

**LAKE DALLAS  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2005**

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2005

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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, 2005, at a meeting of the Board of Trustees of such school district on the \_\_\_\_ day of January, 2006.

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

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

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

Independent Auditor's Report

Board of Trustees  
Lake Dallas Independent School District  
Lake Dallas, TX 76201

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Dallas Independent School District as of August 31, 2005, 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 14 and 27, 66 and 67 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion 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 purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

In addition, the combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are like presented for additional analysis and are not a part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules (except for Exhibit J-3 The Fund Balance and Cash Flow Calculation Worksheet, which is marked **UNAUDITED** and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 December 15, 2005, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*"Authorized signatures available on the reports filed with TEA"*

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

December 15, 2005

**LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2005  
(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, 2005. 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 assets of Lake Dallas Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$1,694,996 (net assets). Of this amount, \$5,205,939 (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 \$821,406.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$37,403,398. 8.8% of this total amount (\$3,301,593) 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 \$3,295,897 or 15.21% of the total general fund expenditures.

**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 \$2,516,402 to \$1,694,996. 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 \$5,205,939 at August 31, 2005. This decrease in governmental net assets was the result of the District's governmental expenditures exceeding revenues by \$821,406.

In 2005, net assets of our business-type activities decreased by \$11,955, about 69%. This decrease 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	
	2004	2005	2004	2005	2004	2005
Current and other assets	41,174,339	42,785,703	(17,123)	-	41,157,216	42,785,703
Capital assets	55,835,660	62,902,887	-	-	55,835,660	62,902,887
Total assets	97,009,999	105,688,590	(17,123)	-	96,992,876	105,688,590
Long-term liabilities	91,714,695	100,419,475	-	-	91,714,695	100,419,475
Other liabilities	2,778,902	3,574,119	160	29,238	2,779,062	3,603,357
Total liabilities	94,493,597	103,993,594	160	29,238	94,493,757	104,022,832
Net Assets:						
Invested in capital assets net of related debt	(39,002,965)	(37,516,588)	-	-	(39,002,965)	(37,516,588)
Restricted	33,485,336	34,005,645	-	-	33,485,336	34,005,645
Unrestricted	8,034,031	5,205,939	(17,283)	(29,238)	8,016,748	5,176,701
Total net assets	2,516,402	1,694,996	(17,283)	(29,238)	2,499,119	1,665,758

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

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program Revenues:						
Charges for services	139,727	158,098	157,131	221,013	296,858	379,111
Operating grants and contributions	3,845,893	4,030,420	-	-	3,845,893	4,030,420
General Revenues:						
Maintenance and operations taxes	14,698,928	15,255,610	-	-	14,698,928	15,255,610
Debt service taxes	2,349,337	2,995,471	-	-	2,349,337	2,995,471
State aid	5,691,197	5,130,235	-	-	5,691,197	5,130,235
Investment earnings	193,372	969,972	-	-	193,372	969,972
Miscellaneous	76,136	117,693	-	-	76,136	117,693
Federal Revenue	-	214,857	-	-	-	214,857
Total Revenue	<u>26,994,590</u>	<u>28,872,356</u>	<u>157,131</u>	<u>221,013</u>	<u>27,151,721</u>	<u>29,093,369</u>
Expenses:						
Instruction, curriculum and media services	14,692,297	15,563,541	-	-	14,692,297	15,563,541
Instructional and school leadership	1,590,418	1,718,317	-	-	1,590,418	1,718,317
Student support services	2,158,406	2,264,026	-	-	2,158,406	2,264,026
Child nutrition	1,025,925	1,089,572	-	-	1,025,925	1,089,572
Cocurricular activities	722,014	706,941	-	-	722,014	706,941
General administration	722,417	773,417	-	-	722,417	773,417
Plant maintenance, security & data processing	3,074,710	3,005,967	-	-	3,074,710	3,005,967
Community services	22,963	23,457	168,326	232,968	191,289	256,425
Debt services	3,356,462	4,546,717	-	-	3,356,462	4,546,717
Facilities acquisition, construction	1,047,059	-	-	-	1,047,059	-
Intergovernmental charges	16,649	1,807	-	-	16,649	1,807
Total Expenses	<u>28,429,320</u>	<u>29,693,762</u>	<u>168,326</u>	<u>232,968</u>	<u>28,597,646</u>	<u>29,926,730</u>
Decrease in net assets	(1,434,730)	(821,406)	(11,195)	(11,955)	(1,445,925)	(833,361)
Net assets at beginning of year	3,951,132	2,516,402	(6,088)	(17,283)	3,945,044	2,499,119
Net assets at end of year	<u>2,516,402</u>	<u>1,694,996</u>	<u>(17,283)</u>	<u>(29,238)</u>	<u>2,499,119</u>	<u>1,665,758</u>

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

- During the 2004-05 school year, the District maintained an average daily attendance (ADA) of 3,560, which was a 4.5% increase from the previous year.
- Total revenue increased by over \$600,000 or 2.8%
- The District set the Maintenance and Operations property tax rate at \$1.50 for fiscal year 04-05. This was the fifth year that the District has adopted the tax rate at the \$1.50 state mandated tax cap. The debt service rate was set at \$.295.
- State revenue dropped by almost \$151,000 from the 03-04 school year.
- The Federal Government funded the Section 8002 Federal Impact Aid program for the 2004-05 school year. The District received over \$200,000 from the Federal Government for impact aid during the 2004-05 school year.
- The District saw over a 190% increase in local investment revenue from the previous year. This was due to the rising interest rates during the 2004-2005 school year.

The cost of all governmental activities for the current fiscal year was \$29,693,762. 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 \$20,375,009 because some of the costs were paid by those who directly benefited from the programs (\$158,098) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,030,420) or by State equalization funding (\$5,130,235).

## **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 \$37,403,398, which is \$987,054 higher than last year's total of \$36,416,344. Included in this year's total change in fund balance is an increase of \$465,086 in the District's General Fund. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on page 9.

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 2004). 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 \$3,389,153 reported on page 20 differs from the General Fund's budgetary fund balance of \$2,744,395 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, 2005, the District had \$62,902,887 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 \$7,067,227, or 12.7 percent, above last year.

This fiscal period's major additions consisted of construction of a new middle school and construction of a new elementary school at a cost of \$8,538,983, paid for with proceeds of general obligation bonds.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

#### Debt Administration

At year-end, the District had \$100,419,475 in bonds and capital leases outstanding (including accreted interest on bonds) versus \$91,714,695 last year—an increase of 9 percent. The new debt incurred during the year was bond issuance proceeds of \$13,040,000 and accreted interest of \$1,474,593.

