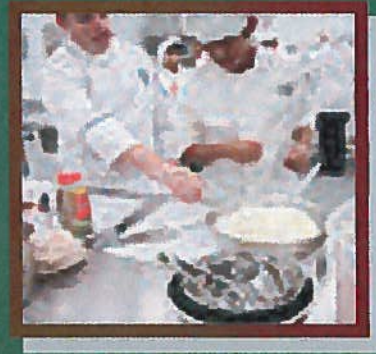
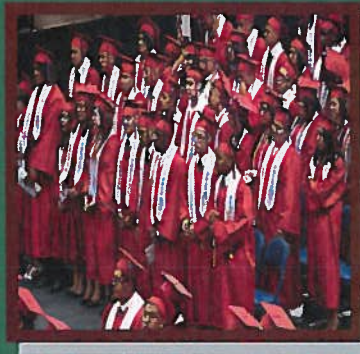


# Dallas Independent School District



## Comprehensive Annual Financial Report

For Fiscal Year Ended  
June 30, 2012



3700 Ross Avenue  
Dallas, TX 75204  
[www.dallasisd.org](http://www.dallasisd.org)



# **Dallas Independent School District**

## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012**

**Prepared By:  
Accounting Services**



**Dallas Independent School District**  
**"Educating all students for success"**

**Dallas Independent School District  
For the Fiscal Year Ended June 30, 2012**

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**INTRODUCTORY SECTION**

**TAB**

## Certificate of the Board

Dallas Independent School District  
Name of School District

Dallas  
County

057-905-10  
County-District-  
Regional No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the fiscal year ended June 30, 2012, at a meeting of the board of school trustees of such school district on the 19<sup>th</sup> day of November 2012.

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

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



**Dallas Independent School District  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012**

## Board of Trustees

President	1st Vice President	2nd Vice President	Board Secretary
			
<a href="#"><u>Lew Blackburn</u></a> <a href="#"><u>District 5</u></a> <i>Term Expires 2013</i>	<a href="#"><u>Adam Medrano</u></a> <a href="#"><u>District 8</u></a> <i>Term Expires 2014</i>	<a href="#"><u>Eric Cowan</u></a> <a href="#"><u>District 7</u></a> <i>Term Expires 2013</i>	<a href="#"><u>Nancy Bingham</u></a> <a href="#"><u>District 4</u></a> <i>Term Expires 2013</i>

Oak Lawn, West Dallas, Wilmer, Hutchins and portions of East Oak Cliff

Love Field, Northwest Dallas, and Central Dallas

North Central Oak Cliff and parts of West Dallas

Southeast Dallas, Seagoville, Balch Springs



[Elizabeth Jones](#)  
[District 1](#)  
*Term Expires 2015*

[Mike Morath](#)  
[District 2](#)  
*Term Expires 2014*

[Dan Micciche](#)  
[District 3](#)  
*Term Expires 2015*

[Carla Ranger](#)  
[District 6](#)  
*Term Expires 2014*

[Bernadette Nutall](#)  
[District 9](#)  
*Term Expires 2015*

Northwest Dallas, including North Dallas, Addison, parts of Carrollton and Farmers Branch

North and Near East Dallas

Northeast Dallas

Southwest Dallas

South Dallas and parts of Downtown Dallas, Pleasant Grove, Deep Ellum, Uptown, and East Dallas



Dallas Independent School District  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2012

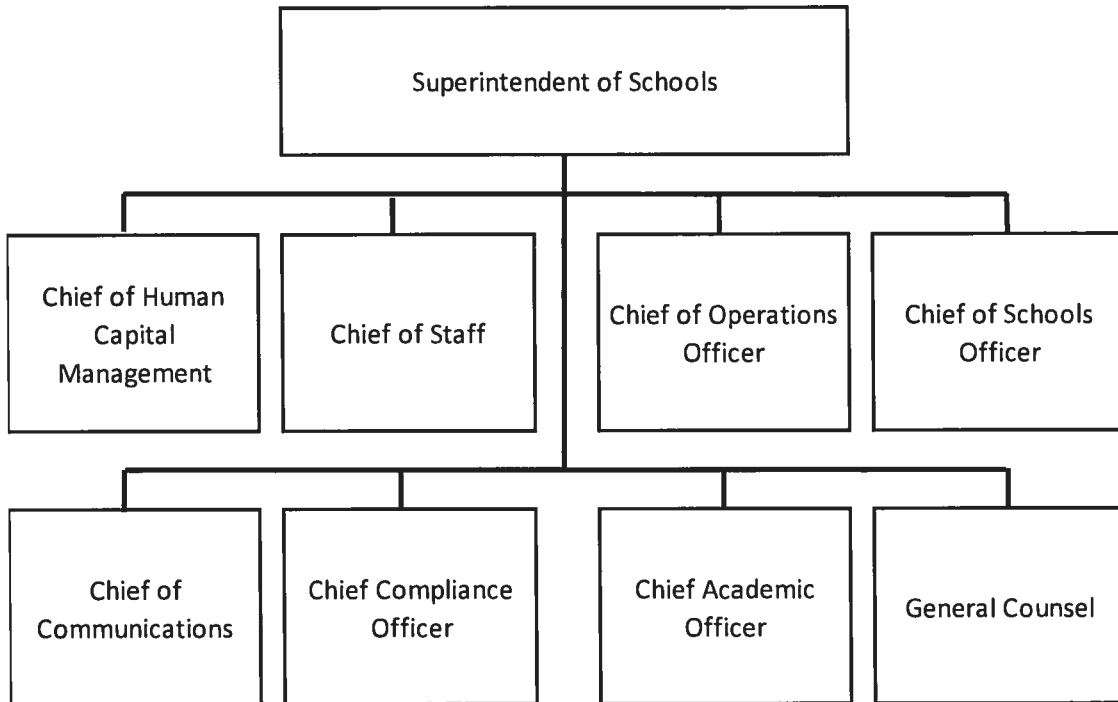
**ADMINISTRATIVE OFFICIALS**

**Mike Miles**  
**Superintendent of Schools**

Kevin Smelker.....Chief Operating Officer  
Ann Smisko.....Chief Academic Officer  
Jennifer Sprague.....Chief of Communications  
Charles Glover.....Chief of Human Capital Management  
Sylvia Reyna.....Chief of School Leadership

# Dallas Independent School District

## Organizational Chart





November 19, 2012

To the Board of Trustees and the Citizens of the Dallas Independent School District:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency ("TEA") within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with the generally accepted accounting principles ("GAAP") and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to this requirement, we hereby issue the Comprehensive Annual Financial Report for Dallas Independent School District (the "District" or "Dallas ISD") for the fiscal year ended June 30, 2012.

This report consists of managements' representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Deloitte & Touche LLP., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financials statements of the District for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports may be found in the Compliance section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.



## PROFILE OF THE DISTRICT

The District is an independent public educational agency operating under applicable laws and regulations of the State of Texas providing a full range of educational services appropriate to grade levels ranging from pre-kindergarten through grade twelve. The District is one of 14 public school districts located in Dallas County. The District encompasses 384 square miles and is made up of all, or part of, Addison, Balch Springs, Carrollton, Cockrell Hill, Dallas, DeSoto, Duncanville, Farmers Branch, Garland, Glenn Heights, Hutchins, Lancaster, Mesquite and Seagoville. The District is composed of 22 high schools, 32 middle schools, 155 elementary schools, 10 magnet schools and 9 alternative schools and serves an average daily attendance of 144,934 students. In addition to the regular educational programs, the district offers programs in areas such as vocational education, special education, talented and gifted education, bilingual education, compensatory education and adult education. Of the more than 157,000 students enrolled for the 2011-12 school year, 69 percent were Hispanic, 25 percent African American, 5 percent Anglo and 1 percent other. The ages of the school buildings range from zero to over 100 years old.

The nine members of the Board of Trustees ("Board") serve, without compensation, a two year term in office. On a rotating basis, two or three places are filled during annual elections held the first Saturday in May. Vacancies may be filled by appointment until the next election. The Board has final control over local school matters limited only by state legislature, by the courts, and by the will of the people as expressed in school Board elections. Board decisions are based on a majority vote of those present. In general, the Board adopts policies, sets direction for curriculum, employs the Superintendent, and oversees the operations of the District and its schools. Besides general Board business, Trustees are charged with numerous statutory regulations including calling trustee and other school elections and canvassing the results, organizing the Board, and electing its officers. The Board is also responsible for setting the tax rate, setting salary schedules, acting as board of appeals in personnel and student matters, confirming recommendations for textbook adoptions, and adopting and amending the annual budget.

## EDUCATION

Dallas ISD is a public school system whose mission is "Educating All Students for Success." Recognizing that the quality of life, both today and in the future, depends upon the quality of education provided by the public schools, the District is dedicated to education and committed to meeting the needs of all students.

The District continues to raise test scores and graduation rates over the past four years and sees declining dropout rates and an increase in college readiness as measured by student performance on state assessments. Additionally, the District has seen increases in the number of students taking and passing Advanced Placement exams. The District's 4-year graduation rate has improved 15 points during the last four years. At the same time the dropout rate has been cut in half.

The District is implementing a district improvement plan called "Destination 2020" to meet the following goals by 2020:

- 90 percent of our students will graduate on time.
- 40 percent of our students will attain a 21 or higher composite score on the ACT exam; or SAT of 1110 on reading and math.
- 75 percent of our students will be proficient on a workplace readiness assessment.

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Dallas, TX 75204  
(972) 925-3700  
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- 80 percent of our students will enter college, the military or a "career-ready job" straight from high school.

To meet these goals the District will:

- Place an effective teacher in front of every child.
- Make principals the key to the reform.
- Hire the most efficient and competent central office staff in the nation.
- Expand leadership density
- Engage parents and the community to work in reinforcing ways to graduate college and career-ready students.

## FINANCIAL POLICIES

*Internal Controls* The management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of "reasonable assurance" recognizes that: (1) the cost of control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of cost and benefits requires estimates and judgments by management. Management believes the internal controls adequately meet the above objectives.

*Budgetary Controls* In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Board of Trustees. Every school district in Texas is required, by law, to prepare and file a budget with TEA. Activities of the General Fund, Food Service Fund, and Debt Service Fund are included in the District's formally adopted budget. Budgets for Special Revenue funds (other than the Food Service Fund) and Capital Projects Fund are prepared on a project basis, based on grant regulations or applicable bond ordinances. Budgetary control (the level at which expenditures cannot legally exceed appropriations) is maintained at the functional category level with each fund. These functional categories are defined by TEA and identify the purpose of transactions. Oversight control of all expenditures is maintained at this level by the Finance staff.

The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Outstanding encumbrances at the end of a fiscal year are rolled forward into the subsequent fiscal period with the budget amended accordingly. As demonstrated by the statements and schedules included in the financial section of this report, the District continues meeting its responsibility for sound financial management.

## MAJOR INITIATIVES

*Capital Projects* - In 2008, the District began implementation of the \$1.35 billion, 2008 Bond Program, as approved by taxpayers and the Board of Trustees. This bond program has focused on secondary school excellence. In contrast to the 2002 bond program, which built many elementary schools, the current focus on secondary schools will complete the cycle. The new schools will serve areas of Dallas ISD with growing populations of school-aged children. In the fall of 2011, the District opened three elementary schools and one high school and in the fall of 2012, the District opened two



elementary schools, and four new middle schools and high schools, the most secondary schools opened at one time in the history of the District.

The 2008 Bond Program also has committed funds for renovation, expansion and improvements to existing facilities and \$96 million for technology improvements to campuses.

*Long-term Financial Planning* – The District continues to grow the fund balance to ensure that the needed resources are available to provide unexpected situations. At June 30, 2012, the fund balance in the General Fund was \$201 million.

Projections assumed in budgeting for 2012-13 fiscal year include:

- Maintenance and Operations tax rate will remain at \$1.04 per \$100 valuation.
- State funding will continue to decline as a result of the 82<sup>nd</sup> Legislative Session. Funding formulas will produce an estimated \$38 million less than would have been the result of using prior funding formulas.
- Enrollment for budgeting purposes is projected at 158,466, an increase of 1,045 students.

During the spring of 2013, the District anticipates having another bond election to address the on-going facility needs of the District.

## ECONOMIC CONDITION AND OUTLOOK

The City, the County Seat of Dallas County, is the third largest in Texas and the ninth largest city in the United States. The Dallas Metropolitan area is headquarters for many Fortune 500 Companies, including AT&T, Southwest Airlines, Exxon Mobil, Atmos Energy, Kimberly-Clark and J.C. Penney. The area's diversified economy includes professional and business services, transportation and utilities, education and health services, financial activities, and leisure and hospitality. The lack of reliance on cyclical industries shields the area economy from large swings in unemployment. The unemployment rate for Dallas in August 2012 was 7.9 percent compared to a national unemployment rate of 8.1 percent. Dallas' median home asking price increased 5.4 percent over the last year.

The District's top ten taxpayers only comprise 5.6 percent of the District's total 2011-12 taxable value so no one taxpayer can have a significant impact on the District's property tax income.

The District has continued pressure from the State of Texas to implement new testing standards while receiving less aid from the state. The District adopted a general operating budget for 2012-13 that has 2 percent cut in expenditures compared to the 2011-12 budget. These cuts were primarily in the consolidation of schools, a reduction in the custodial staff and an increase in class size.

## AWARDS

The FIRST (Financial Accountability Rating System of Texas) program, a financial accountability system for Texas school districts was developed by the TEA in response to Senate Bill 875 of the 76<sup>th</sup> Texas Legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. The District has been awarded the "Superior Achievement" rating under Texas' Schools First financial rating system for the year ended 2011. The "Superior Achievement" rating is the state's highest financial rating, demonstrating the quality of Dallas ISD's sound fiscal management and appropriate reporting system.





## ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of Accounting Services and the Graphics Department. Thanks goes to all members of these departments who assisted and contributed to its preparation. The District thanks the members of the Board of Trustees for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

Mike Miles 11/19/2012

Mike Miles  
Superintendent

Marian P. Hamlett

Marian P. Hamlett  
Director of Accounting Services



**Dallas Independent School District**  
"Educating all students for success"

**FINANCIAL SECTION**

**TAB**

## INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees  
Dallas Independent School District  
Dallas, TX

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dallas Independent School District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dallas Independent School District's management. Our responsibility is to express opinions these financial statements based on our audit. We did not audit the financial statements of the Dallas Education Foundation, a discretely presented component unit of the District as of and for the year ended December 31, 2011. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dallas Education Foundation, is based solely on the report of the other auditors.

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. The financial statements of the Dallas Education Foundation were not audited in accordance with Government Auditing Standards. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dallas Independent School District, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2012, on our consideration of the Dallas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying combining statements and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) is presented for purpose of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Statistical Section, and Required Texas Education Agency Schedules are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Deloitte & Touche LLP*

November 19, 2012



**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

This section of Dallas Independent School District's (the District's) annual financial report reflects management's discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total combined net assets as presented on the government-wide Statement of Net Assets exceeded liabilities by \$609.0 million. The net assets of the District increased by \$61.5 million during the year ended June 30, 2012.
- The District's governmental funds financial statements reported combined ending fund balance of \$853.7 million. This balance consists of \$201.1 million in the General Fund of which \$7.2 million is assigned and \$187.7 million is unassigned and available for spending at the District's discretion. Restricted fund balance totals \$648.8 million and is used by the Debt Service Fund, Capital Projects Funds and Non-major Funds. Non-spendable fund balance is \$10.0 million.
- For the year ended June 30, 2012, total revenue from all sources was \$1.7 billion. Program revenues accounted for \$264.7 million of total revenues. General revenues and special items accounted for \$1.4 billion.
- The General Fund had \$1.2 billion in revenues, which primarily consisted of state aid and property taxes and \$1.1 billion in expenditures which resulted in an increase to the fund balance of \$66.0 million.
- During the fiscal year 2012, the District completed the construction of six new campuses, continued to upgrade the technology at all campuses and renovated 84 campuses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The financial statements also include *notes* that provide more detailed information regarding the financial statements. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

Exhibit 1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

**Exhibit 1  
Major Features of the District's Government-Wide  
and Fund Financial Statements**

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

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

**Government-Wide Statements**

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

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

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

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

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds* rather than the District as a whole. Funds are a governmental accounting tool that the District uses to track specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage resources for specific purposes or to delineate the use of certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—All of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine the availability of financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information immediately following the governmental funds statements that explain the relationship (or differences) between them. These include debt financing and capital projects.
- *Proprietary funds*—Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District's three proprietary funds are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the internal service fund to report activities for its risk management, graphics, and program evaluation and accountability programs.
- *Fiduciary funds*—The District is the *fiduciary* for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. The District's combined net assets increased between fiscal years 2012 and 2011, increased by \$61.5 million, as can be seen on the following table. The District's net assets invested in capital assets, net of related debt includes its investments in capital assets (e.g. land, building, equipment, improvements, and construction in progress) less any debt used to acquire those assets that is still outstanding. The District's net assets invested in capital assets, net of related debt is \$285.7 million.

The District uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Exhibit 2 provides a summary of the Assets, Liabilities, and Net Assets for governmental activities for years ended June 30, 2012 and 2011, respectively.

**Exhibit 2  
Net Assets  
Governmental Activities**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change Increase/ (Decrease)</u>	<u>% Change Increase/ (Decrease)</u>
Current and Other Assets	\$ 1,161,707,271	\$ 1,514,252,932	\$ (352,545,661)	(23.3%)
Capital Assets	<u>2,369,110,643</u>	<u>2,071,881,550</u>	<u>297,229,093</u>	14.3%
<b>Total Assets</b>	<u>3,530,817,914</u>	<u>3,586,134,482</u>	<u>(55,316,568)</u>	
Current Liabilities	343,440,651	402,964,881	(59,524,230)	(14.8%)
Long Term Liabilities	<u>2,578,417,529</u>	<u>2,635,744,737</u>	<u>(57,327,208)</u>	(2.2%)
<b>Total Liabilities</b>	<u>2,921,858,180</u>	<u>3,038,709,618</u>	<u>(116,851,438)</u>	
Net assets:				
Invested in Capital Assets, net of related debt	285,655,589	301,973,476	(16,317,887)	(5.4%)
Restricted	75,926,853	66,518,906	9,407,947	14.1%
Unrestricted	<u>247,377,292</u>	<u>178,932,482</u>	<u>68,444,810</u>	38.3%
<b>Total Net Assets</b>	<u>\$ 608,959,734</u>	<u>\$ 547,424,864</u>	<u>\$ 61,534,870</u>	

Of the remaining net assets, \$75.9 million is restricted resources subject to external restrictions on how they are used and \$247.4 million is unrestricted resources available to meet the District's ongoing obligations.

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

**Exhibit 3  
Changes in Net Assets  
Governmental Activities**

	June 30, 2012	June 30, 2011	Change Increase/ (Decrease)	% Change Increase/ (Decrease)
<b>Revenues:</b>				
Program revenues:				
Operating grants and contributions	\$ 256,242,350	\$ 364,591,060	\$ (108,348,710)	(29.7%)
Charges for services	8,419,678	8,550,698	(131,020)	(1.5%)
General revenues:				
Investment earnings	3,995,586	3,125,832	869,754	27.8%
Property taxes	933,546,199	896,935,145	36,611,054	4.1%
State aid	416,548,421	417,317,962	(769,541)	(0.2%)
Grants and contributions, unrestricted	56,229,252	35,162,278	21,066,974	59.9%
Other	4,395,631	636,479	3,759,152	590.6%
<b>Total Revenues</b>	<b>1,679,377,117</b>	<b>1,726,319,454</b>	<b>(46,942,337)</b>	<b>(2.7%)</b>
<b>Expenses</b>				
Instruction	842,891,794	918,670,306	(75,778,512)	(8.2%)
Instruction resources and media services	22,736,721	24,732,131	(1,995,410)	(8.1%)
Curriculum and staff development	38,062,123	45,017,015	(6,954,892)	(15.4%)
Instructional leadership	21,705,813	28,885,789	(7,179,976)	(24.9%)
School leadership	79,358,915	84,065,159	(4,706,244)	(5.6%)
Guidance, counseling and evaluation services	54,901,981	63,488,723	(8,586,742)	(13.5%)
Social work services	2,745,665	2,844,122	(98,457)	(3.5%)
Health services	17,813,557	18,252,622	(439,065)	(2.4%)
Student transportation	22,738,339	24,350,694	(1,612,355)	(6.6%)
Food services	90,910,150	84,684,667	6,225,483	7.4%
Cocurricular/extracurricular activities	21,786,201	20,002,925	1,783,276	8.9%
General administration	40,363,776	53,147,300	(12,783,524)	(24.1%)
Plant administration and operations	148,301,564	155,963,647	(7,662,083)	(4.9%)
Security and monitoring services	18,912,935	21,348,002	(2,435,067)	(11.4%)
Data processing services	41,579,518	40,833,190	746,328	1.8%
Community services	7,341,491	8,833,215	(1,491,724)	(16.9%)
Debt service interest	136,081,451	112,597,583	23,483,868	20.9%
Facilities acquisition and construction	2,242,121	231,271	2,010,850	869.5%
Payments to agents/member district-shared services	7,065,804	8,236,051	(1,170,247)	(14.2%)
Other	302,328	-	302,328	100.0%
<b>Total Expenses</b>	<b>1,617,842,247</b>	<b>1,716,184,412</b>	<b>(98,342,165)</b>	<b>(5.7%)</b>
 Increase (decrease) in net assets	 61,534,870	 10,135,042	 51,399,828	 507.1%
Net asset-beginning	547,424,864	537,289,822	10,135,042	1.9%
Net assets-ending	<u>\$ 608,959,734</u>	<u>\$ 547,424,864</u>	<u>\$ 61,534,870</u>	

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

The District's total revenues decreased \$46.9 million, or 2.7%, over the prior year and the significant changes are as follows:

- The \$36.6 million increase in property taxes is due to an increase in the debt service tax rate from \$0.19776 to \$0.2503 per \$100 of assessed value, and a decrease in the assessed value for the fiscal year ended June 30, 2012.
- The \$0.9 million increase in investment earnings is due to an increase in the average investable balances during the fiscal year ended June 30, 2012.
- The \$108.3 million decrease in operating grants and contributions is primarily due to the expiration of the American Recovery and Reinvestment Act grants which was primarily used to fund personnel.
- The \$21.1 million increase in grants and contributions, unrestricted, is primarily due to increase in federal contributions associated with Medicaid reimbursements and a federal interest rebate.
- The \$3.8 million increase in other revenue is primarily due to donated assets received during the year.

