

**LAKE DALLAS  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2007**

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2007

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CERTIFICATE OF BOARD

Lake Dallas Independent School District  
Name of School District

Denton  
County

061-912  
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2007, at a meeting of the Board of Trustees of such school district on the 21st day of January, 2008.

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

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

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Independent Auditor's Report

Board of Trustees  
Lake Dallas Independent School District  
Lake Dallas, Texas

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 Lake Dallas Independent School District (the District), as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 the governmental activities, each major fund, and the aggregate remaining fund information of Lake Dallas Independent School District as of August 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the budgetary comparison information on pages 7 through 13 and 27, 66 and 67 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Dallas Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in addition to the combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents, are not a required part of the basic financial statements. Such information, excluding the Fund Balance and Cash Flow Calculation Worksheet - General Fund (Exhibit J-3) which is marked unaudited and on which we express no opinion, has been subjected to the auditing procedures applied by us 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 15, 2008

**LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2007  
(UNAUDITED)**

As management of Lake Dallas Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2007. The District has implemented Government Accounting Standards Board Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

## **FINANCIAL HIGHLIGHTS**

- The liabilities of Lake Dallas Independent School District exceeded its assets at the close of the most recent fiscal period by \$(8,371,378) (net assets). Of this amount, \$(9,293,745) (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund designation and fiscal policies.
- The District's total net assets decreased by \$2,765,973. The District has continued to issue debt to finance much needed new facilities. Although the LDISD has a relatively high debt ratio, the District is close to completing its facility master plan. Upon the completion of this plan, no new facilities will be needed for many years to come. Overall the District's financial position declined during the year.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$25,326,202. 20.2% of this total amount (\$5,113,047) is unreserved and available for use within the District's designation and policies.
- At the end of the current fiscal period, unreserved fund balance for the general fund was \$5,102,517 or 20.15% of the total general fund expenditures. The increase was due primarily to an increase in federal impact aid funding and a reduction of accrued wages due to a later starting school year.

## **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 and the Statement of Activities (on pages 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and 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 on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 32) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.



The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. 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 grants.

## **Reporting the District as a Whole**

### **The Statement of Net Assets and the Statement of Activities**

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District charges a fee to “customers” to help it cover all or most of the cost of services it provides in the child care program.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- 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 that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's print shop and computer operations.

## **The District as Trustee**

### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for money raised by student activities. The District's fiduciary activity is reported in a separate Statement of Fiduciary Net Assets on page 31. 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 this fund are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District implemented GASB Statement #34 in a prior year. Therefore, our analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities decreased from \$(5,595,227) to \$(8,385,079). Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$(9,307,446) at August 31, 2007. This decrease in governmental net assets was the result of the District's governmental expenditures exceeding revenues by \$2,789,852, due in large part to an increase in debt service expenditures.

In 2007, net assets of our business-type activities increased by \$23,879, about 234%. This increase is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the Child Care program.

**Table I**  
**NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	28,886,245	25,727,681	(9,814)	13,986	28,876,431	25,741,667
Capital assets	68,900,520	81,687,554	-	-	68,900,520	81,687,554
Total assets	97,786,765	107,415,235	(9,814)	13,986	97,776,951	107,429,221
Long-term liabilities	100,637,832	114,359,567	-	-	100,637,832	114,359,567
Other liabilities	2,744,160	1,440,747	364	285	2,744,524	1,441,032
Total liabilities	103,381,992	115,800,314	364	285	103,382,356	115,800,599
Net Assets:						
Invested in capital assets net of related debt	(1,630,749)	(341,313)	-	-	(1,630,749)	(341,313)
Restricted	1,174,305	1,263,680	-	-	1,174,305	1,263,680
Unrestricted	(5,138,783)	(9,307,446)	(10,178)	13,701	(5,148,961)	(9,293,745)
Total net assets	(5,595,227)	(8,385,079)	(10,178)	13,701	(5,605,405)	(8,371,378)

**Table II**  
**CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program Revenues:						
Charges for services	200,571	161,631	272,019	307,535	472,590	469,166
Operating grants and contributions	4,932,434	4,947,941	-	-	4,932,434	4,947,941
General Revenues:						
Maintenance and operations taxes	15,839,273	15,997,317	-	-	15,839,273	15,997,317
Debt service taxes	3,788,211	4,869,035	-	-	3,788,211	4,869,035
State aid	5,872,277	8,515,595	-	-	5,872,277	8,515,595
Investment earnings	1,481,431	1,708,150	-	-	1,481,431	1,708,150
Miscellaneous	14,590	144,836	-	-	14,590	144,836
Grants not Restricted	338,716	738,688	-	-	338,716	738,688
Disposition of Capital Assets	-	150,000	-	-	-	150,000
Total Revenue	32,467,503	37,233,193	272,019	307,535	32,739,522	37,540,728
Expenses:						
Instruction, curriculum and media services	16,970,389	17,995,289	-	-	16,970,389	17,995,289
Instructional and school leadership	1,796,260	1,921,129	-	-	1,796,260	1,921,129
Student support services	2,528,577	2,456,737	-	-	2,528,577	2,456,737
Child nutrition	1,299,852	1,363,536	-	-	1,299,852	1,363,536
Cocurricular activities	873,958	973,200	-	-	873,958	973,200
General administration	788,743	1,003,391	-	-	788,743	1,003,391
Plant maintenance, security & data processing	3,995,611	4,254,632	-	-	3,955,611	4,254,632
Community services	22,542	27,796	252,959	283,656	275,501	311,452
Debt services	5,074,909	9,465,248	-	-	5,074,909	9,465,248
Facilities acquisition, construction	2,707,345	546,343	-	-	2,707,345	546,343
Intergovernmental charges	13,795	15,744	-	-	13,795	15,744
Total Expenses	36,071,981	40,023,045	252,959	283,656	36,324,940	40,306,701
Decrease in net assets	(3,604,478)	(2,789,852)	19,060	23,879	(3,585,418)	(2,765,973)
Net assets at beginning of year	1,694,996	(5,595,227)	(29,238)	(10,178)	1,665,758	(5,605,405)
Adjustments to beginning capital assets	(3,685,745)	-	-	-	(3,685,745)	-
Net assets at end of year	(5,595,227)	(8,385,079)	(10,178)	13,701	(5,605,405)	(8,371,378)

The District took actions this year to compensate for some increases in costs and changes in state revenue.

- During the 2006-07 school year, the District maintained an average daily attendance (ADA) of 3,751, which was almost a 1.0% increase from the previous year.
- Total General Fund revenue increased by over \$3,500,000.
- The District set the Maintenance and Operations property tax rate at \$1.37 and a Debt Service tax rate of \$.42 for fiscal year 2007.
- State revenue increased by almost \$2,700,000 from the 05-06 school year.
- The Federal Government funded the Section 8002 Federal Impact Aid program for the 2006-07 school year. The District received over \$692,447 from the Federal Government for impact aid.
- Due to rising tax rates and increased cash flow, the District saw over a 55% increase in local investment revenue from the previous year.

The cost of all governmental activities for the current fiscal year was \$40,023,045. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$20,866,352 because some of the costs were paid by those who directly benefited from the programs (\$161,631) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,947,941) or by State equalization funding (\$8,515,595).

