213,560,731
Food sales		10,534,707				10,534,707
Investment income	1,004,163	37,653	382,033	1,067,930	17,725	2,509,504
Penalties, interest and other tax related income	4,730,864		514,625			5,245,489
Co-curricular student activities	746,020					746,020
Other	<u>14,840,840</u>	<u>2,321,944</u>		<u>12,783,093</u>	<u>14,747,735</u>	<u>44,693,612</u>
Total	\$ <u>177,165,313</u>	<u>12,894,304</u>	<u>58,613,963</u>	<u>13,851,023</u>	<u>14,765,460</u>	<u>277,290,063</u>

D. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Net tax revenue	\$ 3,020,339		1,101,737	4,122,076
Advanced placement incentives Foundation	19,043,616	49,994		19,043,616
Technology allotment		180,475		180,475
IDEA - Part B, Preschool		<u>5,923</u>		<u>5,923</u>
Total	\$ <u>22,063,955</u>	<u>236,392</u>	<u>1,101,737</u>	<u>23,402,084</u>

E. Health Care Coverage

The District sponsors a health self-insurance plan (the “plan”). The District contributes \$275 per month per employee to the plan and the employees, at their option authorized payroll withholdings to pay premiums for dependents’ health insurance coverage. A third party administrator acting on behalf of the District processes health claim payments.

Claims incurred after October 1, 2008 are subject to an individual stop-loss of \$185,000 per participant annually. Individual employee health claims are self insured by the District up to \$185,000 annually and H.C.C. Benefits provides stop-loss benefits above \$185,000 up to an aggregate district wide attachment point of \$16,735,683. At June 30, 2009, the District

-continued-

FRISCO INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 5 **OTHER INFORMATION** (continued)

E. Health Care Coverage (continued)

has recorded current health claim short term liabilities of \$1,486,666 in the Internal Service Fund representing claims reported but not paid and incurred but not reported.

These liabilities are based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

The latest financial statements available for H.C.C. Benefits are filed with the Texas State Board of Insurance, Austin, Texas, and are public records. The District does not provide any post-retirement health benefits to its employees.

Changes in the medical claims liability amounts for the two previous years are as follows:

	<u>Year Ended</u> <u>June 30, 2008</u>	<u>Year Ended</u> <u>June 30, 2009</u>
Unpaid claims, beginning of period	\$ 1,236,037	1,311,866
Incurred claims (including IBNR's)	8,111,937	12,270,267
Claim payments	<u>(8,036,108)</u>	<u>(12,095,467)</u>
Unpaid claims, end of fiscal period	<u>\$ 1,311,866</u>	<u>1,486,666</u>

F. Pension Plan Obligations

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal period 2007, 2008 and 2009 and a state contribution rate of 6.0% for fiscal year 2007 and 6.58% for the fiscal periods 2008 and 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.00% contribution for fiscal year 2007 and 6.58% for periods 2008 and 2009. State contributions to TRS made on behalf of the District's employees for the year ended August 31, 2007, the ten months ended June 30, 2008 and the year ended June 30, 2009 were \$6,304,763, \$7,904,489, and \$8,891,470, respectively. The District paid additional state contributions for the year ended August 31, 2007, the ten months ended June 30, 2008 and the year ended June 30, 2009 in the amount of \$1,447,237, \$1,424,850, and \$2,003,172, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

G. Retiree Health Plan

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2007, 2008, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the year ended August 31, 2007, the ten months ended June 30, 2008, and year ended June 30, 2009, the

-continued-

FRISCO INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2009

-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Retiree Health Plan (continued)

State's contributions to TRS-Care were \$1,220,259, \$1,217,470, and \$1,714,330, respectively, the active member contributions were \$793,173, \$790,341, and \$1,114,465, respectively, and the school district's contributions were \$671,147, \$669,601, and \$943,009, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2009 is estimated by TRS at \$392,095.