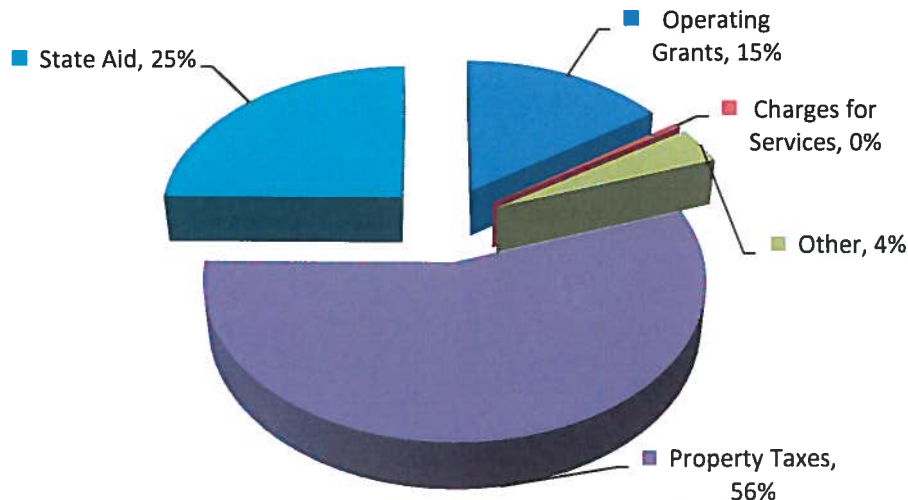
The District's total expenses decreased by \$98.3 million, or 5.7%, over the prior year, primarily due to a significant reduction in personnel at the end of the 2011 fiscal year. All functions had a reduction in personnel costs with the exception of co-curricular/extracurricular activities which added personnel. Food services also had a net increase in expenditures of \$6.2 million primarily due to an increase in consulting services and food costs. Data processing services' payroll reductions were offset by an increase in depreciation expense as the District continues to make a significant investment in technology on District campuses.

Debt service interest increased due to the increase in the average outstanding debt for the year after the issuance of \$950.3 million taxable Build America Bonds in 2011.

**Other Financial Highlights**

For the year ended June 30, 2012, the District's total revenues were \$1.7 billion. Approximately 56% of the District's revenue was generated from property taxes, 25% was generated from state aid grants, 15% was generated from other operating grants and the remaining 4% was generated from miscellaneous revenue sources (See Exhibit 4).

**Exhibit 4  
Sources of Revenue  
Governmental Activities**

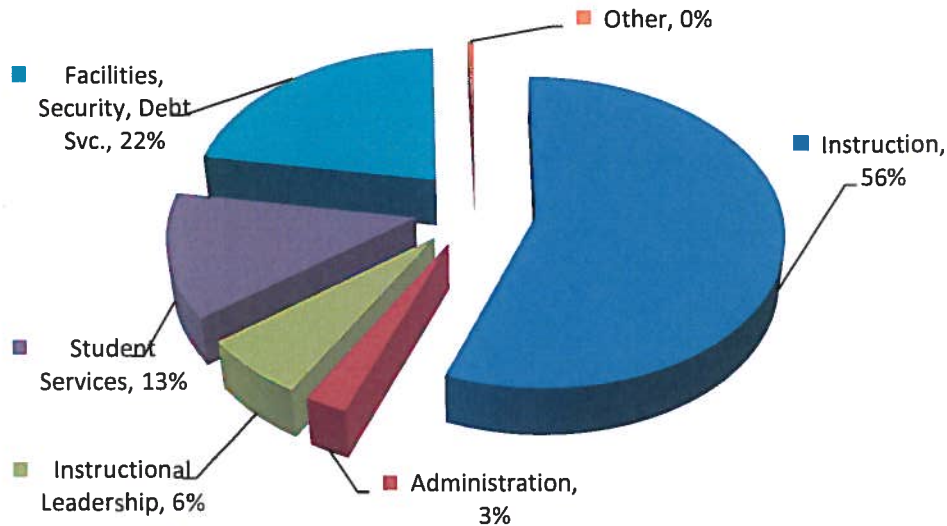




**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

For year ended June 30, 2012, the District's total cost of all programs and services was \$1.6 billion. Approximately 56% of the District's governmental activities were dedicated to instructional areas. Direct student services, such as counseling, nursing, and transportation services, comprised 13% of governmental expenses. The costs to operate facilities, including utilities, security services and debt payments comprised 22% of the cost of all programs (See Exhibit 5).

**Exhibit 5  
Expenditure Allocations  
Governmental Activities**



**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

For the fiscal year ended June 30, 2012, the District's governmental funds reported ending fund balances of \$853.7 million. Of this amount, \$187.7 million constitutes unassigned fund balance available for use in activities at the District's discretion. The remainder of the fund balance is designated as non-spendable, restricted or assigned, to indicate that it is not available for new spending because it has already been committed to bond projects, debt service and other obligations of the District.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year the unassigned fund balance of the General Fund was \$187.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to the total fund expenditures. Unassigned fund balance represents 16.5% of the total General Fund expenditures, while total fund balance represents 17.7% of that same amount.

The District's General Fund balance increased \$66.0 million primarily due to the staff vacancies and an original budgeted surplus of \$13.3 million.

The Debt Service Fund has a total fund balance of \$112.5 million all of which is restricted or assigned for the payment of debt service requirements. The Capital Projects Fund balance decreased to \$519.4 million, primarily due to facilities acquisition and construction costs expended during the year. Non-Major Governmental Fund has a total fund balance of \$20.7 million representing a decrease for the current year of \$5.7 million. The decrease is primarily attributable to the Food Service Fund which experienced a decrease in fund balance of \$4.5 million resulting from budgeted fixed asset purchases.

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year ended June 30, 2012, the Board amended the general fund operating budget on a monthly basis. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts assigned in the prior year totaling \$3.9 million.
- Amendments approved to add personnel totaling \$2.4 million.
- Amendments to increase estimates for local revenue with a corresponding increase in expenditures due to insurance proceeds received for storm damage totaling \$2.6 million.
- Amendments to increase revenue due to a property tax audit totaling \$2.4 million.
- Balance neutral amendments during the year to properly align the budget with the expenditures.
- A final budget amendment to increase revenue by \$7.0 million and decrease expenditures by \$13.0 million to more closely align the budget with projected revenue and projected expenditures.

After these adjustments, budgeted expenditures exceeded budgeted revenue by \$21.8 million in the final amended budget. Actual revenues exceeded actual expenditures by \$67.4 million.

The food service fund budget was amended for the following reasons:

- Amendments approved for equipment purchases of \$7.0 million.

The debt service fund budget was amended for the following reasons:

- Amendments to adjust the budget to properly reflect revenue sources totaling \$24.5 million.

**CAPITAL ASSETS**

At June 30, 2012, the District had \$2.4 billion of capital assets, net of depreciation including land, equipment, buildings, and vehicles. This amount represents a net increase of \$297.2 million or 14.3% over last year. (See Exhibit 6).

**Exhibit 6  
District's Capital Assets**

	<b>June 30, 2012</b>	<b>June 30, 2011</b>	<b>Change Increase/ (Decrease)</b>	<b>% Change Increase/ (Decrease)</b>
Land	\$ 193,957,974	\$ 189,399,883	\$ 4,558,091	2.4%
Buildings and improvements	2,846,510,799	2,407,104,169	439,406,630	18.3%
Furniture and equipment	218,489,085	197,400,994	21,088,091	10.7%
Construction in progress	218,429,254	315,350,415	(96,921,161)	(30.7%)
Total	3,477,387,112	3,109,255,461	368,131,651	11.8%
Accumulated depreciation	(1,108,276,469)	(1,037,373,911)	(70,902,558)	6.8%
Net Book Value	<u>\$ 2,369,110,643</u>	<u>\$ 2,071,881,550</u>	<u>\$ 297,229,093</u>	14.3%

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

For the year ended June 30, 2012, the District's capital spending totaled \$387.0 million in land, construction in progress, buildings and improvements and capital equipment. These expenditures were primarily resulting from the projects committed to in the 2008 bond program where by the District committed to constructing 15 new campuses, making additions to 12 existing campuses, and conducting renovations at more than 200 locations. In addition, \$18.9 million in building and capital equipment were retired during the year. For more information on the District's capital assets see Note G in the financial statements.

**DEBT ADMINISTRATION**

For the year ended June 30, 2012, the District had \$2.6 billion in long-term debt outstanding. This represents a net decrease of \$55.6 million or 2.1%, over last year. (See Exhibit 7).

**Exhibit 7**

**District's Long Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change Increase/ (Decrease)</u>	<u>% Change Increase/ (Decrease)</u>
Bonds and notes payable	\$ 2,567,329,416	\$ 2,628,389,962	\$ (61,060,546)	(2.3%)
Workers compensation liability	11,548,781	8,921,450	2,627,331	29.4%
Deferred loss on refunding	(33,556,896)	(22,836,520)	(10,720,376)	(46.9%)
Premium on bonds	90,909,530	77,385,786	13,523,744	17.5%
Total	<u>\$ 2,636,230,831</u>	<u>\$ 2,691,860,678</u>	<u>\$ (55,629,847)</u>	(2.1%)

Long-term debt decreased primarily from scheduled debt payments.

The District's bonds presently carry ratings as follows: Moody's Investor Series "Aaa", Standard & Poors "AAA" and Fitch "AAA" as guaranteed by the Permanent School Fund (PSF). The District's underlying bond ratings are Moody's "AA2", Standards & Poors "A+" and Fitch "AA".

For more information on the District's long term debt; see Note I in the financial statements.

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

Budgetary resource allocations are distributed to campuses and central organizations that support the programs of the District. The District's budget process begins with the development of enrollment projections by the District's Initiatives and Planning Department. Enrollment projections are then used to determine initial campus allocations through the use of board approved staffing formulas. The District uses line-item and site-based budgetary approaches to provide campuses with a standard allocation based on student enrollment.

Enrollment projections also drive general operating staffing levels and non-position allocations. Staffing ratios adhere to the Texas Education Agency guidelines. Non-position formulas are also applied to each campus to support instructional programs. The board approves campus staffing formulas, non-campus staffing guidelines and non-position formulas.

Central organizations use a zero-based budgetary approach for allocation based on historical expenditures and services provided.

**Dallas Independent School District  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2012**

The 82<sup>nd</sup> Legislative Session significantly changed school funding levels in Texas school districts by cutting \$4 billion in funding to public education. The District will receive approximately \$38 million less in state revenue in the 2013 fiscal year than would be produced using the fiscal year 2012 funding formula. Reductions in the funding formula were accomplished by increasing regular average daily attendance but further reducing state aid for tax reductions.

To meet the continued decline in state aid, the District reduced budgeted expenditures in the 2012-13 by consolidating 10 schools, increasing staffing ratios and reducing total custodial costs. These reductions were partially offset by increased costs associated with Board of Trustees' priorities to engage all students in challenging and rigorous curriculum and opening 6 new campuses.

Enrollment projections for the year ended June 30, 2013, show enrollment numbers to remain relatively stable with no significant increases or decreases.

The District continues to be classified as a property wealthy district subject to the provisions of Chapter 41 of the Texas Education Code for the 2012-13 fiscal year and the District's equalized wealth level continues to be within the range not requiring a recapture payment.

The appraised property values used for the 2012-13 budget increased over 2% there by increasing projected property tax revenue by over \$19 million. The Maintenance and Operations tax rate remained at \$1.04 per \$100 valuation for the 2012-13 year and the Interest and Sinking ("I&S") tax rate remained at \$0.2503 per \$100 valuation for the 2012-13 year.

In December 2010, the District issued \$950 million in taxable bonds, created by the American Recovery and Reinvestment Act of 2009 ("Build America Bonds"). These Build America Bonds carry a federal rebate on interest costs. While the Build America Bonds carry no restrictions on the use of the rebate, in fiscal years ended June 30, 2011 and 2012, the District recorded the rebate in the Debt Service Fund and used this rebate to offset the debt service costs. In fiscal year 2013, the District will record the rebate of approximately \$18 million in the General Fund to offset expenditures.

On July 2, 2012, the District authorized the issuance of and entered into a purchase agreement regarding \$50 million in multi-draw Tax Anticipation Notes (the "TANS"). The TANS were issued for the purpose of funding the District's cash flow requirements. As of the date of this report, no "Request for Purchase" agreements have been issued under the TANS. If amounts are issued, they will be due by February 15, 2013.

On October 25, 2012, the Board of Trustees approved the issuance of the Dallas Independent School District Unlimited Tax Refunding Bonds, Series 2012, in an aggregate principal amount not to exceed \$415 million. The proceeds from the issuance of these bonds are expected to refund \$19.6 million of the 2003 Unlimited Tax School Building and Refunding Bonds, \$47.4 million of the 2004 Unlimited Tax School Building Bonds and \$343.6 million 2004A Unlimited School Building and Refunding Bonds. This refunding is expected to have a present value savings to the District in excess of \$50 million.

Additionally on October 25, 2012, the Board of Trustees also approved the issuance of the Dallas Independent School District Unlimited Tax Refunding Bonds, Taxable Series 2012A, in an aggregate principal amount not to exceed \$50 million. The proceeds from the issuance of these taxable bonds are expected to refund \$47.3 million 2004A Unlimited School Building and Refunding Bonds. This refunding is expected to have a present value savings to the District in excess of \$2 million.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Financial Services Department.



**Dallas Independent School District**  
**"Educating all students for success"**

**Dallas Independent School District  
Government-Wide  
Statement of Net Assets  
June 30, 2012**

Exhibit A-1

Data Control Codes		Total Primary Government Governmental Activities June 30, 2012	Component Unit December 31, 2011
	<b>Assets:</b>		
1110	Cash and cash equivalents	\$ 725,124,279	\$ 167,270
1120	Investments	280,777,895	-
1225	Property taxes receivable, net	26,209,969	-
1240	Due from other governments	82,986,997	-
1260	Due from agency funds	517,756	-
1290	Other receivables, net	14,257,196	1,295,516
1300	Inventories	9,188,499	-
1490	Other current assets	774,664	-
1420	Bond issuance cost, net	21,870,016	-
	Capital assets, net:		
1510	Land	193,957,974	-
1520	Buildings and Improvements, net	1,898,731,279	-
1530	Furniture and equipment, net	57,992,136	-
1580	Construction in progress	218,429,254	-
1000	<b>Total assets</b>	<b>3,530,817,914</b>	<b>1,462,786</b>
	<b>Liabilities:</b>		
2110	Cash overdraft	11,337,364	-
2110	Accounts payable	69,586,255	58,805
2120	Other liabilities	58,790	-
2150	Payroll deductions and withholdings	10,532,520	-
2160	Accrued wages and benefits payable	132,762,206	-
2180	Due to other governments	569,177	-
2200	Accrued liabilities	6,796,390	-
2300	Unearned revenue	1,711,501	-
2430	Accrued interest	52,273,146	-
	Long-term liabilities-due within one year:		
2121	Bonds and notes payable	54,095,000	-
2123	Workers compensation	3,718,302	-
	Long-term liabilities-due beyond one year:		
2210	Workers compensation	7,830,479	-
2510	Bonds and notes payable	2,513,234,416	-
2511	Deferred loss on refunding of bonds	(33,556,896)	-
2512	Premium on bonds	90,909,530	-
2000	<b>Total liabilities</b>	<b>2,921,858,180</b>	<b>58,805</b>
	<b>Net assets (deficit):</b>		
3200	Invested in capital assets, net of related debt	285,655,589	-
3800	Restricted for:		
	Debt Service	60,237,704	-
	Food Service	15,689,149	-
	Component Unit-Program Grants	-	1,486,526
3900	Unrestricted	247,377,292	(82,545)
3000	<b>Total net assets</b>	<b>\$ 608,959,734</b>	<b>\$ 1,403,981</b>

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



**Dallas Independent School District  
Government-Wide  
Statement of Activities  
For the Year Ended June 30, 2012**

Data Control Codes	Functions/Programs	Expenses	Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Primary government governmental activities:			
11	Instruction	\$ 842,891,794	\$ 2,870	\$ 112,101,107
12	Instructional resources and media services	22,736,721	-	325,997
13	Curriculum and staff development	38,062,123	-	27,424,465
21	Instructional leadership	21,705,813	-	5,060,752
23	School leadership	79,358,915	-	2,488,534
31	Guidance, counseling, and evaluation services	54,901,981	-	11,307,220
32	Social work services	2,745,665	-	374,382
33	Health services	17,813,557	-	811,667
34	Student transportation	22,738,339	-	2,630,617
35	Food services	90,910,150	6,391,706	75,670,648
36	Cocurricular/extracurricular activities	21,786,201	727,573	139,699
41	General administration	40,363,776	-	4,543,741
51	Plant maintenance and operations	148,301,564	1,297,529	3,331,491
52	Security and monitoring services	18,912,935	-	3,325,623
53	Data processing services	41,579,518	-	750,558
61	Community services	7,341,491	-	5,955,849
71	Interest and fiscal charges	136,081,451	-	-
81	Facilities acquisition and construction	2,242,121	-	-
95	Payments to juvenile justice alternative education	302,328	-	-
97	Payments to tax increment fund	3,327,159	-	-
99	Other intergovernmental charges	3,738,645	-	-
	Total	<u>\$ 1,617,842,247</u>	<u>\$ 8,419,678</u>	<u>\$ 256,242,350</u>
	Component unit:			
	Dallas Education Foundation	\$ 602,224	-	\$ 251,038
	General revenues:			
	Taxes:			
	Property taxes, levied and collected for general purposes			
	Property taxes, levied and collected for debt service			
	State aid grants not restricted to specific programs			
	Grants and contributions not restricted to specific programs			
	Investment earnings			
	Gain on sale of real or personal property			
	Loss on disposal of assets			
	Miscellaneous - Other			
	Total general revenues			
	Change in net assets			
	Net assets—beginning			
	Net assets—ending			

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

**Dallas Independent School District  
Government-Wide  
Statement of Activities  
For the Year Ended June 30, 2012**

Exhibit B-1

Net (Expense) Revenue and Changes in  
Net Assets

Governmental Activities Year Ended June 30, 2012	Component Unit Year Ended December 31, 2011
---	--

\$ (730,787,817)  
(22,410,724)  
(10,637,658)  
(16,645,061)  
(76,870,381)  
(43,594,761)  
(2,371,283)  
(17,001,890)  
(20,107,722)  
(8,847,796)  
(20,918,929)  
(35,820,035)  
(143,672,544)  
(15,587,312)  
(40,828,960)  
(1,385,642)  
(136,081,451)  
(2,242,121)  
(302,328)  
(3,327,159)  
(3,738,645)  
\$ (1,353,180,219)

\$ (351,186)

\$ 752,839,796	-
180,706,403	-
416,548,421	-
56,229,252	-
3,995,586	-
619,400	-
(69,667)	-
3,845,898	(653,264)
<u>1,414,715,089</u>	<u>(653,264)</u>
61,534,870	(1,004,450)
547,424,864	2,408,431
<u>\$ 608,959,734</u>	<u>\$ 1,403,981</u>

**Dallas Independent School District  
Balance Sheet  
Governmental Funds  
June 30, 2012**

Exhibit C-1

Data Control Codes		General Fund	Debt Service Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
1110-50	Cash and cash equivalents	\$ 325,577,650	\$ 104,079,702	\$ 295,429,020	\$ 37,907	\$ 725,124,279
1120	Investments	4,881,653	-	275,896,242	-	280,777,895
1210-30	Property tax receivable, net	22,173,655	4,036,314	-	-	26,209,969
1260	Due from other funds	9,009,275	-	-	47,997,546	57,006,821
1240	Receivables from other governments	75,189,239	7,797,758	-	-	82,986,997
1290	Other receivables, net	14,011,592	-	59,015	146,589	14,217,196
1300	Inventories	5,445,155	-	-	3,743,344	9,188,499
1490	Other current assets-prepaid expenses	774,664	-	-	-	774,664
	<b>Total assets</b>	<b>\$ 457,062,883</b>	<b>\$ 115,913,774</b>	<b>\$ 571,384,277</b>	<b>\$ 51,925,386</b>	<b>\$ 1,196,286,320</b>
<b>Liabilities and fund balances:</b>						
<b>Liabilities:</b>						
2110	Cash overdraft	\$ 11,337,364	\$ -	\$ -	\$ -	\$ 11,337,364
2110	Accounts payable	15,102,739	-	43,571,029	10,374,902	69,048,670
2120	Other liabilities	53,551	-	5,239	-	58,790
2150	Payroll deductions & withholdings	8,600,058	-	-	1,932,389	10,532,447
2160	Accrued wages and benefits payable	117,126,083	-	-	15,589,707	132,715,790
2170	Due to other funds	63,809,944	40,490	8,451,029	160,953	72,462,416
2180	Payable to other governments	13,379	-	-	555,798	569,177
2200	Accrued liabilities	6,371,453	-	-	396,229	6,767,682
2300	Deferred/Unearned revenue	33,527,933	3,362,434	-	2,211,422	39,101,789
	<b>Total liabilities</b>	<b>255,942,504</b>	<b>3,402,924</b>	<b>52,027,297</b>	<b>31,221,400</b>	<b>342,594,125</b>
<b>Fund balances:</b>						
<b>Non-Spendable:</b>						
3410	Inventories	5,445,155	-	-	3,743,344	9,188,499
3430	Prepaid items	774,664	-	-	-	774,664
<b>Restricted:</b>						
3450	Grants and donations	-	-	-	5,014,837	5,014,837
3450	Food service	-	-	-	11,945,805	11,945,805
3470	Capital projects	-	-	519,356,980	-	519,356,980
3480	Debt service	-	112,510,850	-	-	112,510,850
3590	Assigned	7,197,978	-	-	-	7,197,978
3600	Unassigned	187,702,582	-	-	-	187,702,582
	<b>Total fund balances</b>	<b>201,120,379</b>	<b>112,510,850</b>	<b>519,356,980</b>	<b>20,703,986</b>	<b>853,692,195</b>
	<b>Total liabilities and fund balances</b>	<b>\$ 457,062,883</b>	<b>\$ 115,913,774</b>	<b>\$ 571,384,277</b>	<b>\$ 51,925,386</b>	<b>\$ 1,196,286,320</b>

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

**Dallas Independent School District**  
**Reconciliation of the Governmental Funds' Balance Sheet to the**  
**Government-Wide Statement of Net Assets**  
**June 30, 2012**

Exhibit C-1R

Total fund balances--governmental funds (from C-1)	\$ 853,692,195
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of accumulated depreciation, less assets held in internal service funds, are not financial resources and therefore are not reported as assets in governmental funds.	2,369,095,136
Some liabilities, including bonds payable, and claims and judgments are not due and payable in the current period and, therefore are not reported in the funds:	
Bonds and notes payable	(2,567,329,416)
Deferred losses on refundings	33,556,896
Premium on bonds	(90,909,530)
	(2,624,682,050)
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(52,273,146)
Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds.	37,390,287
Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (see D-1).	3,867,296
Bond issue costs are recognized currently at the fund level, but are deferred costs under the full accrual method of accounting.	21,870,016
Total net assets--governmental activities (see A-1)	<u>\$ 608,959,734</u>