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 20 and 21) reported a combined fund balance of \$25,326,202, which is \$1,016,465 higher than last year's total of \$24,309,737. Included in this year's total change in fund balance is an increase of \$1,974,989 in the District's General Fund. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on page 9. The Capital Projects Fund decreased by \$1,014,034 due to continued construction expenditures for additions to the High School.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2006). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$5,243,541 reported on page 20 differs from the General Fund's budgetary fund balance of \$3,588,165 reported in the budgetary comparison schedule on page 27. This is principally due to cost savings and added revenues.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At August 31, 2007, the District had \$81,687,554 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$12,787,034, or 15.65 percent, above last year.

This fiscal period's major additions consisted of additions to the High School of \$14,550,336, paid for with proceeds of general obligation bonds.

More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

#### Debt Administration

At year-end, the District had \$114,359,567 in bonds and capital leases outstanding (including accreted interest on bonds) versus \$100,637,832 last year—an increase of 13.6 percent. The new debt incurred during the year was bonds issued of \$24,023,005 and accreted interest of \$5,445,435.

More detailed information about the District's long-term debt is presented in Note 4 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Lake Dallas ISD currently has one campus with Recognized accreditation and five campuses with Academically Acceptable accreditation from the Texas Education Agency. Our progress towards graduating productive citizens is made possible because of a high quality staff and research-based programs. The benefits to our community of having high quality graduates include a superior workforce, as well as a population capable of contributing to the tax base instead of relying on social services. The District's future ability to fund these programs that have been so successful hinges on the amount of revenue that can be generated.
- During 1997-98 school year, the state funded 54% of the general fund expenditures. The state will fund around 50% of the general fund expenditures during the 2007-08 school year. Because of a state funding change, this percentage is well above a 37% level during the preceding school year. A new State Funding system was implemented prior to the 2006-07 school year. State mandated tax compression dropped the General Fund tax to \$1.04 for fiscal year 2008.
- District officials considered many factors when setting the fiscal year 2007-08 budget and tax rates. One of those factors is the economy. Since 46% of the District's operating budgeted revenue is derived from local property, the local economy plays an extremely important role in the preparation of our annual budget. The tax roll for the 2007-08 budget increased over 8% over the previous year. This growth rate is far less than the 20% growth rate the District was experiencing several years earlier. Although new commercial construction within the District is expected to continue, residential construction will decline because the majority of the residentially zoned property within the District has been developed.
- The District opened Shady Shores Elementary in the fall of 2006. Along with bond proceeds from a 2002 bond election, the District sold bonds in 2005 that helped to fully fund the expansion of Lake Dallas High School and to partially fund a new elementary school. The High School Expansion will be completed during the summer of 2008 and a new Elementary School will be finished prior the 2009-10 school year.
- The District will receive funding from the Existing Debt Allotment (EDA) and Instructional Facilities Allotment (IFA) to help pay debt payments. The Board adopted a debt service tax rate of 48 cents per hundred-dollar valuation for the 2007-08. The debt tax rate is 6 cents higher than the previous year.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Lake Dallas Independent School District, 315 E. Hundley Drive, Lake Dallas, Texas 75065, (940) 497-4039.

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## BASIC FINANCIAL STATEMENTS



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LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2007

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 26,252,708	\$ 13,986	\$ 26,266,694
1220	Property Taxes Receivable (Delinquent)	857,433	-	857,433
1230	Allowance for Uncollectible Taxes	(85,743)	-	(85,743)
1240	Due from Other Governments	435,189	-	435,189
1267	Due from Fiduciary Funds	18,816	-	18,816
1290	Other Receivables, net	10,530	-	10,530
1300	Inventories	19,803	-	19,803
1410	Deferred Expenses	141,024	-	141,024
1420	Capitalized Bond and Other Debt Issuance Costs	1,291,795	-	1,291,795
1430	Discount on Issuance of Debt	(3,213,874)	-	(3,213,874)
Capital Assets:				
1510	Land	3,123,930	-	3,123,930
1520	Buildings, Net	78,408,521	-	78,408,521
1530	Furniture and Equipment, Net	155,103	-	155,103
1000	Total Assets	107,415,235	13,986	107,429,221
LIABILITIES				
2110	Accounts Payable	615,041	158	615,199
2160	Accrued Wages Payable	638,873	-	638,873
2180	Due to Other Governments	19,318	-	19,318
2200	Accrued Expenses	163,029	127	163,156
2300	Deferred Revenues	4,486	-	4,486
Noncurrent Liabilities				
2501	Due Within One Year	2,538,016	-	2,538,016
2502	Due in More Than One Year	111,821,551	-	111,821,551
2000	Total Liabilities	115,800,314	285	115,800,599
NET ASSETS				
3200	Invested in Capital Assets, Net of Related Debt	(341,313)	-	(341,313)
Restricted for:				
3840	Restricted for Food Service	210,121	-	210,121
3850	Restricted for Debt Service	1,053,559	-	1,053,559
3900	Unrestricted Net Assets	(9,307,446)	13,701	(9,293,745)
3000	Total Net Assets	\$ (8,385,079)	\$ 13,701	\$ (8,371,378)

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

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 17,031,722	\$ 43,555	\$ 2,154,771
12 Instructional Resources and Media Services	573,950	-	22,246
13 Curriculum and Instructional Staff Development	389,617	-	14,980
21 Instructional Leadership	268,790	-	14,963
23 School Leadership	1,652,339	-	66,289
31 Guidance, Counseling and Evaluation Services	1,008,512	-	53,049
33 Health Services	295,597	-	16,353
34 Student (Pupil) Transportation	1,152,628	-	207,272
35 Food Services	1,363,536	-	1,283,940
36 Cocurricular/Extracurricular Activities	973,200	95,349	72,957
41 General Administration	1,003,391	-	28,680
51 Plant Maintenance and Operations	3,638,734	22,727	88,087
52 Security and Monitoring Services	52,711	-	-
53 Data Processing Services	563,187	-	19,768
61 Community Services	27,796	-	1,130
72 Debt Service - Interest on Long Term Debt	9,464,277	-	903,456
73 Debt Service - Bond Issuance Cost and Fees	971	-	-
81 Facilities Acquisition and Construction	546,343	-	-
93 Payments to Fiscal Agent/Member Districts of SSA	6,430	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	9,314	-	-
[TG] Total Governmental Activities:	40,023,045	161,631	4,947,941
BUSINESS-TYPE ACTIVITIES:			
01 Childcare	283,656	307,535	-
[TB] Total Business-Type Activities:	283,656	307,535	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 40,306,701	\$ 469,166	\$ 4,947,941
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
S1	Special Item - Disposition of Capital Asset		
TR	Total General Revenues and Special Items		
CN	Change in Net Assets		
NB	Net Assets--Beginning		
NE	Net Assets--Ending		

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (14,833,396)	\$ -	\$ (14,833,396)
(551,704)	-	(551,704)
(374,637)	-	(374,637)
(253,827)	-	(253,827)
(1,586,050)	-	(1,586,050)
(955,463)	-	(955,463)
(279,244)	-	(279,244)
(945,356)	-	(945,356)
(79,596)	-	(79,596)
(804,894)	-	(804,894)
(974,711)	-	(974,711)
(3,527,920)	-	(3,527,920)
(52,711)	-	(52,711)
(543,419)	-	(543,419)
(26,666)	-	(26,666)
(8,560,821)	-	(8,560,821)
(971)	-	(971)
(546,343)	-	(546,343)
(6,430)	-	(6,430)
(9,314)	-	(9,314)
(34,913,473)	-	(34,913,473)
-	23,879	23,879
-	23,879	23,879
(34,913,473)	23,879	(34,889,594)
15,997,317	-	15,997,317
4,869,035	-	4,869,035
8,515,595	-	8,515,595
738,688	-	738,688
1,708,150	-	1,708,150
144,836	-	144,836
150,000	-	150,000
32,123,621	-	32,123,621
(2,789,852)	23,879	(2,765,973)
(5,595,227)	(10,178)	(5,605,405)
\$ (8,385,079)	\$ 13,701	\$ (8,371,378)