H. Workers' Compensation Insurance

For its workers' compensation insurance, the District is a participant in the East Texas Educational Insurance Association (ETEIA), a public entity risk pool. The District pays premiums to ETEIA for its workers' compensation insurance. The ETEIA has obtained reinsurance from Safety National Casualty Corporation for claims exceeding \$225,000. At June 30, 2009, the District's unpaid claims total \$999,884 including incurred but not reported (IBNR) claims of \$599,930, estimated. The District has reported the unpaid claims as a liability in the General Fund.

Changes in the balances of claims liability amounts in fiscal years 2008 and 2009 are as follows:

	<u>2008</u>	<u>2009</u>
Unpaid claims, beginning of year	\$ 917,541	1,652,290
Incurred claims (including IBNR)	898,608	(44,886)
Claim payments	<u>(163,859)</u>	<u>(607,520)</u>
Unpaid claims, end of year	<u>\$ 1,652,290</u>	<u>999,884</u>

NOTE 6 ARBITRAGE COMPLIANCE

The District is monitoring its compliance with Federal arbitrage regulations. As of June 30, 2009, the District is in compliance with Federal regulations and the District has no liability for arbitrage rebates.

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REQUIRED SUPPLEMENTARY INFORMATION

FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 181,382,400	\$ 181,332,150	\$ 177,165,313	\$ (4,166,837)
5800 State Program Revenues	71,700,000	71,700,000	77,793,663	6,093,663
5900 Federal Program Revenues	-	-	27,945	27,945
5020 Total Revenues	253,082,400	253,032,150	254,986,921	1,954,771
EXPENDITURES:				
Current:				
0011 Instruction	148,654,687	147,179,688	146,262,459	917,229
0012 Instructional Resources and Media Services	7,274,747	5,769,716	5,621,291	148,425
0013 Curriculum and Instructional Staff Development	3,612,948	3,392,451	3,259,066	133,385
0021 Instructional Leadership	2,733,553	3,762,201	3,556,453	205,748
0023 School Leadership	14,447,837	13,380,850	13,377,731	3,119
0031 Guidance, Counseling and Evaluation Services	6,288,841	6,698,818	6,601,100	97,718
0032 Social Work Services	63,250	260,000	233,822	26,178
0033 Health Services	3,048,229	3,004,337	2,781,160	223,177
0034 Student (Pupil) Transportation	6,512,660	6,524,006	5,877,442	646,564
0036 Extracurricular Activities	7,412,921	6,841,822	6,732,672	109,150
0041 General Administration	8,877,117	6,769,908	6,838,930	(69,022)
0051 Facilities Maintenance and Operations	28,850,769	24,246,919	23,212,771	1,034,148
0052 Security and Monitoring Services	1,801,759	1,401,528	1,237,700	163,828
0053 Data Processing Services	1,656,999	1,970,000	1,770,527	199,473
0061 Community Services	1,024,908	1,009,650	737,561	272,089
Capital Outlay:				
0081 Facilities Acquisition and Construction	11,650	-	-	-
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	12,000,000	13,000,000	12,904,887	95,113
0095 Payments to Juvenile Justice Alternative Ed. Prg.	130,000	155,000	112,838	42,162
0097 Payments to Tax Increment Fund	12,130,000	12,000,000	12,783,093	(783,093)
6030 Total Expenditures	266,532,875	257,366,894	253,901,503	3,465,391
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,450,475)	(4,334,744)	1,085,418	5,420,162
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	17,096	17,096
7915 Transfers In	-	-	401,521	401,521
8911 Transfers Out (Use)	-	-	(15,000)	(15,000)
7080 Total Other Financing Sources (Uses)	-	-	403,617	403,617
1200 Net Change in Fund Balances	(13,450,475)	(4,334,744)	1,489,035	5,823,779
0100 Fund Balance - July 1 (Beginning)	43,473,686	43,473,686	43,473,686	-
3000 Fund Balance - June 30 (Ending)	\$ 30,023,211	\$ 39,138,942	\$ 44,962,721	\$ 5,823,779