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

**Dallas Independent School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year ended June 30, 2012**

Exhibit C-2

Data Control Codes		General Fund	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
5700	Local and intermediate sources	\$ 769,377,135	\$ 180,805,798	\$ 3,836,900	\$ 8,616,836	\$ 962,636,669
5800	State program revenues	416,548,421	-	-	32,255,658	448,804,079
5900	Federal program revenues	14,689,137	20,319,751	-	221,255,077	256,263,965
	Total revenues	<u>1,200,614,693</u>	<u>201,125,549</u>	<u>3,836,900</u>	<u>262,127,571</u>	<u>1,667,704,713</u>
Expenditures:						
Current:						
11	Instruction	677,329,844	-	-	112,836,652	790,166,496
12	Instructional resources and media services	21,261,085	-	-	350,462	21,611,547
13	Curriculum and staff development	10,057,752	-	-	27,440,750	37,498,502
21	Instructional leadership	16,217,464	-	-	5,060,752	21,278,216
23	School leadership	72,084,039	-	-	2,488,675	74,572,714
31	Guidance, counseling, and evaluation services	41,952,183	-	-	11,309,008	53,261,191
32	Social work services	2,320,303	-	-	374,382	2,694,685
33	Health services	16,499,693	-	-	542,991	17,042,684
34	Student transportation	20,088,128	-	-	2,630,617	22,718,745
35	Food services	-	-	-	86,553,720	86,553,720
36	Cocurricular/extracurricular activities	19,196,576	-	-	159,371	19,355,947
41	General administration	35,359,973	-	-	4,550,350	39,910,323
51	Plant maintenance and operations	141,515,673	-	-	3,342,360	144,858,033
52	Security and monitoring services	15,225,174	-	-	3,325,915	18,551,089
53	Data processing services	31,301,917	-	-	873,558	32,175,475
61	Community services	941,914	-	-	5,994,513	6,936,427
Debt service:						
71	Principal on long-term debt	4,836,003	49,515,000	-	-	54,351,003
71	Interest and fiscal charges	1,146,976	152,570,482	-	-	153,717,458
Capital outlay:						
81	Facilities acquisition and construction	-	-	374,511,644	-	374,511,644
Intergovernmental charges:						
95	Payments for juvenile justice alternative education	302,328	-	-	-	302,328
97	Payments to tax increment fund	3,327,159	-	-	-	3,327,159
99	Other intergovernmental charges	3,738,645	-	-	-	3,738,645
	Total expenditures	<u>1,134,702,829</u>	<u>202,085,482</u>	<u>374,511,644</u>	<u>267,834,076</u>	<u>1,979,134,031</u>
	Excess (deficiency) of revenues over expenditures	<u>65,911,864</u>	<u>(959,933)</u>	<u>(370,674,744)</u>	<u>(5,706,505)</u>	<u>(311,429,318)</u>
Other Financing Sources (Uses):						
7911	Proceeds from issuance of refunding bonds	-	197,935,000	-	-	197,935,000
7912	Sale of real or personal property	619,400	-	-	-	619,400
7916	Premium (Discount) on issuance of bonds	-	29,856,060	-	-	29,856,060
8911	Transfers out	(509,144)	-	-	-	(509,144)
8949	Payment to refunded bonds' escrow agent	-	(226,330,345)	-	-	(226,330,345)
7080	Total other financing sources (uses)	<u>110,256</u>	<u>1,460,715</u>	<u>-</u>	<u>-</u>	<u>1,570,971</u>
	Net change in fund balances	66,022,120	500,782	(370,674,744)	(5,706,505)	(309,858,347)
	Fund balances - beginning	135,098,259	112,010,068	890,031,724	26,410,491	1,163,550,542
	Fund balances - ending	<u>\$ 201,120,379</u>	<u>\$ 112,510,850</u>	<u>\$ 519,356,980</u>	<u>\$ 20,703,986</u>	<u>\$ 853,692,195</u>

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

**Dallas Independent School District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2012**

Exhibit C-3

Net change in fund balances--total governmental funds (from C-2)	\$ (309,858,347)
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions (\$383,161,567) and net book value of capital asset disposals (\$69,667) exceeded depreciation (\$89,708,705) in the current period.	293,383,195
The net effect of various miscellaneous transactions involving capital assets (i.e. donations) increases net assets.	3,845,898
Repayment of bonds (\$49,515,000), loans (\$3,305,000) and capital leases (\$1,464,842), and refunded bond (\$204,925,000) are an expenditure in the governmental funds, but the repayment and refunded bonds reduces long-term liabilities in the statement of net assets.	259,209,842
Installment obligations provide current financial resources to governmental funds, but issuing bonds (\$197,935,000) and the related premium (\$29,856,060) and loans (\$214,366) increases long-term liabilities in the statement of net assets.	(228,005,426)
Accrued interest expense at the government wide level does not require the use of current financial resources and therefore is not reported as expenditure in governmental funds.	13,398,531
Bond issue costs, premium on bonds and deferred losses on refunding are expensed at fund level but are deferred and amortized over the life of the related debt at the government-wide level.	25,925,224
Some property taxes and other revenue will not be collected within 90 days and, therefore they are not considered available revenues and are deferred in governmental funds. Deferred revenue decreased by this amount from the prior year.	7,165,647
Internal service funds are used by management to charge the costs of certain activities, such as medical self insurance and workman's compensation, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	(3,529,694)
Change in net assets of governmental activities (B-1)	<u><u>\$ 61,534,870</u></u>

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

**Dallas Independent School District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

Exhibit D-1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds</u>
	<b>Assets</b>	
	<b>Current Assets:</b>	
1260	Due from other funds	\$ 15,973,351
1290	Other receivables, net	40,000
		<hr/>
	Total current assets	<u>16,013,351</u>
	<b>Noncurrent Assets:</b>	
1500	Capital Assets	
	Furniture and Equipment, net	<u>15,507</u>
	Total Noncurrent assets	<u>15,507</u>
	Total Assets	<u>16,028,858</u>
	<b>Liabilities and fund balances:</b>	
	<b>Liabilities</b>	
	<b>Current Liabilities:</b>	
2110	Accounts payable	537,584
2120	Accrued liabilities-short-term	3,747,010
2150	Payroll deductions & withholdings	73
2160	Accrued wages and benefits payable	46,416
	Total current liabilities	<u>4,331,083</u>
	<b>Long-term Liabilities:</b>	
2200	Accrued liabilities-long-term	<u>7,830,479</u>
	Total Liabilities	<u>12,161,562</u>
	<b>Net Assets</b>	
3xxx	Invested in Capital Assets	15,507
3xxx	Unrestricted Net Assets	3,851,789
	Total net assets	<u>\$ 3,867,296</u>

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

**Dallas Independent School District**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

Exhibit D-2

Data Control Codes		Governmental Activities Internal Service Funds
	Operating revenues:	
5754	Charges for services	\$ 12,268,747
5755	Other revenue	111,128
	Total operating revenues	<u>12,379,875</u>
	Operating expenses:	
6100	Personnel services	14,814,266
6200	Contractual services	1,113,496
6300	Supplies	409,164
6446	Depreciation expense	1,875
6400	Other operating expenses	79,912
	Total operating expenses	<u>16,418,713</u>
	Operating loss	<u>(4,038,838)</u>
	Nonoperating revenues:	
	Transfers in	<u>509,144</u>
	Change in net assets	(3,529,694)
	Total net assets-beginning	<u>7,396,990</u>
	Total net assets-ending	<u><u>\$ 3,867,296</u></u>

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



**Dallas Independent School District**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2012**

Exhibit D-3

	Governmental Activities Internal Service Funds
Cash flows from operating activities:	
Cash received from user charges	\$ 13,680,722
Cash received for misc. activities	111,128
Cash payments for payroll costs	(2,346,002)
Cash payments for insurance claims	(9,917,385)
Cash payments for suppliers	(2,037,607)
Net cash used for operating activities	<u>(509,144)</u>
Cash flows from non-capital financing activities:	
Transfers in	509,144
Net cash provided by non-capital financing activities	<u>509,144</u>
Net (decrease) in cash and cash equivalents	-
Cash and cash equivalents — beginning of year	<u>-</u>
Cash and cash equivalents — end of year	<u><u>\$ -</u></u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating loss	\$ (4,038,838)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,875
(Increase) decrease in due from other funds	1,411,975
Increase (decrease) in accounts payable	(435,035)
Increase (decrease) in payroll deductions & withholdings	(693)
Increase (decrease) in accrued wages payable	(43,205)
Increase (decrease) in accrued expenses	2,594,777
Net cash used for operating activities	<u><u>\$ (509,144)</u></u>

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

**Dallas Independent School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2012**

Exhibit E-1

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 3,689,436
Total assets	<u>\$ 3,689,436</u>
Liabilities	
Accounts Payables	\$ 8,978
Due to General Fund	517,756
Due to student groups	3,160,358
Accrued liabilities	2,344
Total liabilities	<u>\$ 3,689,436</u>

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

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

Index

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**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Board of Trustees (the "Board") consists of nine members and has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Dallas Independent School District (the "District"). The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources. The District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, issued by Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

For financial reporting purposes, in conformance with governmental accounting standards, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. By applying the criteria set forth in GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, the District has determined that the Dallas Education Foundation ("the Foundation") is a discrete component unit of the District. The component unit that meets the criteria of GASB Statement No. 39 is reported as a discretely presented component unit in the primary government's financial statements.

The Foundation is a Texas non-profit corporation organized to unite the community and its resources, including individual, corporate and foundation philanthropy, to accomplish key District priorities. The Foundation is operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. All funds, whether income or principal, and whether acquired by gift or contribution are devoted to the charitable purpose. The Foundation collaborates with the District to achieve the mutual goals of the District, the Foundation and donors. The Foundation is governed by an 18 member Board of Directors, who represents a cross section of the community served by the District. The District Superintendent of Schools serves as an ex-officio member. The other members are independent of the District.

There were no other significant transactions between the District and the Foundation during the year ended June 30, 2012.

The Foundation financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board. A copy of the complete, separately audited financial statements as of December 31, 2011 of the Foundation can be obtained from Dallas Education Foundation at 3700 Ross Avenue, Box 108, Dallas, Texas 75204.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. Governmental activities are mainly supported by tax revenues and intergovernmental revenues.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. Program revenues include: 1) charges for services and tuition charged by a given function and 2) grants and contributions that are restricted to meeting operational requirements of a particular function. Taxes, state aid, grants and contributions not restricted to specific programs are properly excluded from program revenues and reported instead as general revenues.

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

**Basis of Accounting/Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. The fiduciary fund financial statement does not have a measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized, when they are susceptible to accrual, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, and claims and judgments, are recorded only when matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under notes payable are reported as other financing sources. Property tax revenues and revenues received from the State of Texas and investment earnings are considered to be susceptible to accrual and so have been recognized as revenues in the current period. Property taxes collected within 60 days of year-end and included in revenue were \$3,370,688 and \$673,880 for the General Fund and Debt Service Funds, respectively.

Grant revenues and contributions are recognized when all eligibility requirements have been met. Grant funds received in advance are recorded as deferred revenue until earned. Contributions received with purpose restrictions are recorded as revenue and the related fund balance is designated until restrictions are satisfied. Amounts reported as program revenues include operating grants and contributions, food services user charges, rentals and tuition. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. The Texas Education Agency, through its application of state law, allocates state revenues to school districts by formula allocation. The District receives two allocations, a per capita allocation and a foundation program allocation. The District also recognizes revenues for the state's share of the contributions to the Teacher Retirement System of Texas. See Note K for additional information on the employee's retirement plan. Other state revenues are received through other state miscellaneous programs on an allocated basis. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

The District has accrued state aid revenues of \$28,139,890 which is included in receivables from other governments in the Balance Sheet-Governmental Funds, to reflect cash that will be received in fiscal year 2013, which was generated by attendance and related expenditures in fiscal year 2012.

The District reports the following major governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The Debt Service Fund, a budgeted fund, accounts for the use of ad valorem taxes and other revenues collected for the purposes of retiring bond principal and paying interest when due. The Debt Service Fund does not meet the quantitative criteria of a major fund, however, due to the qualitative significance of the fund, management has decided to present it as a major fund.
- The Capital Projects Fund is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

The District reports the following proprietary funds:

- Internal Service Funds distinguish operating revenues from non-operating revenues. Operating revenues and expenses generally result from providing services and delivering goods in connection with an Internal Service Fund's principal ongoing operations. Internal Service Funds' principal ongoing operations are to provide services by one department to other departments of the District on a cost-reimbursement basis. For the District, these funds are used to provide workers' compensation insurance, unemployment insurance, printing services and program evaluation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Accrued liabilities include provisions for claims reported and claims incurred but not reported for workers' compensation insurance. The provision for reported claims is determined by estimating the amount that will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on the District's experience since the inception of the program.

Additionally, the District reports the following non-major funds:

- Special Revenue Funds are used to account for food services activities, federal and state financed programs and other local programs where unused balances are returned to the grantor at the close of specified project periods. The budget for the Food Services Fund is adopted by the Board each fiscal year.

The agency Fund is a fiduciary fund that is custodial in nature (assets equals liabilities) and is used to account for the activities of student groups. The student activity groups exist with the explicit approval of, and are subject to revocation, by the Board.

**Assets, Liabilities and Net Assets**

**Cash, Cash Equivalents and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of 3 or 6 months or less from the date of acquisition. All investments in pools are considered cash equivalents.

Investments with maturities at the time of acquisition of over 12 months are recorded at fair value and can consist of certificates of deposit, U.S. Treasury instruments, U.S. Government agency

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

obligations, commercial paper, investments in government sponsored enterprises, repurchase agreements and investments in local government public fund investment pools. Fair value is determined by the amount by which a financial instrument could be exchanged in a current transaction between willing parties. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

**Interfund Transaction and Receivables and Payables**

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations. Such balances are eliminated within the governmental activities for the government-wide financial statements.

**Property Taxes**

Property taxes are levied each October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the subsequent year. On January 1 of each year a lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes and historical experience of adjustments to tax receivables. Uncollectible taxes are written off according to the Texas Property Tax Code. See Note C for the discussion of the write-off of uncollectible taxes in the current year.

**Inventories and Prepaid Items**

The consumption method is used to account for inventories of supplies and materials. Under this method, these items are carried in an inventory account of the respective fund at cost, using the weighted average method of accounting and are subsequently charged to expenditures when consumed or requisitioned. Although food commodities are received at no cost, their fair value is supplied by the Texas Department of Agriculture and is recorded as inventory on the date received. In the governmental funds, inventories and prepaid items are reported as non-spendable fund balance.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation, is employed in the governmental fund financial statements. Encumbrances, which have not been liquidated, are reported as an assigned portion of fund balance in the governmental funds.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
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Government-Wide Net Assets

Invested in capital assets, net of related debt – the component of net assets that represents capital assets less capital debt plus unspent bond proceeds of \$285,655,589.

Restricted for debt service – the component of net assets that reports the difference between assets and liabilities of the Debt Service Funds net of accrued interest at June 30, that consists of assets with constraints placed on their use by the bond covenants of \$60,237,704.

Restricted for food service – the component of net assets that reports the difference between assets and liabilities of the Food Services Fund that consists of assets with constraints placed on their use by the Department of Agriculture and Texas Education Agency ("TEA") of \$15,689,149.

Unrestricted – the difference between the assets and liabilities that is not reported in net assets invested in capital assets, net of related debt, net assets restricted for debt service, and net assets restricted for food service of \$247,377,292.

Governmental Fund Balances

According to the District's fund balance policy, fund balance is comprised of the following components:

Non-spendable fund balance – assets that will never convert to cash, such as inventory and prepaid items.

Restricted fund balance – the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District at June 30, 2012.

Committed fund balance – the portion of fund balance that reflects resources whose use is limited based upon resolutions by the District's Board of Trustees. At June 30, 2012, the District had no committed fund balance.

Assigned fund balance – the portion of fund balance that reflects resources whose use is limited by its intended use. At June 30, 2012, the Superintendent of Schools and Chief Financial Officer, with authority delegated by the Board of Trustees, assigned fund balance as follows:

	Governmental Funds
Campus activity funds	\$ 2,984,643
Encumbrances	4,213,335
Total	<u>\$ 7,197,978</u>



**Dallas Independent School District  
Notes to the Basic Financial Statements  
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Unassigned fund balance – the portion of fund balance in excess of non-spendable, restricted, committed and assigned.

**Capital Assets**

Capital assets, which include land, buildings, furniture and equipment, and construction in progress are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Construction cost includes direct and all indirect costs. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives, are not capitalized, and land and construction in progress are not depreciated. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Classification</b>	<b>Useful Life in Years</b>
Buildings	40
Building Improvements	20
Heavy Installed Equipment	20
Portable Buildings and Building Systems	15
Furniture	10
Trucks and Vans	7
Equipment:	
Maintenance Equipment	15
Grounds and Custodial Equipment	12
Instructional Equipment	10
Kitchen Equipment	10
Automobiles	5
Computers, Copiers, Communications Systems	3
Software	3

**Compensated Absences**

Certain employees are entitled to receive accrued vacation and compensatory pay in a lump-sum cash payment upon termination of employment with the District. The amount of \$1,870,534 (wages and benefits) represents the recorded liability for employees vested in accumulated vacation and compensatory pay. The General Fund and Special Revenue Funds are used to liquidate compensated absences.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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. Cost of issuance, as well as gains or losses on refunding, are capitalized and amortized over the shorter of the life of the new issuance or the life of the existing debt using the straight-line interest method, which approximates the interest method. Premiums and discounts are amortized over the life of the related debt using the effective interest method.

**Dallas Independent School District  
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In the fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized in the governmental funds, 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.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Data Control Codes

In accordance with the Financial Accountability System Resource Guide published by the TEA the District has adopted and installed an accounting system which meets the minimum requirements prescribed by the State Board of Education and has been approved by the state auditor. The TEA requires the display of these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

**NOTE B: CASH, CASH EQUIVALENTS AND INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with The Bank of New York Mellon, under a tri-party collateral agreement between the District, the depository bank and The Bank of New York Mellon, approved pledged securities, as authorized by Chapter 2257, Collateral for Public Funds of the Government Code, in an amount sufficient to protect the District's 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"). In order to maximize return on cash balances, the District uses consolidated bank accounts from which all disbursements are made, with cash in excess of the District's total daily requirement being invested for future needs.

The cash overdraft of \$11,337,364 reported by the District at June 30, 2012 represents checks recorded in the District's financial statements, but not presented at the bank. At June 30, 2012, the net carrying amount of the District's cash deposits, excluding student activity fund deposits of \$3,689,436, was \$50,522,427. The bank balance of \$6,043,979 was on deposit with the contracted depository bank. District funds in non-interest-bearing accounts are protected pursuant to the Dodd-Frank Insurance Provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act"). The Act provides that through December 31, 2012, the FDIC will insure in full the non-interest-bearing transaction accounts of all government/public sector depositors. In addition, for the period from July 21, 2011 and through December 31, 2012, District funds are also insured up to \$250,000 for the combined amount of all time and savings accounts, and up to an additional \$250,000 for the combined total of all interest-bearing Demand Deposit Accounts (DDA's). Interest-bearing accounts were collateralized by pledged United States government securities with a fair value of \$55,492,390 at June 30, 2012, held by The Bank of New York Mellon. Because The Bank of New York Mellon holds the pledged securities in trust on behalf of the District, the deposits were deemed collateralized under Texas law. Secondary campuses activity funds were centralized and were on deposit with the contracted depository. Non-centralized agency and activity funds were in separate non-interest-bearing bank accounts in the name of the schools, and as such, have full FDIC coverage under The Act, after \$250,000 FDIC coverage per bank account up to 100% of the bank balance per bank account. At June 30, 2012, cash on hand in Agency Funds totaled \$3,689,436 and was on deposit with the contracted depository and separate bank accounts. The District's Agency Fund bank balance on June 30, 2012, was covered by federal depository insurance or by collateral held in the District's name.

**Dallas Independent School District  
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The District's component unit had an unrestricted cash balance of \$167,270. The component unit places its temporary cash investments with creditworthy, high quality financial institutions. These cash investments from time to time exceed federally insured limits.

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

- a. Depository bank: Bank of America, N.A.
- b. The date of highest deposit was December 29, 2011, with combined cash and certificates of deposit balance of \$115,097,803.
- c. On December 29, 2011, the amount of bonds, securities pledged, and FDIC coverage was \$122,553,079.
- d. The FDIC coverage portion of the collateral listed above was \$65,393,344.
- e. The District had no occasions during the year of not being sufficiently collateralized, in which the pledged collateral requirement was less than the collateral requirement.

The Texas legislature passed the Public Funds Investment Act of 1995 ("Public Funds Investment Act") which authorizes the District to invest its excess funds in the following:

- Obligations of the United States or its agencies and instrumentalities,
- Obligations of the State of Texas or its agencies, and instrumentalities,
- Other obligations guaranteed by the United States or the State of Texas or their agencies and instrumentalities,
- Public funds investment pools,
- No load money market funds with a weighted average maturity of 90 days or less
- Fully collateralized repurchase agreements,
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", or its equivalent, by a nationally recognized investment rating firm,
- Commercial paper having a stated maturity of 270 days or fewer from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit.
- Guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds,
- Guaranteed or secured certificates of deposit, issued by state and national banks domiciled in Texas, and insured by federal depository insurance or secured by the obligations mentioned above, and
- Bonds issued, assumed or guaranteed by the State of Israel.
- Corporate bonds rated not lower than "AA-" or the equipment.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. The review disclosed that in this area of investment practices, management reports and establishment of appropriate policies, the District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies, which are more restrictive than state statutes.