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

- Lake Dallas ISD currently has one campus with Recognized accreditation and five campuses with 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. Based on current state law, LDISD's revenue per student is decreasing. The District has been forced to drastically cut expenditures per student, while trying to maintain an acceptable educational environment.
- During 1997-98 school year, the state funded 54% of the general fund expenditures. The state will fund less than 29% of the general fund expenditures during the 2005-06 school year. The local taxpayers have been forced to contribute more and more each year to make up for this state funding decrease. The general fund tax rate was \$1.19 in 1998. It has been increased to the state maximum of \$1.50. LDISD is now unable to increase their general fund tax rate in order to generate additional tax revenue offsetting the loss in state funds.
- District officials considered many factors when setting the fiscal year 2005-06 budget and tax rates. One of those factors is the economy. Since almost 70% of the District's operating budgeted revenue is derived from local property taxes, the local economy plays an extremely important role in the preparation of our annual budget. The tax rate for the 2005-06 budget increased about 2.1% over the previous year. This growth rate is far less than the 20% growth rate the District was experiencing several years earlier. Although we are continuing to experience new commercial construction within the district, it is expected that our residential construction will slowly decline due to the fact that the majority of the residentially zoned property within the district has been developed.
- The budgeted State revenues will remain constant from the 2005-06 school year despite an estimated student growth rate of 4%.
- The voters authorized the District to sell \$65,000,000 in a bond election during September of 2002. The bond package includes monies to fund a renovation and addition to Lake Dallas Middle School, a new addition to Lake Dallas High School, one new elementary school and several other renovation projects.
- The District completed the renovation and addition of Lake Dallas Middle School that was completed during the summer of 2005. During December of 2004 the District sold bonds that will help fund the expansion of Lake Dallas High School.
- 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 36 cents per hundred-dollar valuation for the 2005-06 school year to fund the expansion and addition to Lake Dallas Middle School, a new elementary, and an addition to the Lake Dallas High School. The debt tax rate is 7.5 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.

BASIC FINANCIAL STATEMENTS



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LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2005

Data Control Codes	1	2	3
	Governmental Activities	Primary Government Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 39,914,207	\$ -	\$ 39,914,207
1220 Property Taxes Receivable (Delinquent)	682,359	-	682,359
1230 Allowance for Uncollectible Taxes	(68,236)	-	(68,236)
1240 Due from Other Governments	901,946	-	901,946
1260 Internal Balances	919	-	919
1290 Other Receivables (net)	118,637	-	118,637
1300 Inventories	86,556	-	86,556
1410 Deferred Expenses	93,256	-	93,256
1420 Capitalized Bond & Other Debt Issuance Costs	1,017,652	-	1,017,652
1430 Discount on Issuance of Debt	38,407	-	38,407
Capital Assets:			
1510 Land	3,123,930	-	3,123,930
1520 Buildings, net	59,496,667	-	59,496,667
1530 Furniture and Equipment, net	282,290	-	282,290
1000 Total Assets	<u>105,688,590</u>	<u>-</u>	<u>105,688,590</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	2,264,857	29,088	2,293,945
2160 Accrued Wages Payable	1,161,506	-	1,161,506
2180 Due to Other Governments	22,161	-	22,161
2200 Accrued Expenses	125,595	150	125,745
Noncurrent Liabilities			
2501 Due Within One Year	1,330,964	-	1,330,964
2502 Due in More Than One Year	99,088,511	-	99,088,511
2000 Total Liabilities	<u>103,993,594</u>	<u>29,238</u>	<u>104,022,832</u>
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	(37,516,588)	-	(37,516,588)
3840 Restricted for Food Service	206,485	-	206,485
3850 Restricted for Debt Service	810,773	-	810,773
3860 Restricted for Construction	32,988,387	-	32,988,387
3900 Unrestricted Net Assets	5,205,939	(29,238)	5,176,701
3000 Total Net Assets	<u>\$ 1,694,996</u>	<u>\$ (29,238)</u>	<u>\$ 1,665,758</u>

The accompanying notes are an integral part of this statement.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 14,728,768	\$ 63,091	\$ 1,859,738
12 Instructional Resources & Media Services	551,845	-	39,326
13 Curriculum and Staff Development	282,928	-	24,547
21 Instructional Leadership	310,852	-	21,588
23 School Leadership	1,407,465	-	58,930
31 Guidance, Counseling & Evaluation Services	885,973	-	56,164
33 Health Services	269,615	-	16,843
34 Student (Pupil) Transportation	1,108,438	-	192,998
35 Food Services	1,089,572	-	1,015,525
36 Cocurricular/Extracurricular Activities	706,941	88,898	21,364
41 General Administration	773,417	-	27,142
51 Plant Maintenance and Operations	2,508,369	6,109	89,419
52 Security and Monitoring Services	43,056	-	-
53 Data Processing Services	454,542	-	23,162
61 Community Services	23,457	-	1,468
72 Debt Service - Interest on Long Term Debt	4,541,717	-	582,206
73 Debt Service - Bond Issuance Cost & Fees	5,000	-	-
93 Payments to Fiscal Agent/Member Districts of SSA	1,807	-	-
[TG] Total Governmental Activities:	<u>29,693,762</u>	<u>158,098</u>	<u>4,030,420</u>
BUSINESS-TYPE ACTIVITIES:			
01 Childcare	232,968	221,013	-
[TB] Total Business-Type Activities:	<u>232,968</u>	<u>221,013</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 29,926,730</u>	<u>\$ 379,111</u>	<u>\$ 4,030,420</u>

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
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Special Item - Other Federal Revenue
TR	Total General Revenues and Special Items
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

The accompanying notes 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
\$ (12,805,939)	\$ -	\$ (12,805,939)
(512,519)	-	(512,519)
(258,381)	-	(258,381)
(289,264)	-	(289,264)
(1,348,535)	-	(1,348,535)
(829,809)	-	(829,809)
(252,772)	-	(252,772)
(915,440)	-	(915,440)
(74,047)	-	(74,047)
(596,679)	-	(596,679)
(746,275)	-	(746,275)
(2,412,841)	-	(2,412,841)
(43,056)	-	(43,056)
(431,380)	-	(431,380)
(21,989)	-	(21,989)
(3,959,511)	-	(3,959,511)
(5,000)	-	(5,000)
(1,807)	-	(1,807)
<u>(25,505,244)</u>	<u>-</u>	<u>(25,505,244)</u>
-	(11,955)	(11,955)
-	(11,955)	(11,955)
<u>(25,505,244)</u>	<u>(11,955)</u>	<u>(25,517,199)</u>
15,255,610	-	15,255,610
2,995,471	-	2,995,471
5,130,235	-	5,130,235
969,972	-	969,972
117,693	-	117,693
214,857	-	214,857
<u>24,683,838</u>	<u>-</u>	<u>24,683,838</u>
(821,406)	(11,955)	(833,361)
2,516,402	(17,283)	2,499,119
<u>\$ 1,694,996</u>	<u>\$ (29,238)</u>	<u>\$ 1,665,758</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2005