COMBINING STATEMENTS

FRISCO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ (32,871)	\$ (86,444)	\$ 217,168	\$ 4,978
1240 Due from Other Governments	46,887	87,462	142,935	4,733
1000 Total Assets	<u>\$ 14,016</u>	<u>\$ 1,018</u>	<u>\$ 360,103</u>	<u>\$ 9,711</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 1,361	\$ 1,018	\$ 275	\$ -
2160 Accrued Wages Payable	12,655	-	359,828	3,788
2300 Deferred Revenues	-	-	-	5,923
2000 Total Liabilities	<u>14,016</u>	<u>1,018</u>	<u>360,103</u>	<u>9,711</u>
Fund Balances:				
Reserved For:				
3450 Food Service	-	-	-	-
Unreserved and Undesignated:				
3610 Reported in Special Revenue Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 14,016</u>	<u>\$ 1,018</u>	<u>\$ 360,103</u>	<u>\$ 9,711</u>

226 IDEA - Part B Discretionary	237 ESEA Title IV Safe & Drug Free Schools	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired
\$ (21,155)	\$ (17,886)	\$ 3,793,889	\$ (15,376)	\$ (113,392)	\$ (168,837)	\$ -	\$ -
21,155	17,886	-	15,376	113,392	204,473	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,793,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,636</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 41,391	\$ -	\$ -	\$ 4,313	\$ -	\$ -
-	-	630,517	-	-	31,323	-	-
-	-	-	-	-	-	-	-
-	-	671,908	-	-	35,636	-	-
-	-	3,121,981	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,121,981	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,793,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,636</u>	<u>\$ -</u>	<u>\$ -</u>

FRISCO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

Data Control Codes	392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	404 Student Success Initiative	
ASSETS					
1110	Cash and Cash Equivalents	\$ (1,081)	\$ 1,124	\$ 49,994	\$ (13,426)
1240	Due from Other Governments	1,081	2,034	-	16,346
1000	Total Assets	<u>\$ -</u>	<u>\$ 3,158</u>	<u>\$ 49,994</u>	<u>\$ 2,920</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 82	\$ -	\$ 1,370
2160	Accrued Wages Payable	-	3,076	-	1,550
2300	Deferred Revenues	-	-	49,994	-
2000	Total Liabilities	<u>-</u>	<u>3,158</u>	<u>49,994</u>	<u>2,920</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 3,158</u>	<u>\$ 49,994</u>	<u>\$ 2,920</u>

411 Technology Allotment	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 Day Care Fund	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 512,433	\$ 63,111	\$ -	\$ 816,862	\$ 288,838	\$ 134,192	\$ 5,412,121
-	-	-	-	-	-	673,760
<u>\$ 512,433</u>	<u>\$ 63,111</u>	<u>\$ -</u>	<u>\$ 816,862</u>	<u>\$ 288,838</u>	<u>\$ 134,192</u>	<u>\$ 6,085,881</u>
\$ 2,713	\$ 3,930	\$ -	\$ 407	\$ -	\$ -	\$ 56,860
-	59,181	-	-	69,515	-	1,171,433
180,475	-	-	-	-	-	236,392
<u>183,188</u>	<u>63,111</u>	<u>-</u>	<u>407</u>	<u>69,515</u>	<u>-</u>	<u>1,464,685</u>
-	-	-	-	-	-	3,121,981
329,245	-	-	816,455	219,323	134,192	1,499,215
<u>329,245</u>	<u>-</u>	<u>-</u>	<u>816,455</u>	<u>219,323</u>	<u>134,192</u>	<u>4,621,196</u>
<u>\$ 512,433</u>	<u>\$ 63,111</u>	<u>\$ -</u>	<u>\$ 816,862</u>	<u>\$ 288,838</u>	<u>\$ 134,192</u>	<u>\$ 6,085,881</u>