In January 2011, the District invested \$500 million from the \$950.3 million proceeds of the "Dallas Independent School District Unlimited Tax School Building Bonds, Taxable Series 2010C" ( the "Bonds") in a fully collateralized flexible repurchase agreement ("flex-repo") with Bayerische Landesbank ("BayernLB" or "BLB"). BayernLB is a publicly regulated bank based in Munich, Germany, which is one of the eight "Landesbanken" ("State Banks"), and the eighth-largest financial institution in Germany. BLB deposits the District's investment earnings into the flex-repo account at the end of each month at a fixed investment rate of .64% per annum, calculated on a

**Dallas Independent School District  
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360-day year basis. Additionally, BLB deposits for safekeeping and trust with Wells Fargo Bank direct obligations of the United States of America and direct obligations of any agency or instrumentality of the United States of America at a security ratio of 107%. On November 17, 2011, BaybernLB was downgraded by Moody's to Baa1. On March 8, 2012, BaybernLB was downgraded by Fitch to BBB+. Accordingly, as per the District's flex-repo agreement, BLB was requested by the District to increase their collateral rate from 102% to 107%, and BLB concurred and adhered. As of June 30, 2012, the balance in the flex-repo account was collateralized by a combination of cash, federal agency securities (Tennessee Valley Authority) and Government Sponsored Enterprise mortgage/asset securities (FHLMC, FNMA, SBA, and the US Department of Veterans Affairs). Withdrawals of cash (draws) are allowed from the BLB flex-repo account twice per month, with a two day advance notice to BLB. Draws are timed to coincide with the cash flow needs of the district's bond program, and all funds are expected to be withdrawn from the BLB flex-repo by September 2014, the final repurchase date stated in the flex-repo agreement, with the last draw currently anticipated to occur in December 2013. The flex-repo agreement ends on the termination date which, per the agreement, means the earlier of: (a) the date on which BLB repurchases all purchased securities with the invested money's at the applicable repurchase price; (b) the date on which no Bonds remain outstanding; (c) the date on which BLB elects to optionally terminate the agreement due to (i) a payment default with respect to the Bonds, or (ii) a complete or partial purchase in lieu of redemption of the Bonds; or, (d) the final purchase date stated in the agreement of September 30, 2014.

Cash withdrawn from the BLB flex-repo account that is not used immediately for bond expenditures, or to reimburse the District's general fund for bond expenditures, will be immediately reinvested in another investment account designated for the bond proceeds of the "Dallas Independent School District Unlimited Tax School Building Bonds, Taxable Series 2010C."

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As of June 30, 2012, the following are the District's cash equivalents and investments, with respective maturities and credit rating:

Type of Investment	Book Value	Percent	Fair Value	Percent	Maturity Amount	Maturity in 0-6 Months	Credit Rating S&P
Cash	\$ 5,708,631	0.6%	\$ 5,708,631	0.6%	\$ 5,708,631	\$ 5,708,631	N/A
Cash in Savings	48,503,232	4.8%	48,503,232	4.8%	48,503,232	48,503,232	N/A
Total Cash	<u>54,211,863</u>	<u>5.4%</u>	<u>54,211,863</u>	<u>5.4%</u>	<u>54,211,863</u>	<u>54,211,863</u>	
Money markets and mutual funds	<u>10,969,766</u>	<u>1.1%</u>	<u>10,969,766</u>	<u>1.1%</u>	<u>10,969,766</u>	<u>10,969,766</u>	AAAm
Investment pools:							
Texas Class	306,989,941	30.4%	306,989,941	30.4%	306,989,941	306,989,941	AAAm
LOGIC	43,713,951	4.3%	43,713,951	4.3%	43,713,951	43,713,951	AAAm
Lone Star	240,150,763	23.8%	240,150,763	23.8%	240,150,763	240,150,763	AAAm
TexPool	32,039,102	3.2%	32,039,102	3.2%	32,039,102	32,039,102	AAAm
TexasDAILY	40,738,329	4.0%	40,738,329	4.0%	40,738,329	40,738,329	AAAm
Total Investment pools	<u>663,632,086</u>	<u>65.7%</u>	<u>663,632,086</u>	<u>65.7%</u>	<u>663,632,086</u>	<u>663,632,086</u>	
Total cash and cash equivalents	<u>728,813,715</u>	<u>72.2%</u>	<u>728,813,715</u>	<u>72.2%</u>	<u>728,813,715</u>	<u>728,813,715</u>	
Repurchase Agreements:							
BLB Flex-Repo - final repo date 9-30-2014	275,896,242	27.3%	275,896,242	27.3%	275,896,242	- (1) N/A	
Securities:							
Federal National Mortgage Association	<u>4,881,653</u>	<u>0.5%</u>	<u>4,999,373</u>	<u>0.5%</u>	<u>4,881,653</u>	<u>4,881,653</u>	AA+
Total Investments	<u>280,777,895</u>	<u>27.8%</u>	<u>280,895,615</u>	<u>27.8%</u>	<u>280,777,895</u>	<u>4,881,653</u>	
Total cash, cash equivalents and investments	<u>\$ 1,009,591,610</u>	<u>100.0%</u>	<u>\$ 1,009,709,330</u>	<u>100.0%</u>	<u>\$ 1,009,591,610</u>	<u>\$ 733,695,368</u>	
Overdrafts	<u>\$ 11,337,364</u>		<u>\$ 11,337,364</u>				

(1) See maturity information below.

As required by GASB Statement No. 31, the District recognizes the unrealized gain/loss on investments with a maturity date greater than one year from the acquisition date and investments that are callable. As of June 30, 2012, the remaining cash equivalents and securities in the District's portfolio all had maturity dates of less than one year from their acquisition date, except for the flex-repo of \$500 million that has a final repurchase date stated in the agreement of September 30, 2014.

The "Cash in Savings" is an Analyzed Business Investment Account that earns interest deposited monthly on the average daily balance in the account. This account allows a maximum of six withdrawals per month. The balance in the account is collateralized daily in accordance with the requirements of the Public Funds Collateral Act and the tri-party collateral agreement between Dallas Independent School District, Bank of America and Bank of New York Mellon. As of June 30, 2012 the interest earning rate for the account was 20 basis points.

**Dallas Independent School District  
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Interest Rate Risk: In accordance with the District's investment policy, investments are made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a twelve month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District has an investment of bond proceeds in a flexible repurchase agreement with BayernLB at a fixed investment rate of .64% per annum for a period stated in the agreement not to exceed September 30, 2014. This investment incurs a minimal risk that the Federal Reserve interest rate may increase above .64% per annum between now and September 2014 (from 0.0-0.25% at June 30, 2012). The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Credit Risk: State law limits investments in commercial paper to not less than A1-P1 or equivalent rating by at least two nationally recognized credit rating agencies. The District's investments in Local Government Public Fund Investment Pools ("LGIP's") include: Texas Class, LOGIC, Lone Star, TexPool and TexasDAILY. These are all public funds investment pools and money markets operating in full compliance with the Public Funds Investment Act. All are rated "AAA" money market funds by Standard and Poor's. The Bank of America Money Market Reserves is a no-load money market fund that maintains weighted-average maturity of 90-days or less. This money market fund invests only in first-tier securities. Under SEC Rule 2a-7 of the 1940 Act, a first-tier security is a debt instrument that is an eligible investment for money market funds and has received a rating in the highest short-term category from a nationally recognized statistical rating organization. On August 5, 2011, Standard and Poors, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term US sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. The District utilizes Bank of America Money Market Reserves for money market investments and Bank of America N.A. for the daily operating funds.

Concentration of Credit Risk: The District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuer. The \$275.9 million remaining balance of the BLB flex-repo is at one bank; however, it is fully collateralized.

Custodial Credit Risk – deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. All deposits, not covered by FDIC insurance, held in the depository bank, Bank of America, were fully collateralized. Additionally, all funds in the District's flexible repurchase agreement for the investment of bond proceeds with BayernLB were fully collateralized with securities held by the collateral custodian, Wells Fargo Bank, in the name of the District.

Custodial Credit Risk – investments: This is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All funds in the District's flexible repurchase agreement for the investment of bond proceeds with BLB were fully collateralized with securities held by the collateral custodian, Wells Fargo Bank, in the name of the District. The Federal Home Loan Mortgage Corporation investments are held in trust with Texas Class.

Foreign Currency Risk: As of June 30, 2012, there are no foreign currency investments in the District's portfolio.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
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**NOTE C: LOCAL REVENUES AND PROPERTY TAXES**

Local revenues are comprised of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Funds	Total Governmental Funds
Property taxes	\$ 754,675,022	\$ 180,721,701	\$ -	\$ -	\$ 935,396,723
Food services	-	-	-	6,391,706	6,391,706
Gifts and bequests	216,414	-	-	1,827,212	2,043,626
Campus activity funds	4,898,902	-	-	-	4,898,902
Interest income	831,170	84,097	3,080,319	-	3,995,586
Tuition, fees and cocurricular	746,521	-	-	237,865	984,386
Rental Income	1,294,947	-	14,208	-	1,309,155
Other	6,714,159	-	742,373	160,053	7,616,585
<b>Totals</b>	<b>\$ 769,377,135</b>	<b>\$ 180,805,798</b>	<b>\$ 3,836,900</b>	<b>\$ 8,616,836</b>	<b>\$ 962,636,669</b>

**Property Taxes**

The District's ad valorem property tax is levied each October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the subsequent year. On January 1 of each year a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the roll on January 1, 2011 was \$93,891,766,580. After deductions of all exemptions and reductions provided by law and those granted by the District, the levy for the 2011 fiscal year was based on property values of \$74,661,069,947.

The tax rates assessed for the year ended June 30, 2012, to finance General Fund operations and the payment of principal and interest on long-term debt were \$1.04005 and \$0.25030 per \$100 valuation, respectively, for a total of \$1.29035 per \$100 valuation. The resolution levying the ad valorem taxes specifies the individual tax rates for the General Fund and Debt Service Funds. Current tax collections for the year ended June 30, 2012, were 97.78% of the tax levy.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District has provided an allowance for estimated uncollectible property taxes and estimated adjustments within the General Fund and Debt Service Funds of \$42,513,476 and \$6,447,133 respectively, based upon historical collection experience and historical experience of adjustments to tax receivables.

**Dallas Independent School District  
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The Texas Property Tax Code, directs tax collectors to cancel and remove from the tax rolls real property taxes that have been delinquent more than 20 years and personal property taxes that have been delinquent more than 10 years. Additionally, the Texas Property Tax Code provides that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years.

The City of Dallas has established 17 Tax Increment Financing Zones as authorized under Chapter 311 of the Texas Property Tax Code in which the District has authority to levy taxes on real property. The City of Farmers Branch has established one Tax Increment Finance Zone as authorized under Chapter 311 of the Texas Property Tax Code in which the District has authority to levy taxes on real property. The District currently participates financially in three of the City of Dallas Tax Increment Financing Zones and the City of Farmers Branch Tax Increment Financing Zone. There is a negative increment in the City of Farmers Branch Tax Increment Financing Zone and therefore no taxes were paid.

The captured property values and property taxes payable to the Tax Increment Financing Zones are summarized as follows

	<u>Captured Values</u>	<u>Taxes Collected/ Paid</u>
City of Dallas:		
Oak Cliff Gateway Tax		
Incremental Financing District	\$ 55,559,531	\$ 506,095
Cedars Tax Incremental Financing		
District	43,225,396	287,929
Sports Arena Tax Incremental		
Financing District	383,340,090	2,533,135
Totals	<u>\$ 482,125,017</u>	<u>\$ 3,327,159</u>



**Dallas Independent School District  
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**NOTE D: RECEIVABLES**

Property tax receivable as of June 30, 2012, for the District's major funds and non-major funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
Property taxes	\$ 64,687,131	\$ 10,483,447	\$ 75,170,578
Less: Allowance for uncollectible	(42,513,476)	(6,447,133)	(48,960,609)
Totals	<u>\$ 22,173,655</u>	<u>\$ 4,036,314</u>	<u>\$ 26,209,969</u>

The \$1,295,516 component unit receivables for unconditional promises are due in less than one year.

**NOTE E: DEFERRED/UNEARNED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of fiscal year 2012, the various components of deferred and unearned revenue reported in the General Fund, Debt Service Funds, Capital Projects Fund and non-major governmental funds were as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major</u>	<u>Totals</u>
Deferred:				
Property taxes	\$ 18,802,967	\$ 3,362,434	\$ -	\$ 22,165,401
Medicaid/SHARS	14,246,256	-	-	14,246,256
Gifts and bequests	478,710	-	-	478,710
Grants			499,921	499,921
Unearned	-	-	1,711,501	1,711,501
Totals	<u>\$ 33,527,933</u>	<u>\$ 3,362,434</u>	<u>\$ 2,211,422</u>	<u>\$ 39,101,789</u>

**Dallas Independent School District  
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**NOTE F: INTERFUND RECEIVABLES, AND TRANSFERS**

Interfund balances at June 30, 2012, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b>General Fund:</b>		
Non-Major Governmental Funds	\$ -	\$ 47,997,546
Debt Service Fund	40,490	-
Capital Projects Fund	8,451,029	-
Internal Service	-	15,812,398
Agency Fund	517,756	-
	<u>9,009,275</u>	<u>63,809,944</u>
<b>Debt Service Fund:</b>		
General Fund	-	40,490
	<u>-</u>	<u>40,490</u>
<b>Capital Projects Fund:</b>		
General Fund	-	8,451,029
	<u>-</u>	<u>8,451,029</u>
<b>Non-Major Governmental Funds:</b>		
General Fund	47,997,546	-
Internal Service Fund	-	160,953
	<u>-</u>	<u>160,953</u>
<b>Internal Service Fund:</b>		
General Fund	15,812,398	-
Non-Major Governmental Fund	160,953	-
	<u>15,973,351</u>	<u>-</u>
<b>Agency Fund:</b>		
General Fund	-	517,756
	<u>-</u>	<u>517,756</u>
<b>Totals</b>	<u><u>\$ 72,980,172</u></u>	<u><u>\$ 72,980,172</u></u>

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

The interfund receivable and payable between General Fund and Special Revenue Fund occurs when expenditures take place before the reimbursement is received from the granting agency. The interfund balances between General Fund and Capital Projects Fund, Debt Service Funds, Agency Fund, and Internal Service Fund occur due to payments made from the General Fund operating account on behalf of these funds. The interfund balances between Internal Service Fund, General Fund and Non-Major Governmental Fund occur due to recording of workers' compensation liabilities recorded but not yet funded. Transfers occur monthly, unless significantly larger payments are noted and the transfer occurs more frequently. All interfund balances are expected to be repaid within the next fiscal year.

Interfund transfers are comprised of the following:

	<u>Transfers In</u>	
	<u>Internal Service Fund</u>	<u>Transfers Out</u>
Transfers Out - General Fund	<u>\$ 509,144</u>	<u>\$ 509,144</u>

Interfund transfers were made to offset operating losses in internal service funds.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE G: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Transfers	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 189,399,883	\$ 4,560,891	\$ -	\$ (2,800)	\$ 193,957,974
Construction in progress	315,350,415	368,014,218	(464,935,379)	-	218,429,254
Total capital assets, not being depreciated	<u>504,750,298</u>	<u>372,575,109</u>	<u>(464,935,379)</u>	<u>(2,800)</u>	<u>412,387,228</u>
Capital assets, being depreciated:					
Building and improvements	2,407,104,169	4,699,318	449,618,810	(14,911,498)	2,846,510,799
Furniture and equipment	197,400,994	9,733,038	15,316,569	(3,961,516)	218,489,085
Total capital assets, being depreciated	<u>2,604,505,163</u>	<u>14,432,356</u>	<u>464,935,379</u>	<u>(18,873,014)</u>	<u>3,064,999,884</u>
Less accumulated depreciation for:					
Buildings and improvements	895,856,688	66,824,068	-	(14,901,236)	947,779,520
Furniture and equipment	141,517,223	22,884,637	-	(3,904,911)	160,496,949
Total accumulated depreciation	<u>1,037,373,911</u>	<u>89,708,705</u>	<u>-</u>	<u>(18,806,147)</u>	<u>1,108,276,469</u>
Total capital assets, being being depreciated, net	1,567,131,252	(75,276,349)	464,935,379	(66,867)	1,956,723,415
Capital assets, net	<u>\$2,071,881,550</u>	<u>\$ 297,298,760</u>	<u>\$ -</u>	<u>\$ (69,667)</u>	<u>\$ 2,369,110,643</u>

Capital assets include assets recorded in Internal Service Funds, net of depreciation, of \$15,507.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

Depreciation expense was charged to functions of government activities as follows:

		Depreciation Expense
		<hr/>
11	Instruction	\$ 53,218,411
12	Instructional resources and media services	1,057,161
13	Curriculum and staff development	514,000
21	Instructional leadership	311,425
23	School leadership	4,540,908
31	Guidance, counseling and evaluation services	1,452,821
32	Social work services	29,402
33	Health services	714,298
34	Student Transportation	17,000
35	Food services	6,155,977
36	Curriculum/extracurricular activities	2,572,988
41	General administration	213,797
51	Plant maintenance and operations	5,426,486
52	Security and monitoring services	530,342
53	Data processing services	12,558,954
61	Community services	355,161
81	Facilities acquisition and construction	39,574
		<hr/>
	Total	<u>\$ 89,708,705</u>

Depreciation is allocated to functions of governmental activities by specific identification whenever possible. Depreciation related to campus facilities is allocated to functions based on the relative square footage of the respective functional areas. Technology equipment is allocated in total to data processing services.

The District has active construction projects. These projects include new school construction and renovation of existing facilities. The total construction commitments as of June 30, 2012 are \$209,790,603 for projects under the bond programs.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE H: OPERATING LEASES**

The District leases offices, copiers, computers, warehouse space and parking under non-cancelable operating leases. Rent expense including non-cancelable leases and other rent charges for the year ended June 30, 2012 was approximately \$15.1 million. Minimum future lease commitments on non-cancelable leases are summarized as follows:

For the Year Ending June 30	Minimum Future Lease Commitments
2013	\$ 9,834,552
2014	8,557,270
2015	7,206,767
2016	1,819,610
2017	4,751
Thereafter	1,335

**NOTE I: LONG-TERM OBLIGATIONS**

Long-term debt includes par bonds, contractual obligations, notes payable, long-term loans, maintenance tax notes and provisions for workers' compensation liability. Bond premiums and deferred loss on refundings are amortized using the effective interest method.

General Obligation Bonds

These bonds are secured by ad valorem taxes levied against all taxable property and are serviced, with the exception of the contractual obligation bonds, by Debt Service Funds with an apportionment of the ad valorem tax levy. Interest rates on the bonds range from 1.25% to 6.25% and are due through 2035.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

At June 30, 2012, \$104,079,702 in cash equivalents is restricted in the Debt Service Fund to service the outstanding bonds.

Series	Bond Series Name - General Obligation Bonds Maturity or Mandatory Redemption Date	Interest Rates	Original Issue Amount (in thousands)	Total Outstanding Principal Amount (in thousands)
2003	Unlimited Tax School Building and Refunding Bonds - Serially in varying amounts from February 15, 2004 to February 15, 2027	1.75% - 5.00%	\$ 156,665	\$ 20,770
2004	Unlimited Tax School Building Bonds - Serially in varying amounts from August 15, 2004 to August 15, 2030	3.00% - 5.00%	300,000	57,160
2004A	Unlimited Tax School Building and Refunding Bonds - Serially in varying amounts from August 15, 2005 to August 15, 2031	3.00% - 5.00%	400,000	398,205
2005	Unlimited Tax Refunding Bonds - Serially in varying amounts from August 15, 2008 to August 15, 2014	5.25%	44,135	17,800
2006	Unlimited Tax School Building Bonds - Serially in varying amounts from August 15, 2007 to August 15, 2032	4.00% - 5.00%	290,205	280,090
2008	Unlimited Tax School Building Bonds- Serially in varying amounts from February 15, 2010 to February 15, 2034	5.00% - 6.25%	393,325	374,995
2009	Unlimited Tax Refunding Bonds- Serially in varying amounts from August 15, 2009 to August 15, 2014	2.00% - 5.00%	100,760	30,975
2010	Unlimited Tax Refunding Bonds- Serially in varying amounts from February 15, 2011 to February 15, 2021	1.25% - 5.00%	156,730	154,445
2010B	Unlimited Tax Refunding Bonds- Serially in varying amounts from February 15, 2013 to February 15, 2018	3.00% - 5.50%	70,080	70,080
2010C	Unlimited Tax School Building Bonds- Serially in varying amounts from February 15, 2018 to February 15, 2026 and Term Bonds due 2030 and 2035	4.05% - 6.00%	950,300	950,300
2011	Unlimited Tax Refunding Bonds- Serially in varying amounts from February 15, 2012 to February 15, 2028	3.50% 5.00%	197,935	197,935
Total				<u>\$ 2,552,755</u>

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

Maintenance Tax Notes

On October 1, 2001, the District issued \$6,880,000 of Qualified Zone Academy Maintenance Tax Notes, Series 2001. An additional \$1,120,000 of Qualified Zone Academy Maintenance Tax Notes, Series 2002, was issued on September 1, 2002. On September 20, 2008 the District issued \$20,000,000 of Dallas Independent School District Maintenance Tax Notes, Series 2008. The amount outstanding for Maintenance Tax Notes as of June 30, 2012 was as follows:

Series	Maintenance Tax Notes Maturity or Mandatory Redemption Date	Yield Rates	Total Outstanding Principal Amount (in thousands)
2001	Principal due at maturity - deposits made to escrow annually at May 1, 2002 to May 2015	6.82%	\$ 5,914
2002	Principal due at maturity - interest due each February 15 and August 15 from February 15, 2003 to September 15, 2016	6.14%	1,120
2008	Principal due at maturity - interest due each February 15 and August 15 from February 15, 2009 to February 15, 2015	3.16%	7,540
Total			<u>\$ 14,574</u>

The Maintenance Tax Notes are paid from the General Fund.

Long-term Notes Payable

As of June 30, 2012, the accompanying government-wide financial statements include no property under notes payable. In prior years, the 2008 notes payable were used to acquire equipment and services for the District's student information systems. Notes payable expenditures for the year ended June 30, 2012 were \$1,464,912, representing principal payments that have been reflected as debt service expenditures in the General Fund of the accompanying fund financial statements. This amount includes the final payment due July 1, 2012 that was paid on June 29, 2012.