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 3,851,555	\$ 660,719	\$ 34,980,194
1220 Property Taxes - Delinquent	578,263	104,096	-
1230 Allowance for Uncollectible Taxes (credit)	(57,826)	(10,410)	-
1240 Due from Other Governments	694,558	133,202	-
1260 Due from Other Funds	38,234	-	-
1290 Other Receivables	118,100	-	-
1410 Deferred Expenditures	93,256	-	-
1000 Total Assets	<u>\$ 5,316,140</u>	<u>\$ 887,607</u>	<u>\$ 34,980,194</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 196,722	\$ -	\$ 1,985,522
2160 Accrued Wages Payable	1,161,506	-	-
2170 Due to Other Funds	3,781	-	6,285
2180 Due to Other Governments	22,161	-	-
2200 Accrued Expenditures	109,057	-	-
2300 Deferred Revenues	433,760	76,834	-
2000 Total Liabilities	<u>\$ 1,926,987</u>	<u>\$ 76,834</u>	<u>\$ 1,991,807</u>
Fund Balances:			
Reserved For:			
3420 Retirement of Long-Term Debt	\$ -	\$ 810,773	\$ -
3430 Prepaid Items	93,256	-	-
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	-	-	32,988,387
3590 Other Purposes	-	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	3,295,897	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>\$ 3,389,153</u>	<u>\$ 810,773</u>	<u>\$ 32,988,387</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,316,140</u>	<u>\$ 887,607</u>	<u>\$ 34,980,194</u>

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 273,776	\$ 39,766,244
-	682,359
-	(68,236)
74,186	901,946
2,800	41,034
-	118,100
-	93,256
<u>\$ 350,762</u>	<u>\$ 41,534,703</u>
\$ 80,999	\$ 2,263,243
-	1,161,506
38,234	48,300
-	22,161
16,444	125,501
-	510,594
<u>\$ 135,677</u>	<u>\$ 4,131,305</u>
\$ -	\$ 810,773
-	93,256
206,485	206,485
-	32,988,387
2,904	2,904
-	3,295,897
5,696	5,696
<u>\$ 215,085</u>	<u>\$ 37,403,398</u>
<u>\$ 350,762</u>	<u>\$ 41,534,703</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2005

<b>Total Fund Balances - Governmental Funds</b>	\$	37,403,398
<b>1</b> The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.		241,533
<b>2</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$68,849,540 and the accumulated depreciation was \$13,013,880. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		(35,879,035)
<b>3</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2003 capital outlays and debt principal payments is to increase (decrease) net assets.		9,256,184
<b>4</b> The 2005 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,589,144)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(7,737,940)
<b>19 Net Assets of Governmental Activities</b>	\$	1,694,996

The accompanying notes 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, 2005

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 15,714,148	\$ 3,031,396	\$ 739,678
5800 State Program Revenues	6,207,280	582,206	-
5900 Federal Program Revenues	214,857	-	-
5020 Total Revenues	<u>22,136,285</u>	<u>3,613,602</u>	<u>739,678</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	12,670,325	-	-
0012 Instructional Resources & Media Services	487,357	-	-
0013 Curriculum & Instructional Staff Development	251,671	-	-
0021 Instructional Leadership	281,325	-	-
0023 School Leadership	1,279,401	-	-
0031 Guidance, Counseling & Evaluation Services	838,253	-	-
0033 Health Services	250,791	-	-
0034 Student (Pupil) Transportation	911,223	-	-
0035 Food Services	-	-	-
0036 Cocurricular/Extracurricular Activities	679,962	-	-
0041 General Administration	739,863	-	-
0051 Plant Maintenance and Operations	2,698,513	-	-
0052 Security and Monitoring Services	43,056	-	-
0053 Data Processing Services	428,058	-	-
0061 Community Services	21,706	-	-
<b>Debt Service:</b>			
0071 Debt Service - Principal on long-term debt	34,694	565,119	-
0072 Debt Service - Interest on long-term debt	3,163	3,021,043	-
0073 Debt Service - Bond Issuance Cost and Fees	-	5,000	-
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	50,031	-	8,298,766
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	1,807	-	-
6030 Total Expenditures	<u>21,671,199</u>	<u>3,591,162</u>	<u>8,298,766</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>465,086</u>	<u>22,440</u>	<u>(7,559,088)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital-related Debt Issued (Regular Bonds)	-	5,040,000	8,000,000
7916 Premium or Discount on Issuance of Bonds	-	462,024	-
8949 Other (Uses)	-	(5,502,024)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,000,000</u>
1200 Net Change in Fund Balances	465,086	22,440	440,912
0100 Fund Balance - September 1 (Beginning)	<u>2,924,067</u>	<u>788,333</u>	<u>32,547,475</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,389,153</u>	<u>\$ 810,773</u>	<u>\$ 32,988,387</u>

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 694,268	\$ 20,179,490
407,078	7,196,564
<u>1,270,186</u>	<u>1,485,043</u>
<u>2,371,532</u>	<u>28,861,097</u>
1,174,699	13,845,024
19,654	507,011
19,409	271,080
11,551	292,876
9,170	1,288,571
17,528	855,781
2,618	253,409
13,029	924,252
1,015,525	1,015,525
507	680,469
3,322	743,185
20,554	2,719,067
-	43,056
5,097	433,155
253	21,959
-	599,813
-	3,024,206
-	5,000
-	8,348,797
<u>-</u>	<u>1,807</u>
<u>2,312,916</u>	<u>35,874,043</u>
<u>58,616</u>	<u>(7,012,946)</u>
-	13,040,000
-	462,024
<u>-</u>	<u>(5,502,024)</u>
<u>-</u>	<u>8,000,000</u>
58,616	987,054
<u>156,469</u>	<u>36,416,344</u>
<u>\$ 215,085</u>	<u>\$ 37,403,398</u>

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, 2005

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	987,054
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		30,752
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2005 capital outlays and debt principal payments is to increase (decrease) net assets.		9,256,184
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.		(1,589,144)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(9,506,252)
<b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>(821,406)</u>