FRISCO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	97,042	209,656	3,248,749	45,797
5020 Total Revenues	<u>97,042</u>	<u>209,656</u>	<u>3,248,749</u>	<u>45,797</u>
EXPENDITURES:				
Current:				
0011 Instruction	97,042	209,656	981,441	45,797
0013 Curriculum and Instructional Staff Development	-	-	7,091	-
0021 Instructional Leadership	-	-	149,486	-
0031 Guidance, Counseling and Evaluation Services	-	-	1,982,088	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	1,621	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	-	-	127,022	-
6030 Total Expenditures	<u>97,042</u>	<u>209,656</u>	<u>3,248,749</u>	<u>45,797</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	237 ESEA Title IV Safe & Drug Free Schools	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired
\$ -	\$ -	\$ 10,564,072	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	57,133	-	-	-	-	5,364
111,337	34,902	2,021,805	54,143	168,826	406,480	14,340	-
111,337	34,902	12,643,010	54,143	168,826	406,480	14,340	5,364
111,337	-	-	54,143	-	406,480	14,340	5,364
-	-	-	-	168,826	-	-	-
-	34,902	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	11,615,911	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	67,086	-	-	-	-	-
-	-	-	-	-	-	-	-
111,337	34,902	11,682,997	54,143	168,826	406,480	14,340	5,364
-	-	960,013	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	960,013	-	-	-	-	-
-	-	2,161,968	-	-	-	-	-
\$ -	\$ -	\$ 3,121,981	\$ -	\$ -	\$ -	\$ -	\$ -

FRISCO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	404 Student Success Initiative
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	1,081	18,954	57,096	183,332
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,081</u>	<u>18,954</u>	<u>57,096</u>	<u>183,332</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	18,954	57,096	183,332
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	1,081	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030 Total Expenditures	<u>1,081</u>	<u>18,954</u>	<u>57,096</u>	<u>183,332</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

411 Technology Allotment	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 Day Care Fund	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,533,022	\$ 642,640	\$ 154,570	\$ 12,894,304
867,408	1,704,245	13,539	-	29,330	-	2,937,482
-	-	-	-	-	-	6,413,077
<u>867,408</u>	<u>1,704,245</u>	<u>13,539</u>	<u>1,533,022</u>	<u>671,970</u>	<u>154,570</u>	<u>22,244,863</u>
735,529	1,605,491	10,589	-	-	-	4,536,591
-	267,127	-	-	-	-	443,044
-	-	-	-	-	-	149,486
-	-	-	-	-	-	2,016,990
-	-	1,475	-	-	-	1,475
-	-	-	-	-	-	11,615,911
-	-	-	1,396,996	-	-	1,398,617
-	-	-	-	-	114,057	114,057
-	-	1,475	-	-	-	1,475
-	-	-	-	606,390	-	674,557
-	-	-	-	-	-	127,022
<u>735,529</u>	<u>1,872,618</u>	<u>13,539</u>	<u>1,396,996</u>	<u>606,390</u>	<u>114,057</u>	<u>21,079,225</u>
<u>131,879</u>	<u>(168,373)</u>	<u>-</u>	<u>136,026</u>	<u>65,580</u>	<u>40,513</u>	<u>1,165,638</u>
-	-	-	15,000	-	-	15,000
-	(401,521)	-	-	-	-	(401,521)
-	(401,521)	-	15,000	-	-	(386,521)
<u>131,879</u>	<u>(569,894)</u>	<u>-</u>	<u>151,026</u>	<u>65,580</u>	<u>40,513</u>	<u>779,117</u>
<u>197,366</u>	<u>569,894</u>	<u>-</u>	<u>665,429</u>	<u>153,743</u>	<u>93,679</u>	<u>3,842,079</u>
<u>\$ 329,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,455</u>	<u>\$ 219,323</u>	<u>\$ 134,192</u>	<u>\$ 4,621,196</u>

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REQUIRED T.E.A. SCHEDULES

FRISCO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2009

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	Various	Various	\$ Various
2001	1.080000	0.340000	3,430,012,041
2002	1.160000	0.280000	4,855,789,194
2003	1.237500	0.260000	6,115,555,513
2004	1.277500	0.240000	7,219,438,946
2005	1.277500	0.280000	8,528,378,812
2006	1.320000	0.310000	10,115,256,871
2007	1.210000	0.370000	12,238,776,962
2008	0.960000	0.390000	14,041,683,185
2009 (School year under audit)	1.000000	0.370000	16,189,276,569
1000 TOTALS			
9000	Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code		\$ <u>870,679,160</u>