**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

The following is a summary of the changes in the District's long-term debt for the year ended June 30, 2012:

Description	Long-Term Liabilities Outstanding July 1, 2011 (in thousands)	Additions and Interest Accretion (in thousands)	Retired/ Refunded (in thousands)	Long-Term Liabilities Outstanding June 30, 2012 (in thousands)	Amount Due Within One Year From June 30, 2012 (in thousands)
<b>General obligation bonds:</b>					
Series 2002	\$ 34,340	\$ -	\$ 34,340	\$ -	\$ -
Series 2003	21,565	-	795	20,770	1,165
Series 2004	240,385	-	183,225	57,160	3,130
Series 2004A	398,205	-	-	398,205	1,565
Series 2005	25,040	-	7,240	17,800	7,685
Series 2006	281,555	-	1,465	280,090	4,060
Series 2008	374,995	-	-	374,995	-
Series 2009	56,875	-	25,900	30,975	25,385
Series 2010	155,920	-	1,475	154,445	7,450
Series 2010B	70,080	-	-	70,080	185
Series 2010C	950,300	-	-	950,300	-
Series 2011	-	197,935	-	197,935	-
<b>Total General Obligation Bonds</b>	<b>2,609,260</b>	<b>197,935</b>	<b>254,440</b>	<b>2,552,755</b>	<b>50,625</b>
<b>Maintenance Tax Notes Payable:</b>					
Series 2001-QZAB	5,700	214	-	5,914	-
Series 2002-QZAB	1,120	-	-	1,120	-
Series 2008-SSYS/Vehicles	10,845	-	3,305	7,540	3,470
<b>Total maintenance tax notes</b>	<b>17,665</b>	<b>214</b>	<b>3,305</b>	<b>14,574</b>	<b>3,470</b>
<b>Long-term Notes Payable</b>					
IBM Supplement-2008	1,465	-	1,465	-	-
<b>Total Long-term Notes Payable</b>	<b>1,465</b>	<b>-</b>	<b>1,465</b>	<b>-</b>	<b>-</b>
<b>Total Bonds and Notes Payable</b>	<b>2,628,390</b>	<b>198,149</b>	<b>259,210</b>	<b>2,567,329</b>	<b>54,095</b>
<b>Other long-term obligations:</b>					
Workers compensation	8,921	8,173	5,545	11,549	3,718
Deferred losses on refunding	(22,836)	(13,936)	(3,215)	(33,557)	-
Premium on bonds	77,386	29,856	16,332	90,910	-
	<b>63,471</b>	<b>24,093</b>	<b>18,662</b>	<b>68,902</b>	<b>3,718</b>
<b>Totals</b>	<b>\$ 2,691,861</b>	<b>\$ 222,242</b>	<b>\$ 277,872</b>	<b>\$ 2,636,231</b>	<b>\$ 57,813</b>

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

For governmental activities, claims and judgments are generally liquidated by General Fund resources.

**Debt Service Requirements**

The annual requirements to pay principal and interest on the bond obligations and notes payable outstanding as of June 30, 2012, are as follows:

<u>Year Ended June 30,</u>	<u>Principal (in thousands)</u>	<u>Interest (in thousands)</u>	<u>Total Requirements (in thousands)</u>
2013	54,095	139,475	193,570
2014	52,280	136,930	189,210
2015	52,350	134,405	186,755
2016	64,325	131,993	196,318
2017	61,945	129,321	191,266
2018-2022	402,890	591,811	994,701
2023-2027	542,895	478,298	1,021,193
2028-2032	751,575	313,420	1,064,995
2033-2035	585,940	73,061	659,001
	<u>2,568,295</u>	<u>\$ 2,128,714</u>	<u>\$ 4,697,009</u>
Accreted interest to maturity (see note below)	(966)		
Totals	<u>\$ 2,567,329</u>		

Note: The \$965,890 of accreted interest to maturity represents the difference between the accreted value at June 30, 2012 of the invested escrow account at U.S. Bank and Trust of \$5,914,110 and the debt due at maturity of \$6,880,000 for the 2001 Qualified Zone Academy Bonds. The District deposits \$344,321 payments into the escrow account annually at May 1, and these annual deposits plus the interest earned on the escrow account will pay the \$6,880,000 debt at maturity on May 1, 2015, with pay off due on October 16, 2015.

In prior years, the District legally defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the District's basic financial statements. The total amount of defeased bonds that remain outstanding at June 30, 2012 is \$471,290,000.

**Debt Issuance**

The District issued the following debt during fiscal year 2011-2012:

On June 23, 2011, the District approved \$100,000,000 in multi-draw "Dallas Independent School District and Revenue Tax Anticipation Notes, Series 2011" (the "TANS"). Two draws totaling \$100,000,000 were executed, as follows: (1) \$65,000,000 draw on August 4, 2011 at a rate of .8849%; (2) \$35,000,000 draw on September 13, 2011 at a rate of .893850%. The total proceeds, less issuance costs of \$143,810, were used to provide for the seasonal cash flow needs of the District's general fund operations. The principal (\$100,000,000) and interest (\$438,112) was due in total on February 15, 2012, and was repaid in full on February 14, 2012 by the General Fund.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

The following is a summary of the changes in the District's short-term debt for the year ended June 30, 2012:

Description	Short-Term Liabilities Outstanding			Short-Term Liabilities Outstanding	
	July 1, 2011	Additions	Retired	June 30, 2012	
	(in thousands)	(in thousands)	(in thousands)	(in thousands)	
Revenue and tax					
anticipation notes	\$ -	\$ 100,000	\$ 100,000	\$ -	

In December 2011, the District issued \$197,935,000 in "Unlimited Tax Refunding Bonds, Series 2011" with interest rates ranging from 3.5% to 5.00%. The District received a net premium of \$29,856,060 on the issuance of the Series 2011 bonds. The total proceeds, less the issuance costs and underwriter's discount of \$557,575 and \$881,205, respectively, were used to refund \$25,145,000 of the Dallas Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2002 and \$179,780,000 of the Dallas Independent School District Unlimited Tax School Building Bonds, Series 2004. Principal and interest payments are due each February 15 and August 15, beginning February 15, 2012 and ending February 15, 2028. The total interest requirements of these bonds, with interest rates ranging from 3.50% to 5.00%, aggregate \$107,170,100 as of June 30, 2012. The bond proceeds were used to fully and partially advance refund the series 2002 and 2004 Bonds, respectively, and the refunded amounts were placed in escrow with an escrow agent for the purpose of paying all future debt service payments of the Series 2002 and 2004 Bonds when due. As a result, the refunded bonds are considered to be defeased and the liability had been removed from the government activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$13,935,437. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nineteen years by \$14,484,911 and resulted in an economic gain of \$13,630,760. The debt is subject to federal arbitrage regulations and is serviced by the Debt Service Fund.

**Arbitrage**

The Federal Tax Reform Act of 1986 requires issuers of tax exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. At June 30, 2012, the District had no liability for arbitrage.

**NOTE J: GENERAL FUND FEDERAL SOURCE REVENUE**

Federal revenues recorded in the General Fund consist of the following:

Junior Reserve Officer Training Corps	\$ 1,917,438
Medicaid/School Health and Related Services	9,709,578
Indirect cost reimbursement	3,043,255
Other federal	18,866
Total	<u>\$ 14,689,137</u>

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE K: PENSION PLAN OBLIGATIONS**

Teacher Retirement System of Texas

Plan Description - All employees of the District employed for one-half or more of the standard workload and who are not exempted from membership under the Texas Government Code, Title 8, Subtitle C, Section 822.002, participate in the Teacher Retirement System of Texas (the "System"), a multiple-employer Public Employee Retirement System ("PERS"). It is a cost-sharing PERS 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's annual financial report and other required disclosure information are available by writing to the Teacher Retirement System of Texas Communications Department, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

The System operates primarily under the provisions of Texas Constitution, Article XVI Section 67 and Texas Government Code, Title 8, Subtitle C. The System also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and Chapter 805, respectively. Service requirements are as follows:

Normal – Age 65 with 5 years of service or when the sum of member's age and years of credit equals or exceeds 80.

Reduced – Age 55 with at least 5 years of credited service or any age below 50 with 30 or more years of credit service.

Funding Policy

By statute, plan members must 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. For members of the retirement system entitled to the minimum salary for certain personnel under Section 16.056, Texas Education Code, the District will pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum.

The following contributions were made by employees, which equaled the required contribution for the year:

2012	\$58,389,896
2011	63,826,382
2010	63,115,624

The following other contributions were made from federal and private grants and from the District for salaries above the statutory minimum, which equaled the required contributions for the year:

2012	\$18,297,930
2011	23,237,719
2010	22,471,332

In addition, the District has recorded in the General Fund, the following revenue and expenditures for pension contributions paid on behalf of the District by the state:

2012	\$36,369,790
2011	41,716,240
2010	40,804,970

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**Staff and Teacher Attendance Reward Plan**

Plan Description – The District contributes to the Staff and Teacher Attendance Reward Plan ("STAR" or "Plan"). The Plan is a retirement savings plan available under Section 401(a) of the Internal Revenue Code, established by the Education Service Center Region 10. The District's Board has the authority for amending plan provisions including establishing and amending contribution requirements. The Board appoints an employee as the Plan Administrator. The Plan's annual financial report and other required disclosure information are available by writing The STAR Plan Record Keeper JEM Resource Partners, 900 S. Capital of Texas Highway, Suite 350, Austin, TX 78746. Under plan provisions, employees are automatically enrolled in STAR if he or she is an employee who is an active and contributing member of the Teacher Retirement System of Texas, contributes to the District's 457(b) plan or the 403(b) Tax Sheltered Annuity plan maintained by the District and has missed five days or less from work during the period September 1 to August 31 for each year.

The District contributes for teacher positions as follows:

Days Missed	District Contribution
3 - 5 days	50% of employee deferrals up to \$500 annually
2 days	75% of employee deferrals up to \$700 annually
0 - 1 day	100% of employee deferrals up to \$1,000 annually

The District contributes for non-teacher positions as follows:

Days Missed	District Contribution
3 - 5 days	50% of employee deferrals up to \$200 annually
2 days	75% of employee deferrals up to \$300 annually
0 - 1 day	100% of employee deferrals up to \$400 annually

A participant is 25% vested in his or her account after attaining two credited years of service, 50% vested after three years, and 100% vested after attaining four credited years of service in the Plan. A participant shall receive a Year of Service under the Plan for each Plan Year in accordance to the Service Requirements under the Teacher Retirement System of Texas (TRS). Upon meeting the requirements of "qualification of unreduced retirement" in accordance with the TRS, obtaining normal retirement age or upon death or permanent disability, a participant shall be 100% vested regardless of years of service. For the year ended June 30, 2012, the District contributed \$1,656,028 to the plan for amounts earned September 1, 2010 through August 31, 2011.

On May 26, 2011, the Board of Trustees voted to temporarily cease contributions to the plan for the plan year beginning September 1, 2011.

**NOTE L: 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. There were no significant reductions in insurance coverage from the prior year. The District purchases commercial insurance to cover general liabilities. There have been no claim settlements in excess of insurance coverage in the last three years.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

Workers' Compensation

Beginning in 1989, the District moved from a self-insured workers' compensation program administered by a third party to a self-insured program administered by the District. The District currently reports all of its risk management activities in its Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an actuary for the District management. The District has an agreement with a third party to contract directly with medical providers for their worker's compensation program and their injured employees. At June 30, 2012, the accrued liability for workers' compensation self-insurance of \$11.5 million includes incurred but not reported claims.

This liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not necessarily result in an exact amount. This liability is the District's best estimate based on available information and management's estimate of administration costs necessary to provide future claims management.

Changes in the reported liability resulted from the following:

Fiscal Year	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2010 - 2011	\$ 7,313,905	\$ 7,152,461	\$ (5,544,916)	\$ 8,921,450
2011 - 2012	8,921,450	8,172,497	(5,545,166)	11,548,781

Health Insurance

The Board of Trustees approved the District's participation in the Texas Retirement System ("TRS") Active Care Health Insurance Program as sponsored by the Teacher Retirement System of Texas and administered by Blue Cross Blue Shield of Texas and Medco Health (pharmacy) effective January 1, 2004. This is a premium-based plan; payments are made on a monthly basis for all covered employees.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2012 and 2011, these on-behalf payments were \$2,218,085 and \$2,698,557, respectively, and were recorded as equal revenues and expenditures in the General Fund.

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE M: OTHER POST- EMPLOYMENT BENEFITS**

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012-2010:

**Contribution Rates**

Year	Active Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	0.65%	\$ 5,929,189	1.0%	\$ 9,121,830	0.55%	\$ 5,017,006
2011	0.65%	6,482,650	1.0%	9,973,308	0.55%	5,485,319
2010	0.65%	6,410,175	1.0%	9,861,807	0.55%	5,423,994

**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE N: NEW ACCOUNTING PRONOUNCEMENTS**

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for the District beginning in fiscal year 2013. This Statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No.34*, which is effective for the District beginning in fiscal year 2013. This Statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for the District beginning in fiscal year 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for the District for the year ending June 30, 2013. The standard will standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position, rather than net assets.

GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities* – GASB 65 was issued in March 2012 and establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources of inflows of resources, certain items that were previously reported as assets and liabilities. This standard becomes effective for the District in fiscal year 2014.

GASB Statement No. 66: *Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62* – GASB 66 was issued in March 2012 and amends Statement No. 10, *Accounting and Financial Report for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type.

GASB 66 also modifies the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. This standard becomes effective for the District in fiscal year 2014.

GASB Statement 67: *Financial Reporting for Pension Plans*, was issued in June 2012. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Most significantly, this statement requires the net pension liability to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. This standard becomes effective for the District in fiscal year 2014.



**Dallas Independent School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

GASB Statement No. 68: *Accounting and Financial Reporting for Pensions* was also issued in June 2012. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for non-employer governments that have a legal obligation to contribute to those plans. This statement requires the recognition of the entire net pension liability and a more comprehensive measure of pension expense, along with additional required footnote disclosures. This standard becomes effective for the District in fiscal year 2015.

The District has not evaluated the impact of these statements.

**NOTE O: LITIGATION, CONTINGENCIES AND COMMITMENTS**

The District is a defendant in various lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, on all allegations, claims, and lawsuits will not have a material effect on the District's financial position, results of operations or liquidity. The District identified certain contracts that did not comply with state procurement laws and immediately initiated procedures to mitigate future violations of law.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2012, these programs are subject to financial and compliance audits by the grantor agencies. Additionally, the District participates in a federally funded tutoring program for which an internal investigation was conducted and found instances of noncompliance related to expenditures incurred during fiscal years 2010 and 2011. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The District has established appropriate liabilities for the above mentioned amounts expected to be repaid to the granting agencies, and TEA.

**NOTE P: SUBSEQUENT EVENTS**

On July 2, 2012, the District authorized the issuance of and entered into a purchase agreement regarding \$50 million in multi-draw Tax Anticipation Notes (the "TANS"). The TANS were issued for the purpose of funding the District's cash flow requirements. As of the date of this report, no "Request for Purchase" agreements have been issued under the TANS. If amounts are issued, they will be due by February 15, 2013.

On October 25, 2012, the Board of Trustees approved the issuance of the Dallas Independent School District Unlimited Tax Refunding Bonds, Series 2012, in an aggregate principal amount not to exceed \$415 million. The proceeds from the issuance of these bonds are expected to refund \$19.6 million of the 2003 Unlimited Tax School Building and Refunding Bonds, \$47.4 million of the 2004 Unlimited Tax School Building Bonds and \$343.6 million 2004A Unlimited School Building and Refunding Bonds.

Additionally on October 25, 2012, the Board of Trustees also approved the issuance of the Dallas Independent School District Unlimited Tax Refunding Bonds, Taxable Series 2012A, in an aggregate principal amount not to exceed \$50 million. The proceeds from the issuance of these taxable bonds are expected to refund \$47.3 million 2004A Unlimited School Building and Refunding Bonds.

**Dallas Independent School District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual (Unaudited)**  
**General Fund**  
**June 30, 2012**

Exhibit G-1

Data Control Codes	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local sources	\$ 757,807,171	\$ 765,443,692	\$ 769,377,135	\$ 3,933,443
State sources	408,608,522	417,384,609	416,548,421	(836,188)
Federal sources	21,361,057	17,470,051	14,689,137	(2,780,914)
Total revenues	<u>1,187,776,750</u>	<u>1,200,298,352</u>	<u>1,200,614,693</u>	<u>316,341</u>
Expenditures:				
Current:				
11 Instruction	688,120,708	681,428,569	677,329,844	4,098,725
12 Instructional resources and media services	20,604,686	22,647,853	21,261,085	1,386,768
13 Curriculum and staff development	11,202,129	11,482,536	10,057,752	1,424,784
21 Instructional leadership	18,457,861	18,051,930	16,217,464	1,834,466
23 School leadership	74,173,428	74,338,535	72,084,039	2,254,496
31 Guidance, counseling, and evaluation services	42,461,536	43,705,479	41,952,183	1,753,296
32 Social work services	2,830,004	2,646,364	2,320,303	326,061
33 Health services	17,286,548	17,665,359	16,499,693	1,165,666
34 Student transportation	24,314,897	23,426,800	20,088,128	3,338,672
36 Cocurricular/extracurricular activities	20,033,076	20,945,929	19,196,576	1,749,353
41 General administration	39,448,877	39,292,137	35,359,973	3,932,164
51 Plant maintenance and operations	150,464,458	153,502,974	141,515,673	11,987,301
52 Security & monitoring services	17,797,016	17,346,365	15,225,174	2,121,191
53 Data processing services	32,761,925	36,465,008	31,301,917	5,163,091
61 Community services	988,072	1,217,545	941,914	275,631
71 Debt Service	5,478,952	6,278,952	5,982,979	295,973
95 Payments juvenile justice AE	400,000	400,000	302,328	97,672
97 Payments to tax increment fund	3,905,005	3,905,055	3,327,159	577,896
99 Other intergovernmental charges	3,738,645	3,738,645	3,738,645	-
Total expenditures	<u>1,174,467,823</u>	<u>1,178,486,035</u>	<u>1,134,702,829</u>	<u>43,783,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,308,927</u>	<u>21,812,317</u>	<u>65,911,864</u>	<u>44,099,547</u>
Other Financing Sources (Uses):				
Sale of real or personal property	-	-	619,400	619,400
Transfers out	-	-	(509,144)	(509,144)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>110,256</u>	<u>110,256</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 13,308,927</u>	<u>\$ 21,812,317</u>	<u>66,022,120</u>	<u>\$ 44,209,803</u>
Fund balance - beginning, as restated			135,098,259	
Fund balance - ending			<u>\$ 201,120,379</u>	

See notes to Required Supplementary Information.

**Dallas Independent School District**  
**Notes to the Required Supplementary Information (Unaudited)**  
**For the Fiscal Year Ended June 30, 2012**

The official budget was prepared for adoption for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. Project accounting is employed to maintain the integrity of the various sources of funds. There is no difference between GAAP and the budgetary basis of accounting. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. Before June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Before July 1, the Board legally enacts the budget through passage of a resolution.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made following the approval by the Board of Trustees, and are reflected in the official minutes.

The budget manager at the expenditure function/object level controls each budget. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are re-appropriated in the next year.

The Texas Education Agency ("TEA") requires the budgets for the governmental fund types to be filed with the TEA. The expenditure should not exceed the budget in any functional category under TEA requirements.

## Non-major Governmental Funds

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The non-major governmental funds, which are made up of Special Revenue Funds are used to account for funds that are legally restricted for specified purposes excluding capital projects.

**Federal Funds** – These funds are used to account for federally funded grants and programs.

**State Funds** – These funds are used to account for state funded grants and programs.

**Local Funds** – These funds are used to account for local grants, programs and donations from corporations, foundations and other local sources.

**Food Service Fund** – This fund is used to account for allowable expenditures, as determined under the National School Lunch Program, for the operation and improvement of the Child Nutrition Programs.

**Dallas Independent School District**  
**Combining Balance Sheets**  
**Nonmajor Funds**  
**June 30, 2012**

Exhibit H-1

		200-499			240	
		Special Revenue Funds				
Data Control Codes		Federal Funds	State Funds	Local Funds	Food Service Funds	Total Nonmajor Funds
<b>Assets:</b>						
1110-50	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 37,907	\$ 37,907
1260	Due from other funds	26,974,474	2,221,755	3,688,311	15,113,006	47,997,546
1290	Other receivables, net	112,550	-	7,168	26,871	146,589
1300	Inventories	-	-	-	3,743,344	3,743,344
	<b>Total assets</b>	<b>\$ 27,087,024</b>	<b>\$ 2,221,755</b>	<b>\$ 3,695,479</b>	<b>\$ 18,921,128</b>	<b>\$ 51,925,386</b>
<b>Liabilities and fund balances:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 9,171,994	\$ 135,433	\$ 30,380	\$ 1,037,095	\$ 10,374,902
2150	Payroll deductions & withholdings	1,748,506	39,246	49	144,588	1,932,389
2160	Accrued wages and benefits payable	14,025,269	511,795	614	1,052,029	15,589,707
2170	Due to other funds	144,318	5,374	6	11,255	160,953
2180	Payable to other governments	537,680	18,118	-	-	555,798
2200	Accrued liabilities	393,073	-	3,156	-	396,229
2300	Deferred/Unearned revenue	516,699	51,032	656,679	987,012	2,211,422
	<b>Total liabilities</b>	<b>26,537,539</b>	<b>760,998</b>	<b>690,884</b>	<b>3,231,979</b>	<b>31,221,400</b>
<b>Fund balances:</b>						
<b>Non-Spendable:</b>						
3410	Inventories	-	-	-	3,743,344	3,743,344
<b>Restricted:</b>						
3450	Grants and donations	549,485	1,460,757	3,004,595	-	5,014,837
3450	Food service	-	-	-	11,945,805	11,945,805
	<b>Total fund balances</b>	<b>549,485</b>	<b>1,460,757</b>	<b>3,004,595</b>	<b>15,689,149</b>	<b>20,703,986</b>
	<b>Total liabilities and fund balances</b>	<b>\$ 27,087,024</b>	<b>\$ 2,221,755</b>	<b>\$ 3,695,479</b>	<b>\$ 18,921,128</b>	<b>\$ 51,925,386</b>

**Dallas Independent School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Funds**  
**For the Year Ended June 30, 2012**

Exhibit H-2

Data Control Codes		Special Revenue				Total Nonmajor Funds
		Federal Funds	State Funds	Local Funds	Food Service Funds	
	Revenues:					
5700	Local and intermediate sources	\$ -	\$ -	\$ 2,225,130	\$ 6,391,706	\$ 8,616,836
5800	State program revenues	-	31,732,543	-	523,115	32,255,658
5900	Federal program revenues	143,671,847	-	-	77,583,230	221,255,077
	Total revenues	<u>143,671,847</u>	<u>31,732,543</u>	<u>2,225,130</u>	<u>84,498,051</u>	<u>262,127,571</u>
	Expenditures:					
	Current:					
11	Instruction	83,611,646	28,694,714	530,292	-	112,836,652
12	Instructional resources and media services	78,707	85,090	186,665	-	350,462
13	Curriculum and staff development	26,080,407	1,259,841	100,502	-	27,440,750
21	Instructional leadership	4,683,350	277,363	100,039	-	5,060,752
23	School leadership	1,758,233	672,233	58,209	-	2,488,675
31	Guidance, counseling, and evaluation services	11,087,556	173,012	48,440	-	11,309,008
32	Social work services	315,511	58,871	-	-	374,382
33	Health services	463,536	77,816	1,639	-	542,991
34	Student transportation	2,630,617	-	-	-	2,630,617
35	Food services	-	180,840	-	86,372,880	86,553,720
36	Cocurricular/extracurricular activities	9,268	-	150,103	-	159,371
41	General administration	4,128,260	249,221	172,869	-	4,550,350
51	Plant maintenance and operations	494,047	148,842	82,934	2,616,537	3,342,360
52	Security and monitoring services	3,223,692	99,994	2,229	-	3,325,915
53	Data processing services	322,898	124,323	426,337	-	873,558
61	Community services	5,015,148	488,151	491,214	-	5,994,513
	Total expenditures	<u>143,902,876</u>	<u>32,590,311</u>	<u>2,351,472</u>	<u>88,989,417</u>	<u>267,834,076</u>
	Net change in fund balances	(231,029)	(857,768)	(126,342)	(4,491,366)	(5,706,505)
	Fund balance, beginning	780,514	2,318,525	3,130,937	20,180,515	26,410,491
	Fund balances - ending	<u>\$ 549,485</u>	<u>\$ 1,460,757</u>	<u>\$ 3,004,595</u>	<u>\$ 15,689,149</u>	<u>\$ 20,703,986</u>

## Internal Service Funds

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The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis. The departments included within these funds are as follows:

**Graphics Shop** – This fund is used to account for printing services.

**Risk Management** – This fund is used to account for the costs associated with the workers' compensation self-funded program.