The accompanying notes are an integral part of this statement.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 15,368,757	\$ 15,556,066	\$ 15,714,148	\$ 158,082
5800 State Program Revenues	6,256,311	6,323,114	6,207,280	(115,834)
5900 Federal Program Revenues	130,500	130,500	214,857	84,357
5020 Total Revenues	21,755,568	22,009,680	22,136,285	126,605
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	12,578,030	12,743,887	12,670,325	73,562
0012 Instructional Resources & Media Services	521,919	521,919	487,357	34,562
0013 Curriculum & Instructional Staff Development	263,517	266,335	251,671	14,664
0021 Instructional Leadership	288,683	288,683	281,325	7,358
0023 School Leadership	1,284,213	1,289,685	1,279,401	10,284
0031 Guidance, Counseling & Evaluation Services	814,366	845,387	838,253	7,134
0033 Health Services	269,203	269,203	250,791	18,412
0034 Student (Pupil) Transportation	1,067,744	1,039,401	911,223	128,178
0036 Cocurricular/Extracurricular Activities	654,959	688,548	679,962	8,586
0041 General Administration	779,022	774,022	739,863	34,159
0051 Plant Maintenance and Operations	2,767,253	2,810,470	2,698,513	111,957
0052 Security and Monitoring Services	57,156	57,156	43,056	14,100
0053 Data Processing Services	449,490	449,490	428,058	21,432
0061 Community Services	22,024	22,024	21,706	318
0071 Debt Service - Principal on long-term debt	34,694	34,694	34,694	-
0072 Debt Service - Interest on long-term debt	15,417	15,417	3,163	12,254
0081 Facilities Acquisition and Construction	97,734	189,531	50,031	139,500
0093 Payments to Fiscal Agent/Member Districts of SSA	-	2,000	1,807	193
0095 Payments to Juvenile Justice Alternative Ed. Prg.	18,000	18,000	-	18,000
6030 Total Expenditures	21,983,424	22,325,852	21,671,199	654,653
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(227,856)	(316,172)	465,086	781,258
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Capital Leases	-	136,500	-	(136,500)
7080 Total Other Financing Sources (Uses)	-	136,500	-	(136,500)
1200 Net Change in Fund Balances	(227,856)	(179,672)	465,086	644,758
0100 Fund Balance - September 1 (Beginning)	2,924,067	2,924,067	2,924,067	-
3000 Fund Balance - August 31 (Ending)	\$ 2,696,211	\$ 2,744,395	\$ 3,389,153	\$ 644,758

The accompanying notes are an integral part of this statement.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2005

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 147,963
Due from Other Funds	-	8,185
Other Receivables	-	537
Inventories	-	86,556
Total Current Assets	-	243,241
Noncurrent Assets:		
Capital Assets:		
Depreciation on Furniture and Equipment	-	(17,711)
District Defined Capital Assets	-	17,711
Total Noncurrent Assets	-	-
Total Assets	-	243,241
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	29,088	1,614
Accrued Expenses	150	94
Total Liabilities	29,238	1,708
<b>NET ASSETS</b>		
Unrestricted Net Assets	(29,238)	241,533
Total Net Assets	\$ (29,238)	\$ 241,533

The accompanying notes 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, 2005

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 210,150	\$ 255,174
State Program Revenues	<u>10,863</u>	<u>2,904</u>
Total Operating Revenues	<u>221,013</u>	<u>258,078</u>
<b>OPERATING EXPENSES:</b>		
Payroll Costs	213,554	48,558
Professional and Contracted Services	11,417	49,040
Supplies and Materials	7,233	47,369
Other Operating Costs	764	-
Capital Outlay	<u>-</u>	<u>82,359</u>
Total Operating Expenses	<u>232,968</u>	<u>227,326</u>
Operating Income (Loss)	(11,955)	30,752
Total Net Assets - September 1 (Beginning)	<u>(17,283)</u>	<u>210,781</u>
Total Net Assets - August 31 (Ending)	<u>\$ (29,238)</u>	<u>\$ 241,533</u>

The accompanying notes are an integral part of this statement.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2005

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash Received from State	\$ 10,863	\$ 2,904
Cash Received from District	-	246,452
Cash Received from Employees	210,150	-
Cash Payments for Payroll Costs	(184,466)	(48,558)
Cash Payments for Purchased Services	(11,417)	(49,040)
Cash Payments for Supplies and Materials	(7,243)	(47,392)
Cash Payments for Other Expenses	(764)	(94,664)
Net Cash Provided by Operating Activities	<u>17,123</u>	<u>9,702</u>
Net Increase in Cash and Cash Equivalents	17,123	9,702
Cash and Cash Equivalents at Beginning of the Year:	<u>(17,123)</u>	<u>138,261</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ -</u>	<u>\$ 147,963</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash     Provided by Operating Activities:</b>		
Operating Income (Loss):	\$ (11,955)	\$ 30,752
<b>Effect of Increases and Decreases in Current     Assets and Liabilities:</b>		
Decrease (increase) in Due from Other Funds	-	(8,185)
Decrease (increase) in Other Receivables	-	(537)
Decrease (increase) in Inventories	-	1,448
Increase (decrease) in Accounts Payable	29,078	(13,753)
Increase (decrease) in Accrued Expenses	-	(23)
Net Cash Provided by Operating Activities	<u>\$ 17,123</u>	<u>\$ 9,702</u>

The accompanying notes are an integral part of this statement.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2005

	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 275,565
Due from Other Funds	3,781
Other Receivables	398
Total Assets	<u>\$ 279,744</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 24,244
Due to Other Funds	4,700
Due to Other Governments	5,770
Due to Student Groups	245,030
Total Liabilities	<u>\$ 279,744</u>

The accompanying notes are an integral part of this statement.



LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2005

**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, 2005

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 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, 2005 that were subsequently provided for in the 2005-06 budget.

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**F. PREPAID ITEMS**

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items 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.

**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 2005, 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.

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$9,256,184 adjustment are as follows:

Current year capital outlay	\$ 8,656,371
Bond principal payments	565,119
Lease principal payments	<u>34,694</u>
Net adjustment	<u>\$ 9,256,184</u>

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Another element of that reconciliation state that: “Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest.” The details of this \$(7,737,940) adjustment are as follows:

Amortization of bond issuance costs	\$ (46,528)
Amortization of bond premium	3,610
Deferred tax revenue recognized as revenue	510,594
Current year Bond Proceeds	(13,040,000)
Capitalization of Bond Premium	(462,024)
Capitalization of bond issuance costs/discounts	1,561,001
Net change in outstanding bond principal	
as a result of current year bond refunding	5,210,000
Change in accreted interest on bonds	<u>(1,474,593)</u>
Net adjustment	<u>\$ (7,737,940)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities: One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year’s tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest.” The details of this \$(9,506,252) adjustment are as follows:

Amortization of bond issuance costs	\$ (46,528)
Amortization of bond premium	3,610
Current year deferred tax revenue recognized	
as revenue	11,259
Current year bond proceeds	(13,040,000)
Capitalization of bond premiums	(462,024)
Capitalization of bond issuance costs/discounts	292,024
Net change in outstanding bond principal	
as a result of current year bond refunding	5,210,000
Change in accreted interest on bonds	<u>(1,474,593)</u>
Net adjustment	<u>\$ (9,506,252)</u>

**NOTE 3. 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.



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1. Cash Deposits:

At August 31, 2005, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$645,476 and the bank balance was \$890,149. The District's cash deposits at August 31, 2005 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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, 2005, the District's cash balances totaled \$645,476. 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.
- 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, 2005, the District held all of its investments in five public funds investment pools (TexPool, Lone Star, LOGIC, MBIA 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 five investment pools range from AAA (Standard & Poor's) to AAAM (Standard & Poor's).