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2007

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,717,201	\$ 931,742	\$ 19,168,589
1220 Property Taxes - Delinquent	704,531	152,902	-
1230 Allowance for Uncollectible Taxes (Credit)	(70,453)	(15,290)	-
1240 Due from Other Governments	411,414	-	-
1260 Due from Other Funds	35,592	-	37,530
1290 Other Receivables	7,775	-	-
1410 Deferred Expenditures	141,024	-	-
1000 Total Assets	<u>\$ 6,947,084</u>	<u>\$ 1,069,354</u>	<u>\$ 19,206,119</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 319,264	\$ -	\$ 258,054
2160 Accrued Wages Payable	638,873	-	-
2170 Due to Other Funds	38,996	-	23,015
2180 Due to Other Governments	-	15,795	-
2200 Accrued Expenditures	141,282	-	-
2300 Deferred Revenues	565,128	116,599	-
2000 Total Liabilities	<u>\$ 1,703,543</u>	<u>\$ 132,394</u>	<u>\$ 281,069</u>
Fund Balances:			
Reserved For:			
3420 Retirement of Long Term Debt	\$ -	\$ 936,960	\$ -
3430 Deferred Expenditures	141,024	-	-
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	-	-	18,925,050
Unreserved and Undesignated:			
3600 Reported in the General Fund	5,102,517	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>\$ 5,243,541</u>	<u>\$ 936,960</u>	<u>\$ 18,925,050</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,947,084</u>	<u>\$ 1,069,354</u>	<u>\$ 19,206,119</u>

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

	Other Funds		Total Governmental Funds
\$	264,339	\$	26,081,871
	-		857,433
	-		(85,743)
	23,775		435,189
	24,711		97,833
	325		8,100
	-		141,024
\$	313,150	\$	27,535,707
\$	33,720	\$	611,038
	-		638,873
	29,111		91,122
	3,523		19,318
	21,659		162,941
	4,486		686,213
\$	92,499	\$	2,209,505
\$	-	\$	936,960
	-		141,024
	210,121		210,121
	-		18,925,050
	-		5,102,517
	10,530		10,530
\$	220,651	\$	25,326,202
\$	313,150	\$	27,535,707

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2007

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 25,326,202</b>
1 The assets and liabilities of the Internal Service Funds are included in governmental activities, but are not reported in the fund financial statements.	201,084
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	100,042,803
3 Accumulated depreciation has not been included in the fund financial statements.	(18,355,249)
4 Bonds payable and leases payable have not been included in the fund financial statements.	(100,953,917)
5 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(13,405,650)
6 Bond issuance cost is not capitalized in the fund financial statements.	1,291,795
7 Bond discounts and premiums are not recognized in the fund financial statements.	(3,213,874)
8 Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	681,727
<b>19 Net Assets of Governmental Activities</b>	<b>\$ (8,385,079)</b>

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

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LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 16,559,774	\$ 4,974,810	\$ 1,166,962
5800	State Program Revenues	9,848,379	903,456	-
5900	Federal Program Revenues	738,688	-	-
5020	Total Revenues	27,146,841	5,878,266	1,166,962
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	14,274,055	-	-
0012	Instructional Resources and Media Services	561,116	-	-
0013	Curriculum and Instructional Staff Development	371,973	-	-
0021	Instructional Leadership	234,983	-	-
0023	School Leadership	1,488,133	-	-
0031	Guidance, Counseling and Evaluation Services	959,641	-	-
0033	Health Services	273,215	-	-
0034	Student (Pupil) Transportation	1,108,994	-	-
0035	Food Services	-	-	-
0036	Cocurricular/Extracurricular Activities	868,945	-	-
0041	General Administration	961,636	-	-
0051	Facilities Maintenance and Operations	3,505,704	-	-
0052	Security and Monitoring Services	52,711	-	-
0053	Data Processing Services	533,648	-	-
0061	Community Services	25,727	-	-
<b>Debt Service:</b>				
0071	Debt Service - Principal on Long Term Debt	13,672	2,163,090	-
0072	Debt Service - Interest on Long Term Debt	584	3,622,355	-
0073	Debt Service - Bond Issuance Cost and Fees	-	346,498	-
<b>Capital Outlay:</b>				
0081	Facilities Acquisition and Construction	70,786	-	15,180,996
<b>Intergovernmental:</b>				
0093	Payments to Fiscal Agent/Member Districts of SSA	6,430	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	9,314	-	-
6030	Total Expenditures	25,321,267	6,131,943	15,180,996
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,825,574	(253,677)	(14,014,034)
<b>OTHER FINANCING SOURCES (USES):</b>				
7901	Refunding Bonds Issued	-	11,023,006	-
7911	Capital Related Debt Issued (Regular Bonds)	-	-	13,000,000
7912	Sale of Real and Personal Property	150,000	-	-
7915	Transfers In	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	3,295,209	-
8911	Transfers Out (Use)	(585)	-	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(13,972,688)	-
7080	Total Other Financing Sources (Uses)	149,415	345,527	13,000,000
1200	Net Change in Fund Balances	1,974,989	91,850	(1,014,034)
0100	Fund Balance - September 1 (Beginning)	3,268,552	845,110	19,939,084
3000	Fund Balance - August 31 (Ending)	\$ 5,243,541	\$ 936,960	\$ 18,925,050

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

		Total	
Other		Governmental	
Funds		Funds	
\$	859,589	\$	23,561,135
	467,319		11,219,154
	1,388,694		2,127,382
	2,715,602		36,907,671
	1,414,977		15,689,032
	-		561,116
	1,281		373,254
	8,980		243,963
	-		1,488,133
	7,173		966,814
	-		273,215
	-		1,108,994
	1,283,940		1,283,940
	36,142		905,087
	-		961,636
	34		3,505,738
	-		52,711
	-		533,648
	-		25,727
	-		2,176,762
	-		3,622,939
	-		346,498
	-		15,251,782
	-		6,430
	-		9,314
	2,752,527		49,386,733
	(36,925)		(12,479,062)
	-		11,023,006
	-		13,000,000
	-		150,000
	585		585
	-		3,295,209
	-		(585)
	-		(13,972,688)
	585		13,495,527
	(36,340)		1,016,465
	256,991		24,309,737
\$	220,651	\$	25,326,202

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2007

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 1,016,465
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the 2007 capital outlays is to increase net assets.	14,705,439
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets in the government-wide financial statements.	(1,918,405)
Current year long-term debt principal payments on loans payable and bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	2,176,762
Current year interest accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long term liabilities in the government-wide financial statements.	(5,848,179)
Bond issuance costs and bond premiums are not amortized in the fund financial statements, but are shown net of amortization in the government-wide financial statements.	352,368
Payments to bond refunding escrow agent are shown as other uses in the governmental fund but are shown as reductions to long-term debt in the governmental financial statements.	13,972,688
Bond issuances are shown as other resources in the governmental fund but are shown as increases in long-term debt in the statement of net assets.	(24,023,006)
Premium or discounts are shown as other resources in the governmental funds but are capitalized and amortized in the statement of net asset.	(3,295,209)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	175,522
The net income (loss) of the Internal Service Funds is reported with governmental activities but not in the fund financial statements.	(104,297)
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ (2,789,852)</u></u>