**Program Evaluation and Accountability** – This fund is used to account for the costs of program evaluations as required by grant awards.

**Dallas Independent School District**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2012**

Exhibit H-3

		752	753	773	
Data Control Codes		Graphics	Risk Management	Program Evaluation and Accountability	Total
<b>Assets</b>					
<b>Current Assets:</b>					
1260	Due from other funds	\$ 77,597	\$ 15,882,152	\$ 13,602	\$ 15,973,351
1290	Other receivables, net		40,000		40,000
	<b>Total current assets</b>	<b>77,597</b>	<b>15,922,152</b>	<b>13,602</b>	<b>16,013,351</b>
<b>Noncurrent Assets:</b>					
<b>Capital Assets</b>					
15XX	Furniture and Equipment, net	15,507	-	-	15,507
	<b>Total Noncurrent assets</b>	<b>15,507</b>	<b>-</b>	<b>-</b>	<b>15,507</b>
	<b>Total Assets</b>	<b>93,104</b>	<b>15,922,152</b>	<b>13,602</b>	<b>16,028,858</b>
<b>Liabilities and fund balances:</b>					
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
2110	Accounts payable	20,234	517,350	-	537,584
2120	Accrued liabilities-short-term	2,262	3,744,748	-	3,747,010
2150	Payroll deductions & withholdings	71	2	-	73
2160	Accrued wages and benefits payable	30,348	2,466	13,602	46,416
	<b>Total current liabilities</b>	<b>52,915</b>	<b>4,264,566</b>	<b>13,602</b>	<b>4,331,083</b>
<b>Long-term Liabilities:</b>					
2200	Accrued liabilities-long-term	-	7,830,479	-	7,830,479
	<b>Total Liabilities</b>	<b>52,915</b>	<b>12,095,045</b>	<b>13,602</b>	<b>12,161,562</b>
<b>Net Assets</b>					
3xxx	Invested in Capital Assets	15,507	-	-	15,507
3xxx	Unrestricted Net Assets	24,682	3,827,107	-	3,851,789
	<b>Total net assets</b>	<b>\$ 40,189</b>	<b>\$ 3,827,107</b>	<b>\$ -</b>	<b>\$ 3,867,296</b>



**Dallas Independent School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2012**

Exhibit H-4

Data Control Codes		752	753	773	
		Graphics	Risk Management	Program Evaluation and Accountability	Total
	Operating revenues:				
5754	Charges for services	\$ 1,274,791	\$ 10,177,211	\$ 816,745	\$ 12,268,747
5755	Other revenue	-	111,128	-	111,128
	Total operating revenues	<u>1,274,791</u>	<u>10,288,339</u>	<u>816,745</u>	<u>12,379,875</u>
	Operating expenses:				
6100	Personnel services	895,122	12,952,277	966,867	14,814,266
6200	Contractual services	350,294	763,202	-	1,113,496
6300	Supplies	381,058	25,655	2,451	409,164
6446	Depreciation expense	1,875	-	-	1,875
6400	Other operating expenses	16	76,237	3,659	79,912
	Total operating expenses	<u>1,628,365</u>	<u>13,817,371</u>	<u>972,977</u>	<u>16,418,713</u>
	Operating loss	<u>(353,574)</u>	<u>(3,529,032)</u>	<u>(156,232)</u>	<u>(4,038,838)</u>
	Nonoperating revenues:				
	Transfers in	<u>353,574</u>		<u>155,570</u>	<u>509,144</u>
	Change in net assets	-	(3,529,032)	(662)	(3,529,694)
	Total net assets-beginning	<u>40,189</u>	<u>7,356,139</u>	<u>662</u>	<u>7,396,990</u>
	Total net assets-ending	<u>\$ 40,189</u>	<u>\$ 3,827,107</u>	<u>\$ -</u>	<u>\$ 3,867,296</u>

**Dallas Independent School District  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2012**

Exhibit H-5

	752	753	773	
	Graphics	Risk Management	Program Evaluation and Accountability	Total
Cash flows from operating activities:				
Cash received from user charges	\$ 1,379,869	\$ 11,471,761	\$ 829,092	\$ 13,680,722
Cash received for misc. activities		111,128		111,128
Cash payments for payroll costs	(922,480)	(448,453)	(975,069)	(2,346,002)
Cash payments for insurance claims		(9,917,385)		(9,917,385)
Cash payments for suppliers	(810,963)	(1,217,051)	(9,593)	(2,037,607)
Net cash used for operating activities	<u>(353,574)</u>	<u>-</u>	<u>(155,570)</u>	<u>(509,144)</u>
Cash flows from non-capital financing activities:				
Transfers in	353,574	-	155,570	509,144
Net cash provided by non-capital financing activities	<u>353,574</u>	<u>-</u>	<u>155,570</u>	<u>509,144</u>
Net (decrease) in cash and cash equivalents	-	-	-	-
Cash and cash equivalents — beginning of year	-	-	-	-
Cash and cash equivalents — end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>				
Operating loss	\$ (353,574)	\$ (3,529,032)	\$ (156,232)	\$ (4,038,838)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,875			1,875
(Increase) decrease in due from other funds	105,078	1,294,548	12,349	1,411,975
Increase (decrease) in accounts payable	(23,257)	(410,705)	(1,073)	(435,035)
Increase (decrease) in payroll deductions & withholdings	(349)	(203)	(141)	(693)
Increase (decrease) in accrued wages payable	(27,009)	(8,135)	(8,061)	(43,205)
Increase (decrease) in accrued expenses	(56,338)	2,653,527	(2,412)	2,594,777
Net cash used for operating activities	<u>\$ (353,574)</u>	<u>\$ -</u>	<u>\$ (155,570)</u>	<u>\$ (509,144)</u>

## Agency Funds

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Agency funds are established to account for assets received and held by the District in the capacity of trustee, agent, or custodian. Expenditures are made only in accordance with the purpose for which assets are received.

**The Student Clubs and Agency Fund** – This fund accounts for the receipt and disbursement of monies from student activity organizations.

**Dallas Independent School District  
Statement of Changes in Fiduciary Assets and Liabilities  
For the Year Ended June 30, 2012**

Exhibit H-6

		Agency Fund			
		10	5020	6030	11
Data Control Codes		Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
	Assets:				
1110-50	Cash and cash equivalents	\$ 3,724,890	\$ 12,072,878	\$ 12,108,332	\$ 3,689,436
	Total assets	<u>\$ 3,724,890</u>	<u>\$ 12,072,878</u>	<u>\$ 12,108,332</u>	<u>\$ 3,689,436</u>
	Liabilities and fund balances:				
	Liabilities:				
2110	Accounts payable	\$ 16,073	\$ 4,807,386	\$ 4,814,481	\$ 8,978
2170	Due to other funds	502,837	4,617,259	4,602,340	517,756
2190	Due to Student Groups	3,205,373	7,374,926	7,419,941	3,160,358
2200	Accrued liabilities	607	15,862	14,125	2,344
	Total liabilities	<u>\$ 3,724,890</u>	<u>\$ 16,815,433</u>	<u>\$ 16,850,887</u>	<u>\$ 3,689,436</u>

**Dallas Independent School District  
Schedule of Delinquent Taxes Receivable (Unaudited)  
For the Year Ended June 30, 2012**

	1	2	3	10
	Tax Rates			
Fiscal year (1)	Maintenance	Debt Service	Net Assessed/ Appraised Value for School Tax Purposes	Beginning Balance
2003 and prior years	Various	Various	\$ 58,297,372,597	\$ 14,689,477
2004	1.50000	0.13950	57,782,665,261	3,052,808
2005	1.50000	0.16694	58,901,034,539	3,328,900
2006	1.50000	0.18836	61,862,752,956	3,658,024
2007	1.33005	0.17259	68,640,586,165	6,130,982
2008	1.04005	0.15959	76,757,349,728	6,034,471
2009	1.04005	0.14335	82,176,569,792	8,605,650
2010	1.04005	0.23129	79,628,192,590	12,334,940
2011	1.04005	0.19776	75,985,949,045	22,350,564
2012	1.04005	0.25030	74,661,069,947	
Wilmer Hutchins (2)				1,641,656
1000 Totals				<u>\$ 81,827,472</u>

9000 - Portion of Row 1000 for taxes paid into Tax  
Increment Zone Under Chapter 311, Tax Code

- (1) The District changed the fiscal year end for the fiscal year ending June 30, 2003.  
2003 reflects 10 months activity. All other years reflect 12 months of activity.  
(2) Wilmer Hutchins ISD was annexed by the District effective July 1, 2007.

**Dallas Independent School District  
Schedule of Delinquent Taxes Receivable (Unaudited)  
For the Year Ended June 30, 2012**

Exhibit J-1

20	31	32	40	50
<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance</u>
\$ -	\$ 257,372	\$ 17,153	\$ (1,965,600)	\$ 12,449,352
	103,416	9,617	(516,164)	2,423,611
	185,293	20,925	(352,043)	2,770,639
	273,263	34,314	(300,996)	3,049,451
	466,119	60,485	(1,817,684)	3,786,694
	665,124	102,062	(1,402,717)	3,864,568
	1,290,271	177,841	(187,710)	6,949,828
	2,446,917	544,162	(468,105)	8,875,756
	5,833,384	1,109,193	(5,076,679)	10,331,308
936,131,014	737,817,839	177,562,229	(1,620,377)	19,130,569
	44,279		(58,575)	1,538,802
<u>\$ 936,131,014</u>	<u>\$ 749,383,277</u>	<u>\$ 179,637,981</u>	<u>\$ (13,766,650)</u>	<u>\$ 75,170,578</u>

\$ 3,327,159

**Dallas Independent School District**  
**Schedule of Expenditures for Computation of Indirect Cost (Unaudited)**  
**For the Year Ended June 30, 2012**

Exhibit J-2

Function 41 and Related Function 53- General and Administration

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Superintendent's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other)	7 Total
611X-6146	Payroll costs	\$ 330,798	\$ -	\$ 131,935	\$ 13,997,098	\$ 1,128,738	\$ 3,738,087	\$ 19,326,656
6149	Fringe benefits (used leave for separating employees in function 41 and Related 53)							-
6149	Fringe benefits (used leave for separating employees in all functions except function 41 and related 53)							-
6211	Legal services	5,111,008						5,111,008
6212	Audit services				965,582			965,582
6213	Tax appraisal and collection		460,027					460,027
621X	Other professional services							-
6220	Tuition and transfer payments						1,194	1,194
6230	Education Service Center Services				834,890			834,890
6240	Construction, maintenance and repair					230,059	761	230,820
6250	Utilities					150		150
6260	Rentals	9,160		11,465	177,546	48,727	48,072	294,970
6290	Miscellaneous contributions	173,549		81,379	8,032,913	2,454	1,780,691	10,070,986
6310	Supplies and materials				6,435			6,435
6320	Textbooks and reading materials	10,630			15,325		265	26,220
63XX	Other supplies materials	24,246		6,264	581,535		356,567	968,612
6410	Travel, subsistence and stipends	63,979		13,580	96,023		37,312	210,894
6420	Insurance				21,637			21,637
6430	Election costs	809,448						809,448
6490	Miscellaneous operating	135,372		12,907	397,867	-	10,872	557,018
6600	Capital outlay						13,776	13,776
6000	Total	\$ 6,668,190	\$ 460,027	\$ 257,530	\$ 25,126,851	\$ 1,410,128	\$ 5,987,597	\$ 39,910,323

Total expenditures for General and Special Revenue Funds

\$ 1,402,536,905

Less: Deductions of unallowable costs:

Total capital outlay (6600)(only funds 100-199/200-499/810-879)

10 12,031,909

Total debt and lease (6500)(only funds 100-199/200-499/810-879)

11 5,982,979

Plant maintenance (function 51, 6100-6400)

12 142,714,579

Food (function 35, 6341)

13 36,211,911

196,941,378

Net allowed direct cost

1,205,595,527

Total cost of buildings before depreciation (1520)

15 2,846,510,799

Historical cost of buildings over 50 years old

16 399,321,484

Amount of Federal money in building cost (net of above)

17 36,386

Total cost of furniture & equipment before depreciation (1530&1540)

18 218,489,085

Historical cost of furniture & equipment over 16 years old

19 8,039,922

Amount of Federal money in furniture & equipment (net of above)

20 \$ 29,685,881

(8) Note A - -0- in function 53 expenditures are included in this report on administrative costs.

**Dallas Independent School District**  
**Budgetary Comparison Schedule - Nonmajor Fund**  
**Food Service Fund (Budgetary Basis) (Unaudited)**  
**For the Year Ended June 30, 2012**

Exhibit J-3

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original Budget	Final Budget	Actual	
	Revenues:				
5700	Local and intermediate sources	\$ 6,675,823	\$ 6,675,823	\$ 6,391,706	\$ (284,117)
5800	State program revenues	565,000	565,000	523,115	(41,885)
5900	Federal program revenues	75,146,513	75,146,513	77,583,230	2,436,717
	Total revenues	<u>82,387,336</u>	<u>82,387,336</u>	<u>84,498,051</u>	<u>2,110,715</u>
	Expenditures:				
35	Food service	79,653,336	86,653,336	86,372,880	280,456
41	General Administration	65,000	65,000	-	65,000
51	Plant maintenance and operations	2,669,000	2,669,000	2,616,537	52,463
	Total expenditures	<u>\$ 82,387,336</u>	<u>\$ 89,387,336</u>	<u>88,989,417</u>	<u>\$ 397,919</u>
	Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ (7,000,000)</u>	<u>(4,491,366)</u>	<u>\$ 2,508,634</u>
	Fund balance - beginning			20,180,515	
	Fund balance - ending			<u><u>\$ 15,689,149</u></u>	



**Dallas Independent School District  
Budgetary Comparison Schedule  
Debt Service Fund (Budgetary Basis) (Unaudited)  
For the Year Ended June 30, 2012**

Exhibit J-4

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original Budget	Final Budget	Actual	
	Revenues:				
5700	Local and intermediate sources	\$ 204,371,313	\$ 179,886,970	\$ 180,805,798	\$ 918,828
5900	5900 Federal program revenues	-	24,484,343	20,319,751	(4,164,592)
7900	Other Financing Sources	-	2,264,255	227,791,060	225,526,805
	Total revenues	<u>204,371,313</u>	<u>206,635,568</u>	<u>428,916,609</u>	<u>222,281,041</u>
	Expenditures:				
71	Principal and interest on long-term debt	204,371,313	202,107,058	202,085,482	21,576
8900	Other Financing Uses	-	-	226,330,345	(226,330,345)
	Total expenditures	<u>\$ 204,371,313</u>	<u>\$ 202,107,058</u>	<u>428,415,827</u>	<u>\$ (226,308,769)</u>
	Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 4,528,510</u>	500,782	<u>\$ (4,027,728)</u>
	Fund balance - beginning			112,010,068	
	Fund balance - ending			<u>\$ 112,510,850</u>	

**STATISTICAL SECTION**

**TAB**

# DALLAS INDEPENDENT SCHOOL DISTRICT

## INDEX FOR STATISTICAL SECTION

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This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the Dallas Independent School District's overall financial health.

Contents	Table	Page
<b>Financial Trends Information</b>		
These schedules contain trend information intended to help the reader understand how the District's financial position has changed over time.	S1 - S4	73-80
<b>Revenue Capacity Information</b>		
These schedules contain information intended to help the reader assess the District's most significant revenue source, state tax collections.	S5 -S9	81-86
<b>Debt Capacity Information</b>		
These schedules contain information intended to assist users in understanding and assessing the District's current levels of outstanding debt and the ability to issue additional debt.	S10 - S13	87-92
<b>Demographic and Economic Information</b>		
These schedules provide demographic and economic indicators intended to help the reader understand the socioeconomic environment within which the District's financial activities take place.	S14 - S16	93-96
<b>Operating Information</b>		
These schedules provide contextual information about the District's operations and resources intended to assist readers in using financial statement information to understand and assess the District's economic condition.	S17 - S19	97-99

# Dallas Independent School District

## GOVERNMENT-WIDE CHANGES IN NET ASSETS LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities:					
Instruction	\$ 717,479,558	\$ 734,514,593	\$ 747,224,509	\$ 769,680,052	\$ 842,211,888
Instructional Resources and Media Services	18,836,667	19,981,062	21,061,655	21,370,429	28,009,317
Curriculum and Staff Development	31,303,411	34,086,359	35,649,248	41,281,393	43,644,222
Instructional Leadership	20,612,925	23,691,584	24,202,091	21,056,447	23,917,179
School Administration	61,082,797	71,056,165	75,549,944	77,479,246	81,421,654
Guidance and Counseling Services	41,007,861	47,597,254	50,925,260	53,820,287	54,186,061
Social Work Services	2,176,802	2,645,235	2,608,185	2,411,111	2,254,864
Health Services	11,029,193	12,878,668	14,258,749	14,294,361	15,916,986
Pupil Transportation	18,444,181	14,622,840	11,487,837	18,362,393	18,480,368
Food Services	53,559,421	59,503,710	57,362,310	58,421,135	69,187,401
Cocurricular Activities	9,489,533	11,067,978	10,256,766	11,310,793	11,723,203
General Administration	37,633,240	33,374,643	30,848,032	30,353,806	36,497,765
Plant Maintenance and Operation	104,300,326	128,973,176	142,252,813	157,373,172	161,001,052
Security and Monitoring Services	8,744,934	13,768,123	16,268,821	17,926,967	17,472,481
Data Processing Services	25,808,191	20,910,929	20,460,843	16,618,677	22,551,939
Community Services	19,566,322	24,132,230	26,647,200	25,886,918	23,868,348
Interest on long-term debt	34,705,368	39,848,218	43,497,537	61,607,998	76,165,858
Facilities acquisition/construction	11,105,668	24,349,526	45,684,074	33,271,944	10,159,043
Chapter 41 payments	-	-	-	-	-
Intergovernmental charges	365,024	624,298	765,000	647,509	629,987
Payments to TIF	4,551,449	4,621,391	2,185,650	1,873,098	2,954,107
Other intergovernmental charges	-	-	-	-	-
<b>Total primary government program expenses</b>	<b>1,231,802,871</b>	<b>1,322,247,982</b>	<b>1,379,196,524</b>	<b>1,435,047,736</b>	<b>1,542,253,723</b>
<b>Program Revenues</b>					
Governmental activities:					
Charges for Service:					
Instruction	705,026	1,352,081	1,070,947	803,448	231,002
Food Services	5,653,162	5,715,748	6,851,514	7,130,046	7,676,736
Cocurricular/Extracurricular Activities	706,858	712,225	796,511	812,253	787,321
Plant Maintenance and Operations	401,842	387,242	565,853	638,379	792,687
Operating Grants and Contributions	203,775,324	235,315,383	235,461,335	258,295,530	258,011,697
<b>Total Primary Government Program Revenues</b>	<b>211,242,212</b>	<b>243,482,679</b>	<b>244,746,160</b>	<b>267,679,656</b>	<b>267,499,443</b>
<b>Net (Expense)/Revenue</b>					
<b>Total primary government expenses</b>	<b>(1,020,560,659)</b>	<b>(1,078,765,303)</b>	<b>(1,134,450,364)</b>	<b>(1,167,368,080)</b>	<b>(1,274,754,280)</b>
<b>General Revenues</b>					
Governmental Activities					
Taxes					
Property taxes levied for general purposes	849,858,791	829,003,189	855,833,262	901,474,792	884,553,125
Property taxes levied for debt services	64,221,808	77,173,360	95,881,230	112,846,459	114,419,519
State Aid Formula Grants	150,640,924	162,295,685	168,588,692	167,540,662	264,854,432
Grants and Contributions	-	3,220,045	1,189,564	4,621,359	5,457,848
Investment earnings	12,341,249	15,389,491	18,709,381	24,658,069	25,200,633
Gain (loss) on Sale of Equipment	-	(671,773)	-	-	-
Miscellaneous	10,703	4,156,673	24,995,782	54,259,092	9,482,500
<b>Total primary government</b>	<b>1,077,073,475</b>	<b>1,090,566,670</b>	<b>1,165,197,911</b>	<b>1,265,400,433</b>	<b>1,303,968,057</b>
<b>Change in Net Assets</b>					
<b>Total primary government</b>	<b>\$ 56,512,816</b>	<b>\$ 11,801,367</b>	<b>\$ 30,747,547</b>	<b>\$ 98,032,353</b>	<b>\$ 29,213,777</b>