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- 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 five investment pools is less than 120 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2005, 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, 2005, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Maturity Date</u>
TexPool	\$ 11,227,121	\$ 11,227,121	N/A
TxTerm	27,941,939	27,941,939	N/A
Lone Star	138,842	138,842	N/A
LOGIC	236,393	236,393	N/A
MBIA	<u>1</u>	<u>1</u>	N/A
Total	<u>\$ 39,544,296</u>	<u>\$ 39,544,296</u>	

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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2005, was as follows:

	Balance <u>September 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Balance <u>August 31</u>
Governmental Activities:				
Land	\$ 3,123,930	\$ -	\$ -	\$ 3,123,930
Buildings	63,120,295	8,538,983	-	71,659,278
Furniture and Equipment	<u>2,605,315</u>	<u>117,388</u>	-	<u>2,722,703</u>
Totals at Historical Cost	<u>68,849,540</u>	<u>8,656,371</u>	-	<u>77,505,911</u>
Less accumulated depreciation for:				
Buildings	(10,800,793)	(1,361,818)	-	(12,162,611)
Furniture and Equipment	<u>(2,213,087)</u>	<u>(227,326)</u>	-	<u>(2,440,413)</u>
Total accumulated depreciation	<u>(13,013,880)</u>	<u>(1,589,144)</u>	-	<u>(14,603,024)</u>
Governmental activities capital assets, net	<u>\$ 55,835,660</u>	<u>\$ 7,067,227</u>	<u>\$ -</u>	<u>\$ 62,902,887</u>

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

Governmental activities:	
Instruction	\$ 914,496
Instructional Resources & Media Services	44,834
Curriculum & Instructional Staff Development	11,848
Instructional Leadership	17,976
School Leadership	118,894
Guidance, Counseling & Evaluation Services	30,192
Health Services	16,206
Student (Pupil) Transportation	184,186
Food Services	74,047
Cocurricular/Extracurricular Activities	26,472
General Administration	30,232
Plant Maintenance and Operations	96,876
Data Processing Services	21,387
Community Services	<u>1,498</u>
Total depreciation expense-Governmental activities	<u>\$ 1,589,144</u>

**NOTE 5. 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, 2005:

<u>Description</u>	Interest Rate <u>Payable</u>	Amounts Outstanding 9/1/04	<u>Additions</u>	Refunded/ <u>Retired</u>	Amounts Outstanding 8/31/05	Due Within One Year
Bonded Indebtedness:						
1995 Bldg/Refunding	4.70-6.25%	\$ 9,490,000	\$ --	\$ 5,615,000	\$ 3,875,000	\$ 635,000
1998 Bldg/Refunding	3.60-4.75%	8,631,910	--	16,910	8,615,000	605,000
1999 Bldg/Refunding	4.40-6.06%	8,461,710	--	--	8,461,710	--
2001 Bldg/Refunding	4.00-5.70%	13,109,871	--	40,000	13,069,871	--
2002 Bldg/Refunding	2.40-5.89%	14,952,991	--	28,209	14,924,782	67,772
2004 Bldg/Refunding	2.50-4.16%	29,853,090	--	--	29,853,090	--
2005 Bldg/Refunding	3.00-4.62%	--	<u>13,040,000</u>	<u>75,000</u>	<u>12,965,000</u>	--
Total Bonded Indebtedness		<u>84,499,572</u>	<u>13,040,000</u>	<u>5,775,119</u>	<u>91,764,453</u>	<u>1,307,772</u>
Accreted Interest	4.05-5.15%	7,143,565	1,494,474	19,881	8,618,158	--
Capital Leases		<u>71,558</u>	--	<u>34,694</u>	<u>36,864</u>	<u>23,192</u>
Total Other Obligations		<u>7,215,123</u>	<u>1,494,474</u>	<u>54,575</u>	<u>8,655,022</u>	<u>23,192</u>
Total Obligations of District		<u>\$ 91,714,695</u>	<u>\$14,534,474</u>	<u>\$ 5,829,694</u>	<u>\$100,419,475</u>	<u>\$1,330,964</u>

The 1998, 1999, 2001, 2002, 2004 and 2005 bond series include outstanding capital appreciation bonds in the principal amount of \$19,414,453. The bonds mature variously through 2037. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity. The accrued interest of \$8,618,158 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, 2005.

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

Year Ended August 31,	<u>General Obligation</u>		Total <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 1,307,772	\$ 3,482,884	\$ 4,790,656
2007	2,163,090	3,479,506	5,642,596
2008	2,429,194	3,577,628	6,006,822
2009	2,671,614	3,562,643	6,234,257
2010	2,797,990	3,550,159	6,348,149
2011-2015	12,963,548	19,837,858	32,801,406
2016-2020	11,479,251	22,164,663	33,643,914
2021-2025	11,686,514	22,768,566	34,455,080
2026-2030	15,012,627	19,438,223	34,450,850
2031-2035	16,432,853	18,024,740	34,457,593
2036-2037	<u>12,820,000</u>	<u>963,925</u>	<u>13,783,925</u>
	<u>\$ 91,764,453</u>	<u>\$120,850,795</u>	<u>\$212,615,248</u>

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 FOR THE YEAR ENDED AUGUST 31, 2005

**NOTE 6. DEBT ISSUANCES AND DEFEASED DEBT**

On June 1, 2005 the District issued \$13,040,000 (par value) in unlimited tax building and refunding bonds (current interest bonds) to advance refund \$5,210,000 of unlimited tax school building bonds and provide funds for construction projects. The bonds were issued at a premium of \$462,024, and, after paying issuance costs of \$84,152 and a discount on current interest bonds of \$84,108, the net proceeds were \$13,333,764. \$5,333,764 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 gain (difference between present value of debt service payments on the old and new debt) of \$382,208.

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, 2005, \$6,610,000 of bonds outstanding are considered defeased.