(10) Beginning Balance 7/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2009
\$ 464	\$ -	\$ -	\$ -	\$ -	\$ 464
2,514	-	-	-	-	2,514
1,101	-	-	-	-	1,101
3,444	-	1,764	371	-	1,309
51,801	-	11,010	2,068	6,883	45,606
128,604	-	1,047	229	(8,906)	118,422
169,403	-	9,062	2,128	(6,610)	151,603
586,946	-	465,842	142,466	184,628	163,266
3,646,660	-	2,208,084	842,672	(189,856)	406,048
-	221,793,089	166,183,281	56,726,996	4,799,065	3,681,877
<u>\$ 4,590,937</u>	<u>\$ 221,793,089</u>	<u>\$ 168,880,090</u>	<u>\$ 57,716,930</u>	<u>\$ 4,785,204</u>	<u>\$ 4,572,210</u>
\$ 76,995	\$ 11,928,304	\$ 13,021,993	\$ -	\$ 1,043,426	\$ 26,732

FRISCO INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2009

UNAUDITED

1	Total General Fund Balance as of 6/30/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 44,962,721
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	23,000,000	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	21,296,027	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	716,385	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>45,012,412</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (49,691)</u>

FRISCO INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,036,520	\$ 11,476,264	\$ 10,564,072	\$ (912,192)
5800 State Program Revenues	46,000	46,000	57,133	11,133
5900 Federal Program Revenues	1,616,236	1,616,236	2,021,805	405,569
5020 Total Revenues	12,698,756	13,138,500	12,643,010	(495,490)
EXPENDITURES:				
0035 Food Services	13,345,926	13,068,366	11,615,911	1,452,455
0061 Community Services	49,522	101,872	67,086	34,786
6030 Total Expenditures	13,395,448	13,170,238	11,682,997	1,487,241
1200 Net Change in Fund Balances	(696,692)	(31,738)	960,013	991,751
0100 Fund Balance - July 1 (Beginning)	2,161,968	2,161,968	2,161,968	-
3000 Fund Balance - June 30 (Ending)	\$ 1,465,276	\$ 2,130,230	\$ 3,121,981	\$ 991,751

FRISCO INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 68,957,987	\$ 68,207,987	\$ 58,613,963	\$ (9,594,024)
5020	Total Revenues	68,957,987	68,207,987	58,613,963	(9,594,024)
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	14,400,000	26,288,253	14,393,638	11,894,615
0072	Debt Service - Interest on Long Term Debt	47,600,000	47,200,930	47,192,970	7,960
0073	Debt Service - Bond Issuance Cost and Fees	10,000	3,073,000	3,069,950	3,050
6030	Total Expenditures	62,010,000	76,562,183	64,656,558	11,905,625
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	6,947,987	(8,354,196)	(6,042,595)	2,311,601
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	100,000	14,170,000	14,170,000	-
7915	Transfers In	-	-	10,074,910	10,074,910
7916	Premium or Discount on Issuance of Bonds	100,000	-	8,865,586	8,865,586
8949	Other (Uses)	-	-	(14,326,603)	(14,326,603)
7080	Total Other Financing Sources (Uses)	200,000	14,170,000	18,783,893	4,613,893
1200	Net Change in Fund Balances	7,147,987	5,815,804	12,741,298	6,925,494
0100	Fund Balance - July 1 (Beginning)	46,270,566	46,270,566	46,270,566	-
3000	Fund Balance - June 30 (Ending)	\$ 53,418,553	\$ 52,086,370	\$ 59,011,864	\$ 6,925,494

FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

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MEMBERS
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Frisco Independent School District
6942 Maple
Frisco, Texas 75034

Members of the Board:

We have audited the basic financial statements of Frisco Independent School District, Frisco, Texas, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 14, 2009. 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

In planning and performing our audit, we considered Frisco Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of Frisco Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Frisco Independent School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance

As part of obtaining reasonable assurance about whether Frisco Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-1.