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

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2007

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	\$	16,079,998	\$	16,379,317	\$	16,559,774	\$	180,457
5800	State Program Revenues		9,768,371		9,784,216		9,848,379		64,163
5900	Federal Program Revenues		166,000		738,688		738,688		-
5020	Total Revenues		26,014,369		26,902,221		27,146,841		244,620
EXPENDITURES:									
Current:									
0011	Instruction		15,535,887		15,283,836		14,274,055		1,009,781
0012	Instructional Resources and Media Services		556,153		563,585		561,116		2,469
0013	Curriculum and Instructional Staff Development		385,124		374,504		371,973		2,531
0021	Instructional Leadership		251,417		249,718		234,983		14,735
0023	School Leadership		1,393,169		1,497,048		1,488,133		8,915
0031	Guidance, Counseling and Evaluation Services		967,359		966,961		959,641		7,320
0033	Health Services		262,573		291,073		273,215		17,858
0034	Student (Pupil) Transportation		1,145,658		1,166,019		1,108,994		57,025
0036	Cocurricular/Extracurricular Activities		828,083		882,528		868,945		13,583
0041	General Administration		933,167		972,403		961,636		10,767
0051	Facilities Maintenance and Operations		3,599,855		3,585,432		3,505,704		79,728
0052	Security and Monitoring Services		93,001		87,248		52,711		34,537
0053	Data Processing Services		513,286		552,779		533,648		19,131
0061	Community Services		25,995		25,995		25,727		268
Debt Service:									
0071	Debt Service - Principal on Long Term Debt		13,699		13,699		13,672		27
0072	Debt Service - Interest on Long Term Debt		584		584		584		-
Capital Outlay:									
0081	Facilities Acquisition and Construction		56,952		73,952		70,786		3,166
Intergovernmental:									
0093	Payments to Fiscal Agent/Member Districts of SSA		3,000		7,000		6,430		570
0095	Payments to Juvenile Justice Alternative Ed. Prg.		12,000		12,000		9,314		2,686
6030	Total Expenditures		26,576,962		26,606,364		25,321,267		1,285,097
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures		(562,593)		295,857		1,825,574		1,529,717
OTHER FINANCING SOURCES (USES):									
7912	Sale of Real and Personal Property		-		-		150,000		150,000
7915	Transfers In		-		23,756		-		(23,756)
8911	Transfers Out (Use)		-		-		(585)		(585)
7080	Total Other Financing Sources (Uses)		-		23,756		149,415		125,659
1200	Net Change in Fund Balances		(562,593)		319,613		1,974,989		1,655,376
0100	Fund Balance - September 1 (Beginning)		3,268,552		3,268,552		3,268,552		-
3000	Fund Balance - August 31 (Ending)	\$	2,705,959	\$	3,588,165	\$	5,243,541	\$	1,655,376

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

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2007

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 13,986	\$ 170,837
Due from Other Funds	-	12,335
Other Receivables	-	2,430
Inventories	-	19,803
Total Current Assets	13,986	205,405
Noncurrent Assets:		
Capital Assets:		
Depreciation on Furniture and Equipment	-	(17,711)
District Defined Capital Assets	-	17,711
Total Noncurrent Assets	-	-
Total Assets	13,986	205,405
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	158	4,003
Due to Other Funds	-	230
Accrued Expenses	127	88
Total Liabilities	285	4,321
<b>NET ASSETS</b>		
Unrestricted Net Assets	13,701	201,084
Total Net Assets	\$ 13,701	\$ 201,084

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

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 307,535	\$ 232,280
Total Operating Revenues	307,535	232,280
OPERATING EXPENSES:		
Payroll Costs	260,003	51,138
Professional and Contracted Services	14,446	69,913
Supplies and Materials	7,438	104,670
Other Operating Costs	1,769	-
Capital Outlay	-	110,856
Total Operating Expenses	283,656	336,577
Operating Income (Loss)	23,879	(104,297)
Total Net Assets - September 1 (Beginning)	(10,178)	305,381
Total Net Assets - August 31 (Ending)	\$ 13,701	\$ 201,084

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

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from District	\$ -	\$ 222,389
Cash Received from Employees	307,535	-
Cash Payments for Payroll Costs	(260,003)	(51,138)
Cash Payments for Supplies and Materials	(17,517)	(150,524)
Cash Payments for Other Expenses	(1,769)	(39,023)
Cash Payments for Purchased Services	(14,446)	(69,913)
Net Cash Provided by (Used for) Operating Activities	13,800	(88,209)
Net Increase (Decrease) in Cash and Cash Equivalents	13,800	(88,209)
Cash and Cash Equivalents at Beginning of the Year:	186	259,046
Cash and Cash Equivalents at the End of the Year:	\$ 13,986	\$ 170,837
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ 23,879	\$ (104,297)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	-	(8,122)
Decrease (increase) in Other Receivables	-	(1,999)
Decrease (increase) in Inventories	-	75,633
Increase (decrease) in Accounts Payable	(79)	(49,654)
Increase (decrease) in Due to Other Funds	(10,000)	230
Net Cash Provided by (Used for) Operating Activities	\$ 13,800	\$ (88,209)

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

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2007

EXHIBIT E-1

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 390,886
Total Assets	<u>\$ 390,886</u>
LIABILITIES	
Accounts Payable	\$ 27,650
Due to Other Funds	18,816
Due to Student Groups	344,420
Total Liabilities	<u>\$ 390,886</u>

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



LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lake Dallas Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's Basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Lake Dallas Independent School District has no component units.

**B. BASIS OF PRESENTATION**

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2007

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Enterprise Fund** – The District utilizes an enterprise fund to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its child care program, because the child care program is self-supporting and does not require subsidies from the general fund.
3. **Internal Service Funds** – The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its print shop and computer operations.

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4. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

The enterprise fund and internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

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Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

**D. BUDGETARY CONTROL**

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

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Child Nutrition Fund and the Debt Service Fund. The special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

**E. 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 of 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 August 31 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 August 31, 2007 that were subsequently provided for in the 2007-08 budget.

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**F. DEFERRED EXPENDITURES**

Deferred expenditures are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the reserve for deferred expenditures has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

**G. INVENTORIES**

The consumption method is used to account for inventories of printing supplies and computer equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed.

**H. INTERFUND RECEIVABLES AND PAYABLES**

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances" and "internal advances".

**I. CAPITAL ASSETS**

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Furniture and Equipment	7-10 Years

**J. COMPENSATED ABSENCES**

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 general purpose 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 general purpose financial statements.

**K. NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCES**

The District classifies fund balances as follows:

- A. Reserves – Used to denote that portion of fund balance, which is not appropriable for expenditure or is legally segregated for specific future use.

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1. Reserve for funded indebtedness represents that portion of fund balance legally restricted to debt service.
2. Reserve for inventories represents that portion of fund balance already expended on supplies held for consumption in a future period.
3. Reserve for prepaid costs represents that portion of fund balance already disbursed on insurance premiums, lease contracts and other items which are expenditures of a future period.

B. Designations – Used to indicate tentative plans for financial resource utilization:

1. Designated for future construction represents management's intent to utilize resources for construction.

C. Undesignated – Used to denote that portion of fund balance which is available for appropriation.

**L. CASH EQUIVALENTS**

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.

**M. NET ASSETS**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net assets are available for general governmental uses. When both restricted and unrestricted net assets are available, restricted net assets are expended before unrestricted net assets is such use is consistent with the restricted purpose.