**NOTE 7. CAPITAL LEASES**

The following is a summary of leased property under capital leases at August 31, 2005:

School Buses & Equipment	<u>\$113,806</u>
	<u>\$113,806</u>

A summary of changes in capital leases payable for the year ended August 31, 2005 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-04</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-05</u>	<u>Due Within One Year</u>
School Bus	5.21%	\$ 19,711	\$ --	\$ 9,605	\$ 10,106	\$ 10,106
Special Needs Bus	5.55%	12,563	--	12,563	--	--
School Bus	4.47%	<u>39,284</u>	--	<u>12,526</u>	<u>26,758</u>	<u>13,086</u>
Total		<u>\$ 71,558</u>	<u>\$ --</u>	<u>\$ 34,694</u>	<u>\$ 36,864</u>	<u>\$ 23,192</u>

The following is a schedule of future minimum lease payments to maturity:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
August 31, 2006	\$ 23,192	\$ 1,723	\$ 24,915
2007	<u>13,672</u>	<u>611</u>	<u>14,283</u>
	<u>\$ 36,864</u>	<u>\$ 2,334</u>	<u>\$ 39,198</u>

Such lease payments will be made out of local general fund revenues. The interest rates on these capital leases range from 4.47 to 5.55%.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2005

**NOTE 8. 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 2004-05 fiscal year was based was \$966,191,284. 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, 2005, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.50 and \$0.295 per \$100 valuation, respectively, for a total of \$1.795 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2005 were 98% 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, 2005, property taxes receivable, net of estimated uncollectible taxes, totaled \$520,437 and \$93,686 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 9. 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.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2005

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, 2003, 2004, and 2005 were \$1,064,046, \$995,624 and \$1,037,398, 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, 2003, 2004, and 2005 were \$99,838, \$93,701 and \$155,503, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2003, 2004 and 2005 were \$930,748, \$933,398 and \$972,561, 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.

**NOTE 10. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at August 31, 2005, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 38,234	\$ --
Agency Fund	--	3,781
Special Revenue Fund:		
General Fund	--	38,234
Capital Projects Fund	2,800	--
Fiduciary Fund:		
Agency Fund	3,781	--
Internal Service Fund	--	4,700
Capital Projects Fund:		
Internal Service Fund	--	3,485
Special Revenue Fund	--	2,800
Internal Service Fund:		
Capital Projects Fund	3,485	--
Agency Fund	<u>4,700</u>	<u>--</u>
	<u>\$ 53,000</u>	<u>\$ 53,000</u>

**NOTE 11. HEALTH CARE**

During the year ended August 31, 2005, employees of Lake Dallas Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$150 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.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2005

The contract between Lake Dallas Independent School District and the licensed insurer is renewable September 1, 2005, 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 12. 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, 2005, 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.

Fund	State Entitlements	Federal Grants	Local Governments	Total
General Fund	\$ 694,558	\$ --	\$ --	\$ 694,558
Debt Service	133,202	--	--	133,202
Special Revenue	<u>13,689</u>	<u>60,497</u>	<u>--</u>	<u>74,186</u>
	<u>\$ 841,449</u>	<u>\$ 60,497</u>	<u>\$ --</u>	<u>\$ 901,946</u>

**NOTE 13. 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, 2005 there was no estimated rebate liability.

**NOTE 14. LITIGATION AND CONTINGENCIES**

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

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2005 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.



LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2005

**NOTE 15. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$15,052,044	\$ --	\$ 2,951,942	\$ --	\$18,003,986
Food Sales	--	670,098	--	--	670,098
Investment Income	187,427	363	42,504	739,678	969,972
Penalties, interest and other tax related income	198,566	--	36,950	--	235,516
Co-curricular student activities	88,898	--	--	--	88,898
Other	187,213	23,807	--	--	211,020
Total	<u>\$15,714,148</u>	<u>\$ 694,268</u>	<u>\$ 3,031,396</u>	<u>\$ 739,678</u>	<u>\$20,179,490</u>

**NOTE 16. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	<u>\$433,760</u>	<u>\$ --</u>	<u>\$76,834</u>	<u>\$510,594</u>

**NOTE 17. 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	\$203,995	\$203,995
Federal Flood Control	10.904	<u>10,862</u>	<u>10,862</u>
Total for General Fund		<u>\$214,857</u>	<u>\$214,857</u>

**NOTE 18. DEFICIT NET ASSETS BALANCES**

At August 31, 2005, the Day Care Enterprise Fund had a deficit net assets balance of \$29,238. The District anticipates eliminating this deficit in the future by raising tuition rates to cover operating expenses, and increasing enrollment.

## COMBINING SCHEDULES

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2005

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	\$ -	\$ -	\$ 19,729	\$ -
1240	Due from Other Governments	-	-	32,645	445
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,374</u>	<u>\$ 445</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 23,926	\$ -
2170	Due to Other Funds	-	-	28,448	445
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>52,374</u>	<u>445</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	-	-
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>\$ 52,374</u>	<u>\$ 445</u>

EXHIBIT H-1 (Cont'd)

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	289 Title VI Part A Summer School LEP	327 SSA Substance Abuse Prev. Females	383 Professional Staff Development
\$ 245,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,695	\$ -
27,407	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 272,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,695</u>	<u>\$ -</u>
\$ 49,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
16,444	-	-	-	-	-	-	-
<u>66,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
206,485	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,695	-
<u>206,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,695</u>	<u>-</u>
<u>\$ 272,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,695</u>	<u>\$ -</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2005

Data Control Codes	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	-	9,341	4,348
1260	Due from Other Funds	-	-	-	2,800
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,341</u>	<u>\$ 7,148</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 7,148
2170	Due to Other Funds	-	-	9,341	-
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>9,341</u>	<u>7,148</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	-	-
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>\$ 9,341</u>	<u>\$ 7,148</u>

418 Employee Health Insurance	420 Foundation Grants	421 Master Reading Teacher	429 Incentive Program	Total Nonmajor Governmental Funds
\$ -	\$ 2,904	\$ 3,001	\$ -	\$ 273,776
-	-	-	-	74,186
-	-	-	-	2,800
<u>\$ -</u>	<u>\$ 2,904</u>	<u>\$ 3,001</u>	<u>\$ -</u>	<u>\$ 350,762</u>
\$ -	\$ -	\$ -	\$ -	\$ 80,999
-	-	-	-	38,234
-	-	-	-	16,444
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,677</u>
-	-	-	-	206,485
-	2,904	-	-	2,904
-	-	3,001	-	5,696
<u>-</u>	<u>2,904</u>	<u>3,001</u>	<u>-</u>	<u>215,085</u>
<u>\$ -</u>	<u>\$ 2,904</u>	<u>\$ 3,001</u>	<u>\$ -</u>	<u>\$ 350,762</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, 2005