Source: The Statement of Activities for the Dallas Independent School District

# Dallas Independent School District

S-1

2008	2009	2010	2011	2012
\$ 947,516,694	\$ 929,388,824	\$ 914,472,120	\$ 918,670,306	\$ 842,891,794
25,681,473	24,826,612	23,935,081	24,732,131	22,736,721
44,295,242	37,138,971	44,632,038	45,017,015	38,062,123
24,228,778	23,795,617	24,822,153	28,885,789	21,705,813
86,231,024	84,301,765	79,490,680	84,065,159	79,358,915
59,463,862	60,939,150	59,630,524	63,488,723	54,901,981
1,479,906	1,926,948	2,299,973	2,844,122	2,745,665
19,176,368	16,722,030	17,363,982	18,252,622	17,813,557
19,367,604	27,209,587	22,027,097	24,350,694	22,738,339
73,587,637	72,934,030	75,750,540	84,684,667	90,910,150
12,614,693	11,895,625	16,439,635	20,002,925	21,786,201
44,792,325	42,583,250	52,742,750	53,147,300	40,363,776
168,887,599	152,910,877	154,143,299	155,963,647	148,301,564
17,843,175	16,825,756	20,346,170	21,348,002	18,912,935
23,343,511	20,235,055	29,336,406	40,833,190	41,579,518
18,747,992	16,882,388	13,559,717	8,833,215	7,341,491
68,332,722	80,960,896	85,075,051	112,597,583	136,081,451
4,859,998	220,411	1,057,517	231,271	2,242,121
-	13,675,440	-	-	-
634,959	730,787	700,744	709,194	302,328
4,355,716	5,337,315	4,029,110	3,610,740	3,327,159
-	4,036,656	3,760,526	3,916,117	3,738,645
<u>1,665,441,278</u>	<u>1,645,477,990</u>	<u>1,645,615,113</u>	<u>1,716,184,412</u>	<u>1,617,842,247</u>
271,726	268,842	277,928	272,629	2,870
7,737,771	7,957,319	7,150,852	6,321,941	6,391,706
765,089	719,035	674,914	676,784	727,573
1,046,092	1,164,667	1,168,255	1,279,344	1,297,529
266,954,979	280,834,205	351,454,735	364,591,060	256,242,350
<u>276,775,657</u>	<u>290,944,068</u>	<u>360,726,684</u>	<u>373,141,758</u>	<u>264,662,028</u>
<u>(1,388,665,621)</u>	<u>(1,354,533,922)</u>	<u>(1,284,888,429)</u>	<u>(1,343,042,654)</u>	<u>(1,353,180,219)</u>
769,724,223	815,695,229	779,573,697	753,628,541	752,839,796
117,985,197	111,843,729	174,821,183	143,306,604	180,706,403
424,377,425	392,602,696	391,146,276	417,317,962	416,548,421
11,738,655	20,359,723	40,952,513	35,162,278	56,229,252
16,470,476	8,844,949	3,079,368	3,125,832	3,995,586
-	(8,731,415)	(276,118)	-	549,733
-	(1,313,479)	(124,796)	636,479	3,845,898
<u>1,340,295,976</u>	<u>1,339,301,432</u>	<u>1,389,172,123</u>	<u>1,353,177,696</u>	<u>1,414,715,089</u>
<u>\$ (48,369,645)</u>	<u>\$ (15,232,490)</u>	<u>\$ 104,283,694</u>	<u>\$ 10,135,042</u>	<u>\$ 61,534,870</u>

## Dallas Independent School District

### GOVERNMENT-WIDE NET ASSETS BY COMPONENT LAST TEN FISCAL YEARS (UNAUDITED)

<b>Fiscal Year Ended June 30:</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 20,489,231	\$ 31,083,362	\$ 198,781,406	\$ 231,121,354	\$ 255,968,628
Restricted	93,601,174	49,847,046	55,051,251	82,149,491	81,405,397
Unrestricted	120,682,200	165,643,564	23,488,862	62,083,028	159,234,239
<b>Total Governmental Activities Net Assets</b>	<b>\$ 234,772,605</b>	<b>\$ 246,573,972</b>	<b>\$ 277,321,519</b>	<b>\$ 375,353,873</b>	<b>\$ 496,608,264</b>

Source: The Statement of Net Assets for the Dallas Independent School District

## Dallas Independent School District

S-2

2008	2009	2010	2011	2012
\$ 278,483,300	\$ 270,352,975	\$ 309,032,133	\$ 301,973,476	\$ 285,655,589
68,587,086	57,251,335	66,830,947	66,518,906	75,926,853
101,168,232	105,401,818	161,426,742	178,932,482	247,377,292
<u>\$ 448,238,618</u>	<u>\$ 433,006,128</u>	<u>\$ 537,289,822</u>	<u>\$ 547,424,864</u>	<u>\$ 608,959,734</u>

# Dallas Independent School District

## ALL GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	2003	2004	2005	2006	2007
<b>Revenues</b>					
Local Sources:					
Property Taxes	\$ 863,504,555	\$ 909,763,717	\$ 949,972,625	\$ 1,014,321,251	\$ 998,972,644
Interest	12,341,249	15,389,491	18,709,381	24,658,070	25,753,425
Other	32,928,785	24,629,683	67,285,140	83,146,373	36,729,979
State Sources	208,900,304	199,905,500	199,940,245	198,907,111	302,445,507
Federal Sources	152,269,706	188,619,899	188,838,330	215,068,567	217,970,674
<b>Total Revenue</b>	<u>1,269,944,599</u>	<u>1,338,308,290</u>	<u>1,424,745,721</u>	<u>1,536,101,372</u>	<u>1,581,872,229</u>
<b>Expenditures</b>					
Instruction	699,188,897	728,518,271	732,858,728	745,816,430	809,718,706
Instructional Resources and Media Services	18,845,055	19,842,246	20,784,328	20,775,981	26,264,447
Curriculum and Staff Development	30,498,743	33,845,064	35,305,725	40,663,324	43,525,537
Instructional Leadership	20,099,051	23,501,712	23,795,075	20,484,892	23,915,760
School leadership	59,489,049	70,447,035	73,981,938	74,888,612	80,169,922
Guidance, Counseling, and Evaluation Services	39,944,825	47,218,784	49,995,687	52,218,032	54,183,245
Social Work Services	2,119,985	2,622,549	2,555,637	2,331,507	2,254,260
Health Services	10,741,358	12,768,289	13,973,821	13,818,045	15,763,565
Student Transportation	17,396,450	14,585,426	11,080,741	17,927,519	18,430,883
Food Services	53,325,715	61,650,740	58,091,038	59,763,264	64,984,662
Co-Curricular/Extra-Curricular Activities	9,601,887	10,973,098	10,305,213	11,305,025	10,319,123
General Administration	36,913,775	33,157,778	30,649,941	29,990,990	36,440,097
Plant Maintenance and Operations	102,242,690	127,717,344	140,891,459	154,572,830	158,817,740
Security and Monitoring Services	8,476,879	14,169,748	16,048,009	17,985,927	18,857,708
Data Processing Services	26,782,708	22,719,642	22,624,639	17,671,353	20,337,416
Community Services	19,179,951	23,929,987	26,232,113	25,219,969	23,882,683
Debt Service					
Principal	10,496,302	51,385,339	44,762,845	56,310,700	47,995,933
Interest	25,419,256	35,744,687	53,928,852	62,872,249	72,978,302
Facilities Acquisition & Construction	19,423,408	195,484,571	513,844,636	446,549,523	179,348,546
Intergovernmental Charges	4,916,473	5,245,689	2,950,650	2,520,607	3,584,094
<b>Total expenditures</b>	<u>1,215,102,457</u>	<u>1,535,527,999</u>	<u>1,884,661,075</u>	<u>1,873,686,779</u>	<u>1,711,772,629</u>
<b>Other Financing Sources (uses)</b>					
Proceeds from Bonds	53,170,000	300,000,000	387,300,000	290,205,000	-
Proceeds from Refunding Bonds	104,615,000	-	12,700,000	44,135,000	-
Transfers In /Out	-	-	-	-	-
Premium on Bonds	10,098,277	12,332,273	18,425,526	13,738,511	-
Sale of Real & Personal Property	-	-	-	-	-
Loan Proceeds	-	-	-	-	-
Legal Settlements	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	(111,157,389)	-	(12,965,041)	(47,949,020)	-
<b>Total other financing sources (uses)</b>	<u>56,725,888</u>	<u>312,332,273</u>	<u>405,460,485</u>	<u>300,129,491</u>	<u>-</u>
Prior Period Adjustment	-	-	-	-	(31,293,214)
<b>Net changes in fund balances</b>	<u>\$ 111,568,030</u>	<u>\$ 115,112,564</u>	<u>\$ (54,454,869)</u>	<u>\$ (37,455,916)</u>	<u>\$ (161,193,614)</u>
Debt service as a percentage of noncapital expenditures (1)	2.99%	6.42%	6.99%	8.19%	7.89%

Source: The Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds for the Dallas Independent School District

(1) In calculating the ratio of total debt service expenditures to noncapital expenditures, governmental fund expenditures for the facilities acquisition and construction of assets that are classified as capital assets for reporting in the government-wide financial statements are subtracted from the total governmental fund expenditures (Exhibit C-3).



# Dallas Independent School District

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2008	2009	2010	2011	2012
\$ 887,709,420	\$ 916,363,076	\$ 970,051,877	\$ 909,373,008	\$ 935,396,723
17,035,873	8,844,951	3,079,367	3,125,832	3,995,586
23,490,585	25,144,485	43,114,429	24,982,675	23,244,360
467,141,793	437,511,002	423,877,886	446,899,911	448,804,079
219,830,921	233,286,410	325,196,043	358,718,768	256,263,965
<u>1,615,208,592</u>	<u>1,621,149,924</u>	<u>1,765,319,602</u>	<u>1,743,100,194</u>	<u>1,667,704,713</u>
908,920,219	896,214,975	881,629,395	881,493,362	790,166,496
23,656,319	23,108,097	23,268,657	23,922,133	21,611,547
44,316,564	37,374,301	44,614,128	45,312,833	37,498,502
24,258,649	24,061,737	24,692,621	28,781,240	21,278,216
84,824,718	83,140,482	76,645,839	80,601,956	74,572,714
59,382,793	59,918,862	58,624,587	62,515,390	53,261,191
1,481,390	1,948,498	2,287,349	2,833,886	2,694,685
19,027,335	16,776,445	16,934,542	17,716,810	17,042,684
18,941,778	27,504,105	22,023,914	24,352,369	22,718,745
69,550,687	70,265,117	72,319,312	82,325,328	86,553,720
11,045,708	10,061,404	15,277,626	18,268,645	19,355,947
45,425,492	41,665,642	52,392,310	52,663,314	39,910,323
164,580,285	152,655,240	149,763,876	151,471,848	144,858,033
18,830,513	16,581,630	20,246,825	21,161,663	18,551,089
26,231,463	26,898,652	27,522,856	39,253,756	32,175,475
18,821,066	17,095,424	13,323,523	8,553,002	6,936,427
52,798,930	46,323,865	86,692,253	39,936,273	54,351,003
72,344,574	75,235,694	94,701,833	98,944,160	153,717,458
105,248,542	25,670,160	138,711,972	420,924,235	374,511,644
4,990,675	23,780,198	8,490,380	8,236,051	7,368,132
<u>1,774,677,700</u>	<u>1,676,280,528</u>	<u>1,830,163,798</u>	<u>2,109,268,254</u>	<u>1,979,134,031</u>
-	413,325,000	-	1,177,110,000	-
-	-	100,760,000	-	227,791,060
-	-	(862,881)	(126,134)	(509,141)
-	10,827,157	5,397,999	46,505,823	-
-	622,649	28,704	636,479	619,397
-	3,611,421	-	-	-
-	(1,936,127)	(153,500)	-	-
-	-	(107,896,372)	(259,446,830)	(226,330,345)
-	<u>426,450,100</u>	<u>(2,726,050)</u>	<u>964,679,338</u>	<u>1,570,971</u>
-	-	-	-	-
<u>\$ (159,469,108)</u>	<u>\$ 371,319,496</u>	<u>\$ (67,570,246)</u>	<u>\$ 598,511,278</u>	<u>\$ (309,858,347)</u>
7.55%	7.44%	10.80%	8.31%	13.04%

# Dallas Independent School District

## ALL GOVERNMENTAL FUNDS FUND BALANCES LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	2003	2004	2005	2006	2007
<b>General Fund:</b>					
Reserved	\$ 17,902,046	\$ 13,870,965	\$ 17,909,710	\$ 19,618,139	\$ 14,373,736
Unreserved	108,280,351	101,916,681	84,151,575	116,226,031	105,750,898
<b>Total General Fund</b>	<u>126,182,397</u>	<u>115,787,646</u>	<u>102,061,285</u>	<u>135,844,170</u>	<u>120,124,634</u>
<b>All Other Governmental Funds:</b>					
Reserved:					
Debt Service	\$ 60,482,695	\$ 62,081,501	\$ 72,294,545	\$ 79,152,730	\$ 78,991,204
Capital Projects	355,139,475	482,158,017	430,026,901	347,460,454	199,888,096
Food Service	10,578,224	5,072,924	6,688,940	11,305,616	12,244,325
Other	3,666,402	3,167,301	2,711,805	2,912,145	3,785,498
Unreserved, reported in:	-	-	-	-	-
Non-major funds	2,701,763	5,596,131	5,625,175	5,277,621	5,725,365
Capital projects funds	-	-	-	-	-
Debt service fund	-	-	-	-	-
<b>Total All Governmental Funds</b>	<u>\$ 558,750,956</u>	<u>\$ 673,863,520</u>	<u>\$ 619,408,651</u>	<u>\$ 581,952,736</u>	<u>\$ 420,759,122</u>

Fund Balance Categories as Required by GASB Statement No. 54

	2011	2012
<b>General Fund:</b>		
Non-Spendable	\$ 6,757,739	\$ 6,219,819
Assigned	6,633,164	7,197,978
Unassigned	121,707,356	187,702,582
<b>Total General Fund</b>	<u>135,098,259</u>	<u>201,120,379</u>
<b>Non-spendable:</b>		
Capital Projects	34,056	-
Non-major	2,146,651	3,743,344
<b>Restricted:</b>		
Debt Service	100,210,068	112,510,850
Capital Projects	889,997,668	519,356,980
Food Service	18,044,165	11,945,805
Grants and Donations	6,219,675	5,014,837
Assigned - Debt Service	11,800,000	-
<b>Total All Governmental Funds</b>	<u>\$ 1,163,550,542</u>	<u>\$ 853,692,195</u>

Source: The Balance Sheet of Governmental Funds for the Dallas Independent School District

# Dallas Independent School District

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2008	2009	2010
\$ 16,588,957	\$ 8,392,093	\$ 17,987,491
43,623,687	29,275,989	82,111,760
<u>60,212,644</u>	<u>37,668,082</u>	<u>100,099,251</u>
\$ 76,896,518	\$ 76,288,266	\$ 74,280,273
101,736,405	491,011,154	356,643,856
13,394,122	17,287,051	23,439,317
2,291,299	2,479,394	1,670,892
-	-	-
6,759,026	7,875,563	8,905,675
-	-	-
-	-	-
<u>\$ 261,290,014</u>	<u>\$ 632,609,510</u>	<u>\$ 565,039,264</u>

# Dallas Independent School District

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## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (UNAUDITED)

Tax Levy Year	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent years and cumulative adjustments (3)	Total Collections to Date	
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 891,957,975	\$ 856,131,078	96.0%	\$ 9,731,132	\$ 865,862,210	97.1%
2003	913,002,082	881,424,143	96.5%	7,907,858	889,332,001	97.4%
2004	947,689,831	915,013,479	96.6%	16,251,900	931,265,379	98.3%
2005	1,016,398,514	981,765,629	96.6%	9,024,951	990,790,580	97.5%
2006	997,819,375	967,686,598	97.0%	12,603,393	980,289,991	98.2%
2007	883,009,750	857,460,126	97.1%	10,022,389	867,482,515	98.2%
2008	936,822,412	902,680,977	96.4%	(5,819,413)	896,861,564	95.7%
2009	973,456,881	944,623,970	97.0%	(21,670,374)	922,953,596	94.8%
2010	906,603,690	884,253,126	97.5%	3,936,680	888,189,806	98.0%
2011	934,510,637	915,380,068	98.0%	1,494,917	916,874,985	98.1%

- (1) Current year total levy plus current year adjustments.  
(2) Current year maintenance and debt service collections.  
(3) Delinquent collections plus delinquent adjustments.

Source: Schedule of Delinquent Taxes Receivable (Exhibit J-1)

## Dallas Independent School District

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### SCHEDULE OF TAX RATE DISTRIBUTION PER \$100 VALUATION LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	Maintenance	Debt Service	Total
2003	\$ 1.47803	\$ 0.10950	\$ 1.58753
2004	1.50000	0.13950	1.63950
2005	1.50000	0.16694	1.66694
2006	1.50000	0.18836	1.68836
2007	1.33005	0.17259	1.50264
2008	1.04005	0.15959	1.19964
2009	1.04005	0.14335	1.18340
2010	1.04005	0.23129	1.27134
2011	1.04005	0.19776	1.23781
2012	1.04005	0.25030	1.29035

Source: Schedule of Delinquent Taxes Receivable (Exhibit J-1)

# Dallas Independent School District

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## ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	Real Property		Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential	Commercial Property			
2003	\$ 21,319,305,143	\$ 24,597,597,233	\$ 12,380,470,221	\$ 58,297,372,597	\$ 1.58753
2004	22,946,647,615	23,428,849,171	11,407,168,475	57,782,665,261	1.63950
2005	24,952,604,886	23,158,791,676	10,789,637,977	58,901,034,539	1.66694
2006	27,054,587,102	24,137,546,380	10,670,619,474	61,862,752,956	1.68836
2007	29,853,971,879	27,557,816,999	11,228,797,287	68,640,586,165	1.50264
2008	32,790,675,633	32,307,944,667	11,658,729,428	76,757,349,728	1.19964
2009	35,258,395,611	34,604,451,630	12,313,722,551	82,176,569,792	1.18340
2010	35,188,256,719	32,048,564,901	12,391,370,970	79,628,192,590	1.27134
2011	34,456,380,302	29,760,504,666	11,769,064,077	75,985,949,045	1.23781
2012	33,665,394,542	29,156,983,644	11,838,691,761	74,661,069,947	1.29035

Source: Dallas Central Appraisal District and Dallas ISD records



**Dallas Independent School District**  
**"Educating all students for success"**

# Dallas Independent School District

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	Town of Addison	City of Balch Springs	City of Carrollton	City of Cockrell Hill	City of Dallas	City of DeSoto	City of Duncanville	City of Farmers Branch	City of Garland	City of Glenn Heights
2003	\$ 0.39990	\$ 0.61700	\$ 0.59930	\$ 0.74036	\$ 0.69980	\$ 0.65921	\$ 0.71800	\$ 0.44000	\$ 0.64110	\$ 0.70990
2004	0.42280	0.54000	0.59930	0.77349	0.69980	0.65879	0.71800	0.46000	0.64110	0.69576
2005	0.47600	0.52547	0.59930	0.73379	0.71970	0.66689	0.71800	0.49450	0.64110	0.65310
2006	0.47600	0.55571	0.63288	0.76159	0.74170	0.68499	0.71800	0.49450	0.66610	0.65310
2007	0.46400	0.57728	0.63288	0.76853	0.72920	0.69835	0.69600	0.49450	0.67860	0.69617
2008	0.43370	0.62098	0.61788	0.78811	0.74790	0.70973	0.69600	0.49450	0.68860	0.68404
2009	0.45350	0.62000	0.61788	0.78811	0.74790	0.69973	0.69600	0.49450	0.69960	0.69436
2010	0.49600	0.76000	0.61788	0.78811	0.74790	0.69973	0.69600	0.51950	0.70460	0.73932
2011	0.53000	0.76000	0.61788	0.81109	0.79700	0.73512	0.73769	0.52950	0.70460	0.79500
2012	0.58000	0.78000	0.61788	0.81109	0.79700	0.75740	0.73769	0.52950	0.70460	0.79500

Source: Dallas Central Appraisal District and Dallas ISD records



**Dallas Independent School District**

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Town of Highland Park	City of Hutchins	City of Lancaster	City of Mesquite	City of Seagoville	City of University Park	City of Wilmer	Dallas County and School Equalization	Dallas County Hospital	Dallas County Community College	Dallas Independent School District
\$ 0.22080	\$ 0.50882	\$ 0.67170	\$ 0.54148	\$ 0.65000	\$ 0.32932	\$ 0.66000	\$ 0.20150	\$ 0.25400	\$ 0.06000	\$ 1.58753
0.23000	0.52917	0.67170	0.54148	0.65000	0.32601	0.66000	0.20936	0.25400	0.07780	1.63950
0.23000	0.53300	0.67170	0.58148	0.63500	0.32539	0.66000	0.20936	0.25400	0.08030	1.66940
0.23000	0.54000	0.67170	0.60148	0.63500	0.30958	0.66000	0.21920	0.25400	0.08160	1.68836
0.22500	0.54109	0.67170	0.62000	0.63500	0.29272	0.61000	0.21893	0.25400	0.08100	1.50264
0.22000	0.53755	0.73750	0.64000	0.63500	0.26836	0.61000	0.23281	0.25400	0.08040	1.19964
0.22000	0.52810	0.77750	0.64000	0.63500	0.26548	0.48566	0.23303	0.25400	0.08940	1.18340
0.22000	0.56300	0.77750	0.64000	0.65000	0.26548	0.43599	0.23331	0.27400	0.09490	1.27134
0.22000	0.58100	0.86750	0.64000	0.66500	0.27845	0.43599	0.25310	0.27100	0.09923	1.23781
0.22000	0.60672	0.86750	0.64000	0.69085	0.27845	0.40000	0.25310	0.27100	0.09967	1.29035

# Dallas Independent School District

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## PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

Principal Taxpayers	2012			2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
AT&T Communications	\$ 767,495,350	1	1.03%	\$ -	-	-
Crescent TC Investors LP	640,973,910	2	0.86%	707,216,000	2	1.21%
Oncor Electric Delivery	581,617,460	3	0.78%	-	-	-
Northpark Partners LP	536,260,000	4	0.72%	-	-	-
Southwest Airlines	420,767,188	5	0.56%	535,219,000	4	0.92%
PC Village Apartments Dallas	279,447,320	6	0.37%	246,799,000	7	0.42%
Galleria Mall Investors LP	279,428,590	7	0.37%	247,194,000	6	0.42%
YPI Central Expy LP	259,536,330	8	0.35%	-	-	-
Walmart	239,054,880	9	0.32%	-	-	-
Teachers Insurance & Annuity	186,618,180	10	0.25%	-	-	-
Southwestern Bell/Cingular	-	-	-	1,053,686,000	1	1.81%
Texas Utilities Electric Company	-	-	-	575,626,000	3	0.99%
Trammel Crow	-	-	-	330,416,000	5	0.57%
Metropolitan Life Insurance Company	-	-	-	198,440,000	8	0.34%
Dallas Main LP	-	-	-	191,553,000	9	0.33%
Park Lane Land Partnership LTD	-	-	-	187,224,000	10	0.32%
<b>Total Ten Principal Taxpayers</b>	<b>\$ 4,191,199,208</b>		<b>5.61%</b>	<b>\$ 4,273,373,000</b>		<b>7.33%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 74,661,069,947</b>			<b>\$ 58,297,372,597</b>		

Source: Dallas Central Appraisal District and Dallas ISD records

# Dallas Independent School District

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## COMPUTATION OF DIRECT AND OVERLAPPING DEBT June 30, 2012 (UNAUDITED)