**N. 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.

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**O. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

For fiscal year 2002, the District implemented GASB Statement No. 33 (GASB 33), "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34 (GASB 34), "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37 (GASB 37), "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus" and GASB Statements No. 38 (GASB 38), "Certain Financial Statement Disclosures".

GASB 34 created new Basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the District programs between governmental and business-type activities.

**P. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, 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.

**Q. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**R. DATA CONTROL CODES**

Data control codes refer to the account code structure prescribed by the Texas Education Agency's Resource Guide.

**NOTE 2. DEPOSITS AND INVESTMENTS**

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

**1. Cash Deposits:**

At August 31, 2007, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$3,235,767 which includes \$11,499 petty cash and the combined bank balance was \$3,288,096. The District's cash deposits at August 31, 2007 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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2. Investments:

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, (9) and 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 accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and 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. As of August 31, 2007, the District's cash balances totaled \$3,288,096. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk at August 31, 2007.
- 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. At August 31, 2006, the District held all of its investments in four public funds investment pools (TexPool, Lone Star, LOGIC and TxTerm). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to 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 the four investment pools range from AAA (Standard & Poor's) to AAAM (Standard & Poor's). These credit ratings are within the guidelines of the District's investment policy.
- 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 each of the four investment pools is less than 120 days. The District follows its investment policy to limit investments only in government investments pools with average maturities of less than 120 days.



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- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2007, the District was 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. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at August 31, 2007, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity Date</u>
TexPool	\$ 4,612,819	\$ 4,612,819	N/A
TxTerm	18,392,764	18,392,764	N/A
Lone Star	155,646	155,646	N/A
LOGIC	<u>260,584</u>	<u>260,584</u>	N/A
Total	<u>\$ 23,421,813</u>	<u>\$ 23,421,813</u>	

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
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**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2007, was as follows:

	<u>Balance September 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,123,930	\$ -	\$ -	\$ 3,123,930
Total capital assets, not being depreciated	<u>3,123,930</u>	<u>-</u>	<u>-</u>	<u>3,123,930</u>
Capital assets, being depreciated:				
Buildings and improvements	79,491,461	14,550,336	-	94,041,797
Furniture and equipment	<u>2,721,973</u>	<u>155,103</u>	<u>-</u>	<u>2,877,076</u>
Total capital assets, being depreciated	<u>82,213,434</u>	<u>14,705,439</u>	<u>-</u>	<u>96,918,873</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,752,440)	(1,880,836)	-	(15,633,276)
Furniture and equipment	<u>(2,684,404)</u>	<u>(37,569)</u>	<u>-</u>	<u>(2,721,973)</u>
Total accumulated depreciation	<u>(16,436,844)</u>	<u>(1,918,405)</u>	<u>-</u>	<u>(18,355,249)</u>
Total capital assets, being depreciated, net	<u>65,776,590</u>	<u>12,787,034</u>	<u>-</u>	<u>78,563,624</u>
Governmental activities capital assets, net	<u>\$ 68,900,520</u>	<u>\$ 12,787,034</u>	<u>\$ -</u>	<u>\$ 81,687,554</u>

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

Governmental activities:	
Instruction	\$ 1,238,393
Instructional Resources & Media Services	12,834
Curriculum & Instructional Staff Development	16,363
Instructional Leadership	24,827
School Leadership	164,206
Guidance, Counseling & Evaluation Services	41,698
Health Services	22,382
Student (Pupil) Transportation	43,634
Food Services	79,596
Cocurricular/Extracurricular Activities	68,113
General Administration	41,755
Plant Maintenance and Operations	132,996
Data Processing Services	29,539
Community Services	<u>2,069</u>
Total depreciation expense-Governmental activities	<u>\$ 1,918,405</u>

**NOTE 4. LONG-TERM DEBT**

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds and capital leases. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

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The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2007:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/06</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/07</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1995 Bldg/Refunding	4.70-6.25%	\$ 3,240,000	\$ -	\$ 830,000	\$ 2,410,000	\$1,175,000
1998 Bldg/Refunding	3.60-4.75%	8,010,000	-	850,000	7,160,000	290,000
1999 Bldg/Refunding	4.40-6.06%	8,461,710	-	-	8,461,710	266,868
2001 Bldg/Refunding	4.00-5.70%	13,069,871	-	7,585,000	5,484,871	-
2002 Bldg/Refunding	2.40-5.89%	14,857,010	-	3,777,680	11,079,330	12,326
2004 Bldg/Refunding	2.50-4.16%	29,853,090	-	328,090	29,525,000	425,000
2005 Bldg/Refunding	3.00-4.62%	12,965,000	-	155,000	12,810,000	260,000
2007 Bldg/Refunding	3.75-4.93%	-	24,023,006	-	24,023,006	108,822
Total Bonded Indebtedness		<u>90,456,681</u>	<u>24,023,006</u>	<u>13,525,770</u>	<u>100,953,917</u>	<u>2,538,016</u>
Accreted Interest	4.05-5.15%	10,167,479	5,445,435	2,207,264	13,405,650	-
Capital Leases		<u>13,672</u>	<u>-</u>	<u>13,672</u>	<u>-</u>	<u>-</u>
Total Other Obligations		<u>10,181,151</u>	<u>5,445,435</u>	<u>2,220,936</u>	<u>13,405,650</u>	<u>-</u>
Total Obligations of District		<u>\$100,637,832</u>	<u>\$29,468,441</u>	<u>\$15,746,706</u>	<u>\$114,359,567</u>	<u>\$2,538,016</u>

The 1999, 2001, 2002, 2004, 2005 and 2007 bond series include outstanding capital appreciation bonds in the principal amount of \$23,733,916. The bonds mature variously through 2035. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity. The accrued interest of \$13,405,650 is accounted for as Accrued Interest Payable-Capital Appreciation Bonds.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

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 August 31, 2007.

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended</u> <u>August 31,</u>	<u>General Obligation</u>		<u>Total</u> <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 2,538,016	\$ 3,892,668	\$ 6,430,684
2009	2,671,613	3,871,505	6,543,118
2010	2,797,990	3,859,021	6,657,011
2011	3,011,480	3,835,993	6,847,473
2012	3,118,169	3,766,302	6,884,471
2013-2017	12,240,672	23,475,985	35,716,657
2018-2022	13,941,223	24,498,800	38,440,023
2023-2027	13,414,422	25,382,592	38,797,014
2028-2032	11,110,549	27,685,733	38,796,282
2033-2037	29,819,783	8,978,280	38,798,063
2038-2042	<u>6,290,000</u>	<u>874,125</u>	<u>7,164,125</u>
	<u>\$100,953,917</u>	<u>\$130,121,004</u>	<u>\$231,074,921</u>

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**NOTE 5. DEBT ISSUANCE AND DEFEASED BONDS OUTSTANDING**

On January 15, 2007 the District issued \$15,710,000 (par value) in unlimited tax building and refunding bonds (current interest bonds) and \$8,313,006 (par value) in unlimited tax building and refunding bonds (capital appreciation bonds) to advance refund \$11,362,680 of unlimited tax school building bonds and provide funds for construction projects. The capital appreciation bonds were issued at a premium of \$3,671,312, and, after paying issuance costs of \$345,527 and a discount on current interest bonds of \$376,103 the net proceeds were \$26,972,688. \$13,972,688 of 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 on the refunded bonds until the bonds mature. The advanced refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's General Long-Term Debt. The advance refunding resulted in a present value economic loss (difference between present value of debt service payments on the old and new debt) of \$1,192,130.

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2007, \$17,227,680 of bonds outstanding are considered defeased.