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>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>10,689</u>	<u>154,089</u>	<u>614,023</u>	<u>11,694</u>
5020 Total Revenues	<u>10,689</u>	<u>154,089</u>	<u>614,023</u>	<u>11,694</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	10,689	154,089	581,028	11,694
0012 Instructional Resources & Media Services	-	-	-	-
0013 Curriculum & Instructional Staff Development	-	-	11,565	-
0021 Instructional Leadership	-	-	10,539	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	10,891	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>10,689</u>	<u>154,089</u>	<u>614,023</u>	<u>11,694</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	289 Title VI Part A Summer School LEP	327 SSA Substance Abuse Prev. Females	383 Professional Staff Development
\$ 682,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,353	-	-	-	-	-	2,695	-
<u>365,541</u>	<u>23,628</u>	<u>62,874</u>	<u>15,247</u>	<u>11,126</u>	<u>1,275</u>	<u>-</u>	<u>-</u>
<u>1,056,896</u>	<u>23,628</u>	<u>62,874</u>	<u>15,247</u>	<u>11,126</u>	<u>1,275</u>	<u>2,695</u>	<u>-</u>
-	23,628	62,874	15,247	11,126	1,275	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,067
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
999,939	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>999,939</u>	<u>23,628</u>	<u>62,874</u>	<u>15,247</u>	<u>11,126</u>	<u>1,275</u>	<u>-</u>	<u>1,067</u>
56,957	-	-	-	-	-	2,695	(1,067)
<u>149,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067</u>
<u>\$ 206,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,695</u>	<u>\$ -</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, 2005

Data Control Codes	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	188	3,415	42,359	106,818
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>188</u>	<u>3,415</u>	<u>42,359</u>	<u>106,818</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	188	-	42,359	93,015
0012 Instructional Resources & Media Services	-	-	-	13,803
0013 Curriculum & Instructional Staff Development	-	6,915	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>188</u>	<u>6,915</u>	<u>42,359</u>	<u>106,818</u>
1200 Net Change in Fund Balance	-	(3,500)	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

418 Employee Health Insurance	420 Foundation Grants	421 Master Reading Teacher	429 Incentive Program	Total Nonmajor Governmental Funds
\$ -	\$ 8,266	\$ 4,000	\$ -	\$ 694,268
242,225	-	-	25	407,078
-	-	-	-	1,270,186
<u>242,225</u>	<u>8,266</u>	<u>4,000</u>	<u>25</u>	<u>2,371,532</u>
162,246	5,216	-	25	1,174,699
4,852	-	999	-	19,654
929	-	-	-	19,409
1,012	-	-	-	11,551
8,103	-	-	-	9,170
6,637	-	-	-	17,528
2,618	-	-	-	2,618
13,029	-	-	-	13,029
15,586	-	-	-	1,015,525
507	-	-	-	507
3,322	-	-	-	3,322
20,554	-	-	-	20,554
2,577	2,520	-	-	5,097
253	-	-	-	253
<u>242,225</u>	<u>7,736</u>	<u>999</u>	<u>25</u>	<u>2,312,916</u>
-	530	3,001	-	58,616
-	2,374	-	-	156,469
<u>\$ -</u>	<u>\$ 2,904</u>	<u>\$ 3,001</u>	<u>\$ -</u>	<u>\$ 215,085</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2005

	752	754	
	Print Shop	Computer Operations	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 70,262	\$ 77,701	\$ 147,963
Due from Other Funds	353	7,832	8,185
Other Receivables	537	-	537
Inventories	4,847	81,709	86,556
Total Current Assets	<u>75,999</u>	<u>167,242</u>	<u>243,241</u>
Noncurrent Assets:			
Capital Assets:			
Depreciation on Furniture and Equipment	(17,711)	-	(17,711)
District Defined Capital Assets	17,711	-	17,711
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>75,999</u>	<u>167,242</u>	<u>243,241</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	-	1,614	1,614
Accrued Expenses	94	-	94
Total Liabilities	<u>94</u>	<u>1,614</u>	<u>1,708</u>
<b>NET ASSETS</b>			
Unrestricted Net Assets	<u>75,905</u>	<u>165,628</u>	<u>241,533</u>
Total Net Assets	<u>\$ 75,905</u>	<u>\$ 165,628</u>	<u>\$ 241,533</u>

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, 2005

	752	754	
	Print Shop	Computer Operations	Total Internal Service Funds
<b>OPERATING REVENUES:</b>			
Local and Intermediate Sources	\$ 143,718	\$ 111,456	\$ 255,174
State Program Revenues	<u>2,904</u>	<u>-</u>	<u>2,904</u>
Total Operating Revenues	<u>146,622</u>	<u>111,456</u>	<u>258,078</u>
<b>OPERATING EXPENSES:</b>			
Payroll Costs	48,558	-	48,558
Professional and Contracted Services	49,040	-	49,040
Supplies and Materials	33,441	13,928	47,369
Capital Outlay	<u>990</u>	<u>81,369</u>	<u>82,359</u>
Total Operating Expenses	<u>132,029</u>	<u>95,297</u>	<u>227,326</u>
Operating Income	14,593	16,159	30,752
Total Net Assets - September 1 (Beginning)	<u>61,312</u>	<u>149,469</u>	<u>210,781</u>
Total Net Assets - August 31 (Ending)	<u>\$ 75,905</u>	<u>\$ 165,628</u>	<u>\$ 241,533</u>

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2005

	752	754	Total
	Print Shop	Computer Operations	Internal Service Funds
Cash Flows from Operating Activities:			
Cash Received from State	\$ 2,904	\$ -	\$ 2,904
Cash Received from District	142,828	103,624	246,452
Cash Payments for Payroll Costs	(48,558)	-	(48,558)
Cash Payments for Purchased Services	(49,040)	-	(49,040)
Cash Payments for Supplies and Materials	(33,464)	(13,928)	(47,392)
Cash Payments for Other Expenses	(990)	(93,674)	(94,664)
Net Cash Provided by (Used for) Operating Activities	<u>13,680</u>	<u>(3,978)</u>	<u>9,702</u>
Net Increase(Decrease) in Cash and Cash Equivalents	13,680	(3,978)	9,702
Cash and Cash Equivalents at Beginning of the Year:	<u>56,582</u>	<u>81,679</u>	<u>138,261</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 70,262</u>	<u>\$ 77,701</u>	<u>\$ 147,963</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Operating Income:	\$ 14,593	\$ 16,159	\$ 30,752
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Due from Other Funds	(353)	(7,832)	(8,185)
Decrease (increase) in Other Receivables	(537)	-	(537)
Decrease (increase) in Inventories	-	1,448	1,448
Increase (decrease) in Accounts Payable	-	(13,753)	(13,753)
Increase (decrease) in Accrued Expenses	(23)	-	(23)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 13,680</u>	<u>\$ (3,978)</u>	<u>\$ 9,702</u>

REQUIRED T.E.A. SCHEDULES

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2005

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1996 and prior years	Various	Various	\$ 328,843,050
1997	1.150000	0.340000	372,930,815
1998	1.190000	0.330000	406,665,880
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 (School year under audit)	1.500000	0.295000	966,191,284
1000 TOTALS			