This report is intended for the information of the District's trustees, the audit committee, the administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

/s/ Pingleton, Howard & Company, P. C.

October 14, 2009

PINGLETON, HOWARD & COMPANY, P. C.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Frisco Independent School District
6942 Maple
Frisco, Texas 75034

Members of the Board:

Compliance

We have audited the compliance of the Frisco Independent School District, Frisco, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Frisco Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Frisco Independent School District's management. Our responsibility is to express an opinion on Frisco Independent School 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 Frisco Independent School 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 Frisco Independent School District's compliance with those requirements.

In our opinion Frisco Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The administration of Frisco Independent School 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 Frisco Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended for the information of the District's trustees, audit committee, administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

/s/ Pingleton, Howard & Company, P.C.

October 14, 2009

FRISCO INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For Year Ended June 30, 2009

<u>Program</u>	<u>Description</u>
Type of Report on Financial Statements	Unqualified
Control Deficiencies 09-1	The District over-expended the budget in two functions in the General Fund.
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$500,000
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.
Major Federal Programs	IDEA - Part B, Formula 84.027
Pass-through Entity	Texas Education Agency

FRISCO INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings

For Year Ended June 30, 2009

<u>Program</u>	<u>Status of Prior Year's Finding/ Noncompliance</u>
08-1 Budget	This finding has not been corrected.

FRISCO INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan
For Year Ended June 30, 2009

Program

Corrective Action Plan

09-1 Budget

Function 41 - General Administration

As we monitored the expenditures for Function 41 we anticipated a need to amend the budget for the year end audit. We did amend the budget by what we thought at the time to be an appropriate amount. We incurred more expenses during our end of year closing period than we anticipated. In the future we will analyze the amendment needs for this function to include anticipated expenditures for the closing period and make the appropriate adjustments to ensure adequate funds are allocated.

Function 97 - Payments to Tax Increment Fund

The expenditures related to Function 97 are linked directly to the revenue received on the taxable properties located in the Tax Increment Refunding Zone. We received more revenue from this zone than was originally anticipated. In addition, there were late adjustments made to the values of these properties that impacted our receipts. We, therefore, did not amend the budget appropriately for this function. In the future, we will monitor the adjustments and cash receipts more closely to ensure that this situation does not occur.

Contact Person: Dr. Rick Bankston
Director of Finance

FRISCO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2009

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region X ESC</u>			
ESEA, Title IV - Safe and Drug-Free Schools	84.186A	09691001043905	\$ 34,902
Title III, Part A - English Language Acquisition	84.365A	09671001043905	406,480
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	08694501043905	168,826
Total Passed Through Region X ESC			<u>\$ 610,208</u>
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	09610101043905	\$ 209,656
IDEA - Part B, Formula	84.027	09660001043905	3,248,749
IDEA - Part B, Discretionary	84.027	09660004043905	111,337
Total CFDA Number 84.027			<u>3,360,086</u>
Career and Technical - Basic Grant	84.048	09420006043905	54,143
IDEA - Part B, Preschool	84.173	09661001043905	45,797
Summer School LEP	84.369A	09955050243905	14,340
Total Passed Through State Department of Education			<u>\$ 3,684,022</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 4,294,230</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region X ESC</u>			
Head Start	93.600	09CH0391	\$ 97,042
Total Passed Through Region X ESC			<u>\$ 97,042</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 97,042</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Department of Human Services</u>			
Donated Commodities	10.550		\$ 383,377
Total Passed Through Texas Department of Human Services			<u>\$ 383,377</u>
<u>Passed Through the State Department of Agriculture</u>			
National School Lunch Program	10.555		\$ 1,638,428
Watershed Protection and Flood Control	10.904		27,945
Total Passed Through the State Department of Agriculture			<u>\$ 1,666,373</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 2,049,750</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 6,441,022</u></u>

*Clustered Programs as required by Compliance Supplement March, 2009