**NOTE 6. CAPITAL LEASES**

A summary of changes in capital leases payable for the year ended August 31, 2007 is as follows:

Description	Interest Rate	Amount Outstanding 9-1-06	Issued Current Year	Retired Current Year	Amount Outstanding 8-31-07	Due Within One Year
School Bus	4.47%	\$ 13,672	\$ -	\$ 13,672	\$ -	\$ -
Total		<u>\$ 13,672</u>	<u>\$ -</u>	<u>\$ 13,672</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 7. 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 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2006-07 fiscal year was based was \$1,084,411,297. Taxes are delinquent if not paid by August 31. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2007, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.37 and \$0.42 per \$100 valuation, respectively, for a total of \$1.79 per \$ 100 valuation.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2007

Current tax collections for the year ended August 31, 2007 were 98.5% of the year-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 August 31, 2007, property taxes receivable, net of estimated uncollectible taxes, totaled \$565,128 and \$116,599 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

**NOTE 8. PENSION PLAN OBLIGATIONS**

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 233-8778.

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's 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. The District's employees' contributions to the System for the years ending August 31, 2005, 2006, and 2007 were \$1,037,398, \$1,166,348 and \$1,292,116, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2005, 2006, and 2007 were \$155,503, \$109,874 and \$129,966, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2005, 2006 and 2007 were \$972,561, \$1,090,234 and \$1,189,331, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

**LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2007**

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are pooled into one demand account. There are no interfund balances that are not expected to be repaid within one year.

Interfund receivables and payables at August 31, 2007, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<u>Major Funds:</u>		
General Fund:		
Special Revenue Funds	\$ 29,111	\$ 1,696
Capital Projects Fund	-	37,300
Agency Funds	6,481	-
Capital Projects Fund:		
General Fund	37,300	-
Special Revenue Funds	-	23,015
Internal Service Fund	<u>230</u>	<u>-</u>
Total Major Funds	<u>73,122</u>	<u>62,011</u>
<u>Non-Major Funds:</u>		
Special Revenue Funds:		
General Fund	1,696	29,111
Capital Projects Fund	23,015	-
Internal Service Fund:		
Capital Projects Fund	-	230
Agency Fund	12,335	-
Fiduciary Fund:		
General Fund	-	6,481
Internal Service Fund	<u>-</u>	<u>12,335</u>
Total Non-Major Funds	<u>37,046</u>	<u>48,157</u>
	<u>\$110,168</u>	<u>\$110,168</u>

**NOTE 10. HEALTH CARE**

During the year ended August 31, 2007, employees of Lake Dallas Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan (and employees, at their option, authorized payroll withholdings to pay contributions for dependents). The Plan was authorized by Sections 21.022, Texas Education Code and was documented by contractual agreement.

The contract between Lake Dallas Independent School District and the licensed insurer is renewable September 1, 2007, and the terms of coverage and premium costs are included in the contractual provisions. Latest financial statements of Blue Cross Blue Shield Insurance Company are available with the Texas State Board of Insurance, Austin, Texas and are public records.

**NOTE 11. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2007, 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.

**LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2007**

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Local Governments</u>	<u>Total</u>
General Fund	\$ 411,414	\$ -	\$ -	\$ 411,414
Special Revenue	<u>6,812</u>	<u>16,963</u>	<u>-</u>	<u>23,775</u>
	<u>\$ 418,226</u>	<u>\$ 16,963</u>	<u>\$ -</u>	<u>\$ 435,189</u>

**NOTE 12. CONTINGENT LIABILITIES**

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, will not be known until as long as five years from the bond issuance date. At August 31, 2007 there was an estimated rebate liability of \$170,315.

**NOTE 13. LITIGATION AND CONTINGENCIES**

The District is not a party to any legal actions, 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 August 31, 2007 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.

**NOTE 14. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$15,661,845	\$ -	\$ 4,784,407	\$ -	\$20,446,252
Food Sales	-	781,221	-	-	781,221
Investment Income	425,118	-	139,664	1,139,483	1,704,265
Penalties, interest and other tax related income	193,839	-	50,739	-	244,578
Co-curricular student activities	95,349	-	-	-	95,349
Other	<u>183,623</u>	<u>78,368</u>	<u>-</u>	<u>27,479</u>	<u>289,470</u>
Total	<u>\$16,559,774</u>	<u>\$ 859,589</u>	<u>\$ 4,974,810</u>	<u>\$1,166,962</u>	<u>\$23,561,135</u>

**NOTE 15. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$565,128	\$ -	\$116,599	\$681,727
Deferred Grants	<u>-</u>	<u>4,486</u>	<u>-</u>	<u>4,486</u>
	<u>\$565,128</u>	<u>\$ 4,486</u>	<u>\$116,599</u>	<u>\$686,213</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2007

**NOTE 16. GENERAL FUND FEDERAL SOURCE REVENUES**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Impact Aid	84.041	\$692,447	\$692,447
Federal Flood Control	10.904	<u>46,241</u>	<u>46,241</u>
Total for General Fund		<u>\$738,688</u>	<u>\$738,688</u>

**NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category in the Debt Service Fund for the year ended August 31, 2007.



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## COMBINING SCHEDULES

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2007

Data Control Codes		204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 9,214	\$ -
1240	Due from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,214</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 9,214	\$ -
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>9,214</u>	<u>-</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>\$ -</u>	<u>\$ 9,214</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	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	269 Title V, Pt.A Innovative Programs	288 Summer School LEP	327 SSA Substance Abuse Prev. Females
\$ -	\$ 202,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,000	10,963	-	-	-	-	-	-
-	23,015	-	-	-	-	-	-
-	325	-	-	-	-	-	-
<u>\$ 6,000</u>	<u>\$ 236,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,000	\$ 4,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	21,659	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>6,000</u>	<u>26,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	210,121	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>210,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,000</u>	<u>\$ 236,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2007

Data Control Codes		397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	420 Foundation Grants
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 5,633	\$ -	\$ 3,523	\$ 4,710
1240	Due from Other Governments	-	6,812	-	-
1260	Due from Other Funds	-	1,696	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 5,633</u>	<u>\$ 8,508</u>	<u>\$ 3,523</u>	<u>\$ 4,710</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 8,508	\$ -	\$ 224
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	3,523	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	4,486
2000	Total Liabilities	<u>-</u>	<u>8,508</u>	<u>3,523</u>	<u>4,710</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	5,633	-	-	-
3000	Total Fund Balances	<u>5,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,633</u>	<u>\$ 8,508</u>	<u>\$ 3,523</u>	<u>\$ 4,710</u>

421 Master Reading Teacher	423 Drivers Education	428 High School Allotment	429 Incentive Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 4,114	\$ -	\$ 34,677	\$ 264,339
-	-	-	-	-	23,775
-	-	-	-	-	24,711
-	-	-	-	-	325
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,114</u>	<u>\$ -</u>	<u>\$ 34,677</u>	<u>\$ 313,150</u>
\$ -	\$ -	\$ 4,114	\$ -	\$ 669	\$ 33,720
-	-	-	-	29,111	29,111
-	-	-	-	-	3,523
-	-	-	-	-	21,659
-	-	-	-	-	4,486
<u>-</u>	<u>-</u>	<u>4,114</u>	<u>-</u>	<u>29,780</u>	<u>92,499</u>
-	-	-	-	-	210,121
-	-	-	-	4,897	10,530
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,897</u>	<u>220,651</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,114</u>	<u>\$ -</u>	<u>\$ 34,677</u>	<u>\$ 313,150</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes		204 ESEA Title IV Safe & Drug Free Schools	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	11,306	217,107	541,883	9,781
5020	Total Revenues	11,306	217,107	541,883	9,781
	EXPENDITURES:				
	Current:				
0011	Instruction	11,306	217,107	524,449	9,781
0013	Curriculum and Instructional Staff Development	-	-	1,281	-
0021	Instructional Leadership	-	-	8,980	-
0031	Guidance, Counseling and Evaluation Services	-	-	7,173	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
6030	Total Expenditures	11,306	217,107	541,883	9,781
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