(10) Beginning Balance 9/1/2004	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2005
\$ 48,669	\$ -	\$ 701	\$ 195	\$ 9,835	\$ 37,938
11,826	-	161	48	10	11,607
20,026	-	389	108	11	19,518
16,793	-	769	182	12	15,830
18,079	-	1,090	148	22	16,819
30,816	-	1,792	232	12	28,780
129,299	-	6,256	792	-	122,251
88,667	-	33,945	4,300	8,202	42,220
245,549	-	148,030	23,685	15,591	58,243
-	17,343,134	14,858,911	2,922,252	(767,182)	329,153
<u>\$ 609,724</u>	<u>\$ 17,343,134</u>	<u>\$ 15,052,044</u>	<u>\$ 2,951,942</u>	<u>\$ (733,487)</u>	<u>\$ 682,359</u>



LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2006-2007  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2005

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 139,604	\$ 401,020	\$ -	\$ 3,369	\$ 543,993
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	3,262	-	-	-	3,262
6212	Audit Services	-	-	-	13,150	-	-	13,150
6213	Tax Appraisal and Collection	-	161,411	-	-	-	-	161,411
621X	Other Professional Services	-	-	-	533	-	-	533
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	-	457	457
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	4,532	-	-	4,532
6290	Miscellaneous Contr.	-	-	-	14,180	-	-	14,180
6320	Textbooks and Reading	-	-	-	833	-	-	833
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	3,857	7,800	-	-	11,657
6410	Travel, Subsistence, Stipends	514	-	1,091	6,625	-	-	8,230
6420	Ins. and Bonding Costs	-	-	-	12,673	-	-	12,673
6430	Election Costs	6,427	-	-	-	-	-	6,427
6490	Miscellaneous Operating	3,068	-	5,141	28,671	-	-	36,880
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	4,785	-	-	4,785
6000	TOTAL	\$ 10,009	\$ 161,411	\$ 152,955	\$ 494,802	\$ -	\$ 3,826	\$ 823,003

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 24,120,240

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 490,247
Total Debt & Lease(6500)	(11)	37,857
Plant Maintenance (Function 51, 6100-6400)	(12)	2,673,286
Food (Function 35, 6341 and 6499)	(13)	390,024
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		494,802

SubTotal:

4,086,215

Net Allowed Direct Cost

\$ 20,034,024

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 71,659,278
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)	\$ 2,722,703
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$67,426 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, 2005

**UNAUDITED**

1	Total General Fund Balance as of 8/31/05 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 3,389,153
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 93,256	
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.)	800,000	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/05-5/31/06).	2,104,562	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	570,000	
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)	130,000	
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)		3,697,818
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		\$ (308,665)

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2005

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	\$ 679,495	\$ 679,495	\$ 682,002	\$ 2,507
5800	State Program Revenues	10,000	10,000	9,353	(647)
5900	Federal Program Revenues	324,003	324,003	365,541	41,538
5020	Total Revenues	1,013,498	1,013,498	1,056,896	43,398
EXPENDITURES:					
0035	Food Services	1,002,049	1,002,049	999,939	2,110
6030	Total Expenditures	1,002,049	1,002,049	999,939	2,110
1200	Net Change in Fund Balances	11,449	11,449	56,957	45,508
0100	Fund Balance - September 1 (Beginning)	149,528	149,528	149,528	-
3000	Fund Balance - August 31 (Ending)	\$ 160,977	\$ 160,977	\$ 206,485	\$ 45,508

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2005

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	\$ 3,004,908	\$ 3,004,908	\$ 3,031,396	\$ 26,488
5800	State Program Revenues	570,696	570,696	582,206	11,510
5020	Total Revenues	3,575,604	3,575,604	3,613,602	37,998
EXPENDITURES:					
0071	Debt Service - Principal on long-term debt	490,120	565,119	565,119	-
0072	Debt Service - Interest on long-term debt	3,115,040	3,039,541	3,021,043	18,498
0073	Debt Service - Bond Issuance Cost and Fees	4,500	5,000	5,000	-
6030	Total Expenditures	3,609,660	3,609,660	3,591,162	18,498
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,056)	(34,056)	22,440	56,496
OTHER FINANCING SOURCES (USES):					
7911	Capital-related Debt Issued (Regular Bonds)	-	-	5,040,000	5,040,000
7916	Premium or Discount on Issuance of Bonds	-	-	462,024	462,024
8949	Other (Uses)	-	-	(5,502,024)	(5,502,024)
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	(34,056)	(34,056)	22,440	56,496
0100	Fund Balance - September 1 (Beginning)	788,333	788,333	788,333	-
3000	Fund Balance - August 31 (Ending)	\$ 754,277	\$ 754,277	\$ 810,773	\$ 56,496

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FEDERAL AWARDS SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
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

Members of the Board of Trustees:

We have audited the financial statements of Lake Dallas Independent School District (the "District") as of and for the year ended August 31, 2005, and have issued our report thereon dated December 15, 2005. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Texas Education Agency, and appropriate federal agencies and is not intended to be used and should not be used by anyone other than these specified parties.

*"Authorized signatures available on the reports filed with TEA"*

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

December 15, 2005

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

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

Members of the Board of Trustees:

**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, 2005. 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, 2005.

**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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

*“Authorized signatures available on the reports filed with TEA”*

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

December 15, 2005

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2005

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::  
84.027 IDEA Part B, Formula
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

None

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2005

CORRECTIVE ACTION PLAN

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

FINDING        None

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2005

FINDING/NONCOMPLIANCE

The District's cash deposits were not entirely covered by FDIC insurance or pledged collateral securities one day during the year.

STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE

The District's cash deposits were fully covered by FDIC insurance or pledge collateral securities during the current fiscal year.

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2005

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 203,995
Total Direct Programs			\$ 203,995
<u>Passed Through State Department of Education</u>			
ESEA Title I Part A - Improving Basic Programs	84.010A	05-610101061912	\$ 154,089
IDEA - Part B, Formula	84.027	06-660001061912	32,645
IDEA - Part B, Formula	84.027	05-660001061912	581,378
Total CFDA Number 84.027			614,023
Vocational Education - Basic Grant	84.048	05-420006061912	23,628
IDEA - Part B, Preschool	84.173	05-661001061912	11,694
ESEA Title IV - Safe and Drug-Free Schools	84.186A	05-691001061912	10,689
Title V, Part A - Innovative Programs	84.298	05-685001061912	11,126
Title III, Part A - English Lang. Acquisition	84.365A	05-671001061912	15,247
ESEA Title II, Part A, Teacher & Principal Training	84.367A	05-694501061912	62,874
Title VI Part A - Summer School LEP	84.369A	061-912	1,275
Total Passed Through State Department of Education			\$ 904,645
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 1,108,640</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555		\$ 365,541
Watershed Protection & Flood Control	10.904		10,862
Total Passed Through the State Department of Agriculture			\$ 376,403
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 376,403</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,485,043</b>

\*Clustered Programs as required by Compliance Supplement March, 2004

LAKE DALLAS INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2005

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, 2005, 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.

SCHOOLS FIRST QUESTIONNAIRE

Lake Dallas Independent School District

Fiscal Year 2005

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No