226 IDEA - Part B Discretionary	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	269 Title V, Pt.A Innovative Programs	288 Summer School LEP	327 SSA Substance Abuse Prev. Females
\$ -	\$ 796,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	9,725	-	-	-	-	-	-
36,589	441,622	26,738	67,730	23,889	9,589	2,460	-
36,589	1,247,638	26,738	67,730	23,889	9,589	2,460	-
36,589	-	26,738	67,730	23,889	9,589	2,460	1,577
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,283,940	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
36,589	1,283,940	26,738	67,730	23,889	9,589	2,460	1,577
-	(36,302)	-	-	-	-	-	(1,577)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(36,302)	-	-	-	-	-	(1,577)
-	246,423	-	-	-	-	-	1,577
\$ -	\$ 210,121	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes		397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	420 Foundation Grants
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 5,544
5800	State Program Revenues	3,600	71,401	100,901	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	3,600	71,401	100,901	5,544
	EXPENDITURES:				
	Current:				
0011	Instruction	2,564	71,401	100,901	9,453
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
6030	Total Expenditures	2,564	71,401	100,901	9,453
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,036	-	-	(3,909)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	1,036	-	-	(3,909)
0100	Fund Balance - September 1 (Beginning)	4,597	-	-	3,909
3000	Fund Balance - August 31 (Ending)	\$ 5,633	\$ -	\$ -	\$ -

421 Master Reading Teacher	423 Drivers Education	428 High School Allotment	429 Incentive Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 1,600	\$ 15,081	\$ -	\$ -	\$ 41,073	\$ 859,589
-	-	281,670	22	-	467,319
-	-	-	-	-	1,388,694
1,600	15,081	281,670	22	41,073	2,715,602
2,085	15,666	281,670	22	-	1,414,977
-	-	-	-	-	1,281
-	-	-	-	-	8,980
-	-	-	-	-	7,173
-	-	-	-	-	1,283,940
-	-	-	-	36,142	36,142
-	-	-	-	34	34
2,085	15,666	281,670	22	36,176	2,752,527
(485)	(585)	-	-	4,897	(36,925)
-	585	-	-	-	585
-	585	-	-	-	585
(485)	-	-	-	4,897	(36,340)
485	-	-	-	-	256,991
\$ -	\$ -	\$ -	\$ -	\$ 4,897	\$ 220,651

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2007

	752	754	
	Print Shop	Computer Operations	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 79,333	\$ 91,504	\$ 170,837
Due from Other Funds	563	11,772	12,335
Other Receivables	1,800	630	2,430
Inventories	1,520	18,283	19,803
Total Current Assets	83,216	122,189	205,405
Noncurrent Assets:			
Capital Assets:			
Depreciation on Furniture and Equipment	(17,711)	-	(17,711)
District Defined Capital Assets	17,711	-	17,711
Total Noncurrent Assets	-	-	-
Total Assets	83,216	122,189	205,405
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	3,929	74	4,003
Due to Other Funds	-	230	230
Accrued Expenses	88	-	88
Total Liabilities	4,017	304	4,321
<b>NET ASSETS</b>			
Unrestricted Net Assets	79,199	121,885	201,084
Total Net Assets	\$ 79,199	\$ 121,885	\$ 201,084

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2007

	752	754	Total
	Print Shop	Computer Operations	Internal Service Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 139,644	\$ 92,636	\$ 232,280
Total Operating Revenues	139,644	92,636	232,280
OPERATING EXPENSES:			
Payroll Costs	51,138	-	51,138
Professional and Contracted Services	69,913	-	69,913
Supplies and Materials	48,407	56,263	104,670
Capital Outlay	-	110,856	110,856
Total Operating Expenses	169,458	167,119	336,577
Operating Income (Loss)	(29,814)	(74,483)	(104,297)
Total Net Assets - September 1 (Beginning)	109,013	196,368	305,381
Total Net Assets - August 31 (Ending)	\$ 79,199	\$ 121,885	\$ 201,084

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

	752	754	Total
	Print Shop	Computer Operations	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from District	\$ 137,810	\$ 84,579	\$ 222,389
Cash Payments for Payroll Costs	(51,138)	-	(51,138)
Cash Payments for Supplies and Materials	(78,629)	(71,895)	(150,524)
Cash Payments for Other Expenses	-	(39,023)	(39,023)
Cash Payments for Purchased Services	(69,913)	-	(69,913)
Net Cash Used For Operating Activities	(61,870)	(26,339)	(88,209)
Net Decrease in Cash and Cash Equivalents	(61,870)	(26,339)	(88,209)
Cash and Cash Equivalents at Beginning of the Year:	141,203	117,843	259,046
Cash and Cash Equivalents at the End of the Year:	\$ 79,333	\$ 91,504	\$ 170,837
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>			
Operating Income (Loss):	\$ (29,814)	\$ (74,483)	\$ (104,297)
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Due from Other Funds	(465)	(7,657)	(8,122)
Decrease (increase) in Other Receivables	(1,369)	(630)	(1,999)
Decrease (increase) in Inventories	3,800	71,833	75,633
Increase (decrease) in Accounts Payable	(34,022)	(15,632)	(49,654)
Increase (decrease) in Due to Other Funds	-	230	230
Net Cash Used for Operating Activities	\$ (61,870)	\$ (26,339)	\$ (88,209)

## REQUIRED T.E.A. SCHEDULES

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2007

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1998 and prior years	Various	Various	\$ Various
1999	1.270000	0.300000	451,179,068
2000	1.287000	0.175000	556,869,938
2001	1.470000	0.190000	653,758,040
2002	1.500000	0.190000	804,243,217
2003	1.500000	0.190000	887,673,893
2004	1.500000	0.240000	950,046,055
2005	1.500000	0.295000	966,191,284
2006	1.500000	0.360000	1,003,428,703
2007 (School year under audit)	1.370000	0.420000	1,084,411,297
100 TOTALS			

(10) Beginning Balance 9/1/2006	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2007
\$ 54,004	\$ -	\$ 95	\$ 26	\$ (15,954)	\$ 37,929
11,193	-	199	47	-	10,947
11,132	-	412	56	-	10,664
16,501	-	3,736	483	-	12,282
117,094	-	9,739	1,234	44,543	150,664
34,848	-	8,398	1,064	45,760	71,146
37,561	-	12,069	1,931	48,851	72,412
73,720	-	29,930	5,886	50,506	88,410
370,921	-	246,667	59,200	35,097	100,151
-	19,410,962	15,401,548	4,721,643	1,015,058	302,829
<u>\$ 726,974</u>	<u>\$ 19,410,962</u>	<u>\$ 15,712,793</u>	<u>\$ 4,791,570</u>	<u>\$ 1,223,861</u>	<u>\$ 857,434</u>



LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 154,438	\$ 510,215	\$ -	\$ -	\$ 664,653
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	266	-	-	266
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	1,552	-	10,780	-	-	-	12,332
6212	Audit Services	-	-	-	14,900	-	-	14,900
6213	Tax Appraisal and Collection	-	189,435	-	-	-	-	189,435
621X	Other Professional Services	14,279	-	-	2,178	-	-	16,457
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	700	-	1,917	-	-	-	2,617
6240	Contr. Maint. and Repair	-	-	-	-	353	-	353
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	4,061	-	-	4,061
6290	Miscellaneous Contr.	-	-	-	6,858	-	-	6,858
6320	Textbooks and Reading	-	-	-	1,499	-	-	1,499
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	511	7,083	-	-	7,594
6410	Travel, Subsistence, Stipends	5,604	-	5,317	7,070	-	-	17,991
6420	Ins. and Bonding Costs	-	-	-	13,699	-	-	13,699
6430	Election Costs	3,409	-	-	-	-	-	3,409
6490	Miscellaneous Operating	2,754	-	4,902	33,446	-	-	41,102
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	7,415	7,415
6000	TOTAL	\$ 28,298	\$ 189,435	\$ 177,865	\$ 601,275	\$ 353	\$ 7,415	\$ 1,004,641

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 28,073,796

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 529,759
Total Debt & Lease(6500)	(11) 14,256
Plant Maintenance (Function 51, 6100-6400)	(12) 3,494,473
Food (Function 35, 6341 and 6499)	(13) 453,334
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	601,275

SubTotal:

5,093,097

Net Allowed Direct Cost

\$ 22,980,699

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 94,041,797
Historical Cost of Building over 50 years old	(16) \$ -
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 2,877,076
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$43,005 in Function 53 expenditures are included in this report on administrative costs.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2007

**UNAUDITED**

1	Total General Fund Balance as of 8/31/07 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 5,243,541
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 141,024
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	-
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 (9/1/07-5/31/08).	2,489,000
6	Estimate of delayed payments from state sources (58xx) including August payment delays	1,125,049
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)	266,000
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>4,021,073</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	<u><u>\$ 1,222,468</u></u>

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

The excess undesignated unreserved General Fund balance is a result of an unexpected increase in 8002 Federal Impact Aid revenue and a one time decrease in salary expenditures related to a state mandated later starting school year. This change decreased the number of instructional days during the fiscal year 2007.

The excess fund balance will be used to finance projects that have been deferred in past years.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2007

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	\$ 770,798	\$ 797,436	\$ 796,291	\$ (1,145)
5800	State Program Revenues	10,000	10,000	9,725	(275)
5900	Federal Program Revenues	422,067	439,417	441,622	2,205
5020	Total Revenues	1,202,865	1,246,853	1,247,638	785
EXPENDITURES:					
0035	Food Services	1,180,546	1,307,873	1,283,940	23,933
6030	Total Expenditures	1,180,546	1,307,873	1,283,940	23,933
1200	Net Change in Fund Balances	22,319	(61,020)	(36,302)	24,718
0100	Fund Balance - September 1 (Beginning)	246,423	246,423	246,423	-
3000	Fund Balance - August 31 (Ending)	\$ 268,742	\$ 185,403	\$ 210,121	\$ 24,718

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2007

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	\$ 4,810,676	\$ 4,810,676	\$ 4,974,810	\$ 164,134
5800	State Program Revenues	907,064	907,064	903,456	(3,608)
5020	Total Revenues	5,717,740	5,717,740	5,878,266	160,526
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	2,163,090	2,163,090	2,163,090	-
0072	Debt Service - Interest on Long Term Debt	3,479,506	3,631,355	3,622,355	9,000
0073	Debt Service - Bond Issuance Cost and Fees	3,000	5,000	346,498	(341,498)
6030	Total Expenditures	5,645,596	5,799,445	6,131,943	(332,498)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	72,144	(81,705)	(253,677)	(171,972)
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	11,023,006	11,023,006
7916	Premium or Discount on Issuance of Bonds	-	-	3,295,209	3,295,209
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(13,972,688)	(13,972,688)
7080	Total Other Financing Sources (Uses)	-	-	345,527	345,527
1200	Net Change in Fund Balances	72,144	(81,705)	91,850	173,555
0100	Fund Balance - September 1 (Beginning)	845,110	845,110	845,110	-
3000	Fund Balance - August 31 (Ending)	\$ 917,254	\$ 763,405	\$ 936,960	\$ 173,555

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## FEDERAL AWARDS SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Lake Dallas Independent School District  
Lake Dallas, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Dallas Independent School District (the "District") as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2008. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A 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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District'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 consider to be material weaknesses, as defined above.



### Compliance and Other Matters

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

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

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 15, 2008

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

Board of Trustees  
Lake Dallas Independent School District  
Lake Dallas, Texas

Compliance

We have audited the compliance of Lake Dallas Independent School District (the "District") 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 August 31, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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 on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A 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 District's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or 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 District'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 solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hankins, Eastup, Deaton, Tonn & Seay  
A Professional Corporation  
Certified Public Accountants

January 15, 2008

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2007

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 5 I O (a): No
7. Major programs include::  
84.041 Impact Aid
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

The audit disclosed no findings or questioned costs to be reported.

III. Other Findings

Finding 2007-1	The District exceeded appropriations in one functional category in the Debt Service Fund.
Criteria	The District is required to monitor and amend the budget and control expenditures to make sure appropriations are not exceeded in any one functional category.
Condition Found	The District exceeded appropriations in one functional category in the Debt Service Fund.
Instance/Universe	Only one category in the Debt Service Fund exceeded appropriations by \$332,498 during the year.
Recommendation	The District should review expenditures and amend the budget as needed to make sure expenditures don't exceed appropriations.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2007

CORRECTIVE ACTION PLAN

Contact Person – Mr. Wesley Eversole, Assistant Superintendent of Operations and Finance

FINDING 2007-1      The District exceeded appropriations in one functional category in the Debt Service Fund.

CORRECTIVE ACTION

The District exceeded appropriations in the Debt Service for bond issuance costs that were incurred due to a bond issuance in 2007. The issuance costs were overlooked when the budget was amended in August 2007. In future years bonds issuance costs will be included in the budget or amended to cover any additions during the year.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2007

FINDING/NONCOMPLIANCE

Finding 2006-1	The District's cash deposits were not entirely covered by FDIC insurance or pledged collateral securities on several occasions during the year.
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STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE

The District's cash deposits were fully collateralized at all times during the 2006-2007 year.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2007

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 692,447
Total Direct Programs			\$ 692,447
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	07-610101061912	\$ 217,107
IDEA - Part B, Formula	84.027	08-660001061912	9,214
IDEA - Part B, Formula	84.027	07-660001061912	532,668
Total CFDA Number 84.027			541,882
IDEA - Part B, High Cost	84.027A	07-660006061912	36,589
Vocational Education - Basic Grant	84.048	07-420006061912	26,738
IDEA - Part B, Preschool	84.173	07-661001061912	9,781
ESEA Title IV - Safe and Drug-Free Schools	84.186A	07-691001061912	11,306
Title V, Part A - Innovative Program	84.298	07-685001061912	9,589
Title III, Part A - English Lang. Acquisition	84.365A	07-671001061912	23,889
ESEA Title II, Part A, Teacher & Principal Training	84.367A	07-694501061912	67,730
Title VI, Part A - Summer School LEP	84.369A	69550502	2,460
Total Passed Through State Department of Education			\$ 947,071
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 1,639,518
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555		\$ 393,548
Commodities	10.550		48,074
Watershed Protection & Flood Control	10.904		46,241
Total Passed Through the State Department of Agriculture			\$ 487,863
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			\$ 487,863
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 2,127,381

\*Clustered Programs as required by Compliance Supplement March, 2007

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2007

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2007, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.