Taxing Jurisdiction	Net Bonded Debt	Overlapping	
		Percent	Amount
Addison, Town of	\$ 46,439,674	93.52%	\$ 43,430,383
Balch Springs, City of	7,890,000	29.54%	2,330,706
Carrollton, City of	172,530,000	10.13%	17,477,289
Cockrell Hill, City of	1,875,000	97.73%	1,832,438
Dallas County	129,817,389	48.04%	62,364,274
Dallas County CCD	396,140,000	46.18%	182,937,452
Dallas Co Hosp Dist	690,717,053	47.76%	329,886,465
Dallas, City of	1,660,259,302	78.62%	1,305,295,863
DeSoto, City of	70,595,141	19.27%	13,603,684
Duncanville, City of	3,912,694	0.27%	10,564
Farmers Branch, City of	17,843,719	38.29%	6,832,360
Garland, City of	253,207,495	1.68%	4,253,886
Glenn Heights, City of	4,405,879	0.01%	441
Hutchins, City of	1,257,465	81.88%	1,029,612
Lancaster, City of	63,183,917	2.06%	1,301,589
Mesquite, City of	115,358,233	1.74%	2,007,233
Seagoville, City of	5,917,459	89.86%	5,317,429
<b>Total Estimated Overlapping Debt</b>			<u>1,979,911,668</u>
 Dallas ISD			 <u>2,509,104,932</u>
<b>Total Direct and Overlapping Bonded Debt</b>			<u><u>\$ 4,489,016,600</u></u>

Source: Texas Municipal Reports

## Dallas Independent School District

### RATIO OF NET BONDED DEBT TO TAXABLE ASSESSED VALUATION AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	Estimated Population	Taxable Assessed Value	Gross Bonded Debt Outstanding at Year End	Amounts Available for Retirement of Bonds
2003	1,211,300	\$ 58,297,372,597	\$ 693,695,315	\$ 60,482,695
2004	1,214,800	57,782,665,261	949,764,644	62,081,501
2005	1,232,100	58,901,034,539	1,298,905,821	72,294,545
2006	1,260,950	61,862,752,956	1,539,963,889	79,152,730
2007	1,280,500	68,640,586,165	1,495,314,569	78,991,204
2008	1,279,910	76,757,349,728	1,442,755,001	76,896,518
2009	1,306,350	82,176,569,792	1,816,824,454	76,288,266
2010	1,316,350	79,628,192,590	1,727,296,756	74,280,273
2011	1,200,530	75,985,949,045	2,626,924,745	112,010,068
2012	1,207,420	74,661,069,947	2,567,329,111	112,510,850

Source: North Central Texas Council of Governments (NCTCOG), US Census, and Dallas ISD Records

# Dallas Independent School District

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Net Bonded Debt Outstanding at Year End	Ratio Net Bonded Debt to Taxable Assessed Valuation	Net Bonded Debt Per Capita	Taxable Assessed Valuation Per Capita	Net Bonded Debt To Personal Income
\$ 633,212,620	1.09%	\$ 523	\$ 48,128	2.33%
887,683,143	1.54%	731	\$ 47,566	3.15%
1,226,611,276	2.08%	996	\$ 47,805	4.07%
1,460,811,159	2.36%	1,159	\$ 49,060	5.01%
1,416,323,365	2.06%	1,106	\$ 53,605	4.48%
1,365,858,483	1.78%	1,067	\$ 59,971	4.12%
1,740,536,188	2.12%	1,332	\$ 62,905	5.27%
1,653,016,483	2.08%	1,256	\$ 60,492	4.79%
2,514,914,677	3.31%	2,095	\$ 63,294	8.37%
2,454,818,261	3.29%	2,033	\$ 61,835	7.99%

## Dallas Independent School District

### LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	2003	2004	2005	2006
Debt Limit	\$ 5,829,737,260	\$ 5,778,266,526	\$ 5,890,103,454	\$ 6,186,275,296
Amount of Debt Applicable to Debt Limit:				
Gross Bonded Debt	693,695,315	949,764,644	1,298,905,821	1,539,963,889
Less - Fund Balance of Debt Service Fund	60,482,695	62,081,501	72,294,545	79,152,730
<b>Total Net Debt Applicable to Debt Limit</b>	<u>633,212,620</u>	<u>887,683,143</u>	<u>1,226,611,276</u>	<u>1,460,811,159</u>
<b>Legal Debt Margin:</b>	<u>\$ 5,196,524,640</u>	<u>\$ 4,890,583,383</u>	<u>\$ 4,663,492,178</u>	<u>\$ 4,725,464,137</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.86%	15.36%	20.82%	23.61%

Source: Dallas ISD Records

# Dallas Independent School District

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2007	2008	2009	2010	2011	2012
\$ 6,864,058,617	\$ 7,675,734,973	\$ 8,217,656,979	\$ 7,962,819,259	\$ 7,598,594,905	\$ 7,466,106,995
1,495,314,569	1,442,755,001	1,818,355,000	1,728,665,001	2,626,924,745	2,567,329,111
78,991,204	76,896,518	76,288,266	74,280,273	112,010,068	112,510,850
1,416,323,365	1,365,858,483	1,742,066,734	1,654,384,728	2,514,914,677	2,454,818,261
\$ 5,447,735,252	\$ 6,309,876,490	\$ 6,475,590,245	\$ 6,308,434,531	\$ 5,083,680,228	\$ 5,011,288,734
20.63%	17.79%	21.20%	20.78%	33.10%	32.88%

# Dallas Independent School District

S-13

## RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL EXPENDITURES LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	Principal	Interest and Other Charges	Total Bonded Debt Expenditures	Total Expenditures	Ratio of Total Bonded Debt Expenditures To Total Expenditures
2003	\$ 4,055,000	\$ 23,550,703	\$ 27,605,703	\$ 1,215,102,457	2.27%
2004	44,465,000	34,026,169	78,491,169	1,535,527,999	5.11%
2005	37,551,692	52,380,486	89,932,178	1,884,661,075	4.77%
2006	49,605,025	61,424,673	111,029,698	1,873,686,778	5.93%
2007	44,317,894	72,637,458	116,955,352	1,711,772,629	6.83%
2008	49,819,100	72,226,330	122,045,430	1,774,677,700	6.88%
2009	41,634,515	70,236,331	111,870,846	1,676,280,528	6.67%
2010	82,385,000	93,302,153	175,687,153	1,830,163,798	9.60%
2011	35,445,000	85,720,357	121,165,357	2,109,268,254	5.74%
2012	49,515,000	152,570,482	202,085,482	1,979,134,031	10.21%

Source: Dallas ISD Records



# Dallas Independent School District

S-14

## PER STUDENT CALCULATIONS (GENERAL FUND ONLY) BASED ON REVENUES AND EXPENDITURES LAST THREE FISCAL YEARS (UNAUDITED)

	Fiscal Year Ended June 30,		
	2012	2011	2010
Beginning Fund Equity (7/1)	\$ 135,098,259	\$ 100,099,251	\$ 37,668,082
<b>Revenues:</b>			
From Ad Valorem Taxes	754,675,022	764,344,921	794,731,093
% of Total Revenue	62.86%	63.19%	64.95%
From State and Federal Funds	431,237,558	431,843,254	406,683,305
% of Total Revenue	35.92%	35.70%	33.24%
From Other Local Sources	14,702,113	13,315,273	22,103,421
% of Total Revenue	1.22%	1.10%	1.81%
<b>Total Revenues</b>	<b>1,200,614,693</b>	<b>1,209,503,448</b>	<b>1,223,517,819</b>
<b>Total Expenditures</b>	<b>1,134,702,829</b>	<b>1,177,896,277</b>	<b>1,160,098,496</b>
Change in accounting principle	-	2,968,381	-
Net Transfers and Other Expenses (Decreases) to Fund Equity	110,256	423,456	(988,154)
<b>Ending Fund Equity (06/30)</b>	<b>\$ 201,120,379</b>	<b>\$ 135,098,259</b>	<b>\$ 100,099,251</b>

### Per Student Calculations:

Assessed Value Per Student	\$ 515,135	\$ 535,489	\$ 554,113
Ad Valorem Tax Revenue Per Student	\$ 5,207	\$ 5,387	\$ 5,530
State and Federal Funds Per Student	2,975	3,043	2,830
Other Local Sources Per Student	101	94	154
<b>Total Revenue Per Student</b>	<b>\$ 8,283</b>	<b>\$ 8,524</b>	<b>\$ 8,514</b>
<b>Total Expenditures Per Student</b>	<b>\$ 7,829</b>	<b>\$ 8,301</b>	<b>\$ 8,073</b>
Average Daily Attendance	144,935	141,900	143,704

Source: Dallas ISD Records

## Dallas Independent School District

### DEMOGRAPHIC DATA AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS (UNAUDITED)

<b>Fiscal Year Ended June 30: Year</b>	<b>Estimated Population (1)</b>	<b>Enrollment (2)</b>	<b>Average Daily Attendance (2)</b>	<b>District Employees (2)</b>
2003	1,211,300	162,989	149,597	20,089
2004	1,214,800	160,319	148,131	19,813
2005	1,232,100	157,743	146,216	19,671
2006	1,260,950	160,969	149,544	19,535
2007	1,280,500	158,814	145,749	20,077
2008	1,279,910	157,605	144,833	21,289
2009	1,306,350	157,174	144,347	20,387
2010	1,316,350	156,728	143,704	20,076
2011	1,200,530	157,162	141,900	20,194
2012	1,207,420	157,421	144,935	18,470

(1) Years 2003 through 2011 were obtained from the City of Dallas and 2012 was obtained from the North Central Texas Council of Governments.

(2) Information was obtained from Dallas ISD records.

	Median Household Income (1)		Per Capita Personal Income (1)	Unemployment Rate (1)
\$	36,678	\$	22,454	9.0%
	38,125		23,205	8.0%
	36,403		24,477	6.0%
	37,264		23,136	5.4%
	38,276		24,691	4.7%
	42,670		25,904	4.9%
	40,473		25,298	7.4%
	39,813		26,189	8.7%
	42,911		25,024	8.7%
	43,640		25,449	7.9%

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND EIGHT YEARS AGO  
(UNAUDITED)**

Principal Employers	2012			2004 (2)		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
American Airlines	24,700	1	14.57%	28,000	1	16.72%
Bank of America	20,000	2	11.80%			
Texas Health Resources	19,230	3	11.34%	17,000	4	10.15%
Dallas Independent School District	18,314	4	10.80%	19,691	3	11.76%
Baylor Health Care System	17,907	5	10.56%	15,000	6	8.96%
AT&T, Inc.	15,800	6	9.32%	14,000	7	8.36%
Lockhead Martin Aeronautics Co.	14,126	7	8.33%	16,442	5	9.82%
JP Morgan Chase	13,500	8	7.96%			
UT Southwestern Medical Center at Dallas	13,122	9	7.74%			
City of Dallas	12,836	10	7.57%			
Wal-mart Stores, Inc. (1)				23,000	2	13.74%
Verizon Communications, Inc.				12,500	8	7.47%
Albertson's Inc.				11,200	9	6.69%
Texas Instruments Inc.				10,600	10	6.33%
<b>Total</b>	<b>169,535</b>		<b>100.00%</b>	<b>167,433</b>		<b>100.00%</b>

Estimated Total Employed Workforce in 2012                      1,098,888

Estimated Total Employed Workforce in 2004                      1,077,373

(1) Wal-mart declined to submit a survey response for 2012.

(2) Employer Data for 2003 was unavailable, therefore 2004 employment figures were used.

Source: Dallas Business Journal Book of Lists

# Dallas Independent School District

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## EXPENDITURES, AVERAGE DAILY ATTENDANCE, AND PER PUPIL COSTS LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ended June 30:	Expenditures (1)	Average Daily Attendance	Per Pupil Costs	Student to Teacher Ratio	Percentage of Students In Free/Reduced Lunch Program
2003	\$ 1,157,196,273	149,597	\$ 7,735	15.56	77%
2004	1,263,442,915	148,131	8,529	15.30	74%
2005	1,327,180,451	146,216	9,077	15.12	78%
2006	1,368,440,595	149,544	9,151	15.35	82%
2007	1,422,075,733	145,749	9,757	14.83	83%
2008	1,560,292,156	144,833	10,773	13.64	84%
2009	1,520,028,100	144,347	10,530	14.13	85%
2010	1,558,413,699	143,704	10,845	14.42	87%
2011	1,553,446,290	141,900	10,947	14.47	87%
2012	1,402,536,905	144,935	9,677	15.67	88%

(1) General fund and special revenue fund expenditures

Source: Dallas ISD Records

**TEACHER SALARY  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<b>Fiscal Year</b>	<b>Beginning Teacher Salary</b>	<b>Average Teacher Salary</b>	<b>Number of Teachers</b>
2003	\$ 37,000	\$ 43,268	10,196
2004	37,000	46,408	10,475
2005	38,500	46,754	10,435
2006	39,150	46,882	10,484
2007	42,000	50,121	10,712
2008	43,500	51,746	11,551
2009	44,350	53,457	11,122
2010	45,350	53,880	10,872
2011	45,350	53,940	10,864
2012	45,100	52,028	9,494

Source: Dallas ISD Records

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**Dallas Independent School District**

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**S-19****SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
(UNAUDITED)****Form of Government:** Independent School District**Geographic Area:** 384 square miles

<b>Instruction Sites:</b>	<b>Number</b>	<b>Capacity/Sq. Ft.</b>	<b>Acreage</b>
High Schools	40	6,376,269	814.66
High Schools - In Progress	1	223,496	5.30
Middle Schools	37	4,702,933	558.14
Middle Schools - In Progress	4	757,060	85.16
Elementary Schools	149	10,378,895	1248.12
Elementary Schools - In Progress	5	469,081	55.07
Administration Facilities	32	2,316,021	179.3
Athletics & Pool Facilities	23	566,110	251.68
<b>Totals</b>	<b>291</b>	<b>25,789,865</b>	<b>3,197</b>

Source: Dallas ISD Records

**COMPLIANCE SECTION**  
**TAB**



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

Members of the Board of Trustees  
Dallas Independent School District  
Dallas, Texas

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dallas Independent School District (the "District") as of and for the year ended June 30, 2012, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 19, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Dallas Education Foundation, as described in our report on the District's financial statements. The financial statements of the Dallas Education Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2012-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2012-02 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is reported in the Schedule of Findings and Questioned Costs as Item 2012-01.

We noted certain other matters that we reported to management of the District in a separate letter dated November 19, 2012.

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

*Deloitte & Touche LLP*

November 19, 2012

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

Members of the Board of Trustees  
Dallas Independent School District  
Dallas, Texas

### **Compliance**

We have audited the Dallas Independent School District's (the "District") compliance with the types of compliance requirements described in the U.S. OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Dallas Independent School 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 of the District's compliance with those requirements.

As described in item 2012-04 in the accompanying schedule of findings and questioned costs, the Dallas Independent School District did not comply with the requirements regarding allowable activities and reporting that are applicable to the Child Nutrition Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the effects of such noncompliance described in the preceding paragraph, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-05.

## Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, and material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-04 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-03, 2012-05, and 2012-06 to be significant deficiencies.

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

*Deloitte & Touche LLP*

November 19, 2012

**Dallas Independent School District  
Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2012**

<b>Pass-Through Grantor's Number</b>	<b>Federal/State Grantor-Pass Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Audit Period Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>TEACHER INCENTIVE FUND CLUSTER</b>			
	Direct		
	Teacher Incentive Fund	84.374A	\$ 138,685
	Teacher Incentive Fund-Recovery Act	84.385A	379,221
	<b>Total Direct</b>		<u>517,906</u>
	<b>TOTAL TEACHER INCENTIVE FUND CLUSTER</b>		<u>517,906</u>
<b>SPECIAL EDUCATION (IDEA) CLUSTER</b>			
	Passed Through Texas Education Agency		
116600010579056600	IDEA-B Formula	84.027A	59,297
126600010579056600	IDEA-B Formula	84.027A	26,806,982
10554001057905	IDEA-B Formula-ARRA	84.391A	1,636,241
116600020579056673	IDEA-B Discretionary (Deaf)	84.027A	64
126600020579056673	IDEA-B Discretionary (Deaf)	84.027A	315,496
116600010579056601	IDEA-B Formula (Deaf)	84.027A	2,522
126600010579056601	IDEA-B Formula (Deaf)	84.027A	160,110
116610010579056610	IDEA-B Preschool	84.173A	49
126610010579056610	IDEA-B Preschool	84.173A	392,567
10555001057905	IDEA-B Preschool-ARRA	84.392A	119,824
126610010579056611	IDEA-B Preschool (Deaf)	84.173A	28,578
	<b>Total Passed through Texas Education Agency</b>		<u>29,521,729</u>
	Passed through Region 10 Education Service Center		
1210190271210	IDEA-B Visually Impaired	84.027	13,195
	<b>Total Passed through Region 10 Education Service Center</b>		<u>13,195</u>
	<b>TOTAL SPECIAL EDUCATION (IDEA) CLUSTER</b>		<u>29,534,924</u>
<b>TITLE I, PART A CLUSTER</b>			
	Passed Through Texas Education Agency		
11610101057905	Title I, Part A-Improving Basic Programs	84.010A	(119,902)
12610101057905	Title I, Part A-Improving Basic Programs	84.010A	79,770,550
10551001057905	Title I, Part A-ARRA	84.389A	425,845
11610103057905	Title I, Part D, Subpart 2-Delinquent Program	84.010A	(446)
12610103057905	Title I, Part D, Subpart 2-Delinquent Program	84.010A	58,946
11551004057905	Title I School Improvement Program - ARRA	84.389A	8,625
11610104057905	Title I School Improvement Program	84.010A	21,582
12610110057905	Title I School Improvement Program	84.010A	4,402,913
	<b>Total Passed through Texas Education Agency</b>		<u>84,568,113</u>
	<b>TOTAL TITLE I, PART A CLUSTER</b>		<u>84,568,113</u>

(continued)

**Dallas Independent School District  
Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2012**

<b>Pass-Through Grantor's Number</b>	<b>Federal/State Grantor-Pass Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Audit Period Expenditures</b>
	<b>OTHER</b>		
	Direct		
	Project MASS	84.350B	39,500
	Indian Education	84.060A	121,895
	Teaching American History	84.215X	256,682
	Bridges To Teaching	84.350A	86,591
	Project M-Net	84.350C	93
	Reading Recovery	84.396A	36,315
	Caminos Project	84.350	67,500
	Project KNOTT	84.350C	222,492
	<b>Total Direct</b>		<b>831,068</b>
	Passed Through Texas Education Agency		
124100017110439	Adult Education & Family Literacy Continuation	84.002A	\$ 2,395,084
124100087110442	Adult Ed Engl Lit & Civics Awareness Cont.	84.002A	94,656
113911010579053911	IDEA-C ECI	84.181A	672
123911010579053911	IDEA-C ECI	84.181A	9,093
12420006057905	Carl D. Perkins, Title I, Part C	84.048A	2,767,034
096455117110003	Texas Reading First -Capacity Building	84.357A	81,501
096455127110003	Texas Reading First -Demo Site	84.357A	18,619
11671001057905	Title III, Part A- LEP	84.365A	618,170
12671001057905	Title III, Part A- LEP	84.365A	6,341,584
11694501057905	Title II, Part A-Teacher and Principal Training & Recruiting	84.367A	42,312
12694501057905	Title II, Part A-Teacher and Principal Training & Recruiting	84.367A	9,498,261
10553001057905	Title II, Part D, Subpart 1 - Enhancing Ed Through Technology - ARRA	84.386A	26,124
1055200X71100XX	Texas Title I Priority School Grant	84.388A	5,706,237
11550101057905	Education Jobs	84.410A	982,747
	Summer School LEP	84.369A	18,867
	<b>Total Passed through Texas Education Agency</b>		<b>28,600,961</b>
	Passed Through Region 10 Education Service Center		
00-001	McKinney-Vento Homeless Education	84.196A	64,528
00-001	McKinney-Vento Homeless Education	84.196A	197,254
	<b>Total Region 10 Education Service Center</b>		<b>261,782</b>
	<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>144,314,754</b>
	<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
	Passed Through State Department Of Health		
529-11-0029-00008	Refugee School Impact	93.576	\$ 13,957
529-11-0029-00008R1	Refugee School Impact	93.576	121,119
5U87DP001254-04	Improving Health and Educational Outcomes of Young People	93.938	17,432
	<b>Total Passed Through State Department Of Health</b>		<b>152,509</b>

(continued)

**Dallas Independent School District  
Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2012**

<b>Pass-Through Grantor's Number</b>	<b>Federal/State Grantor-Pass Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Audit Period Expenditures</b>
	Passed Through Texas Education Agency		
113625017110345	Federal-TANF	93.558	18,990
123625017110413	Federal-TANF	93.558	537,143
	<b>Total Passed Through Texas Education Agency</b>		<b>556,133</b>
	Passed Through Head Start of Greater Dallas		
057905-1	Head Start of Greater Dallas	93.600	1,418,806
	<b>Total Head Start of Greater Dallas</b>		<b>1,418,806</b>
	Passed Through Health and Human Services Commission		
057905-2	Medicaid and School Health Related Services	93.778	1,467,922
	<b>Total Health and Human Services Commission</b>		<b>1,467,922</b>
	<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>3,595,370</b>
	<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
	<b>CHILD NUTRITION PROGRAM CLUSTER</b>		
	Passed Through Texas Education Agency		
057-905	National School Breakfast	10.553	15,342,067
057-905	National School Lunch	10.555	53,456,193
	<b>Total Passed Through Texas Education Agency</b>		<b>68,798,260</b>
	Passed Through Texas Department of Agriculture		
057-1034	Summer Food Services Program	10.559	1,762,042
	<b>Total Passed Through Texas Department of Agriculture</b>		<b>1,762,042</b>
	<b>TOTAL CHILD NUTRITION PROGRAM CLUSTER</b>		<b>70,560,302</b>
	Passed Through Texas Department of Agriculture		
057-1034	Fresh Fruit and Vegetable Program	10.582	1,981,661
	<b>Total Passed Through Texas Department of Agriculture</b>		<b>1,981,661</b>
	Direct		
75-057005A200	Schools/Child Nutrition Commodity Program (Noncash)	10.555	4,886,202
057-905	Miscellaneous Federal Revenue	10.574	155,065
	<b>Total Direct</b>		<b>5,041,267</b>
	<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>77,583,230</b>
	<b>U.S. DEPARTMENT OF DEFENSE</b>		
057905-3	JROTC	12.000	1,917,438
	<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>		<b>1,917,438</b>
	<b>TOTAL FEDERAL ASSISTANCE</b>		<b>\$ 227,410,792</b>
			<b>(concluded)</b>

**DALLAS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2012**

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1. The District utilizes the fund types specified in the Texas Education Agency Resource Guide.

*Special Revenue Funds* are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the special revenue funds, which are governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental 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. The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H: Period of Availability of Federal Funds, Part 3, *OMB Circular A-133 Compliance Supplement*.
4. 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 adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at June 30, 2012, may be impaired.



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Section I—Summary of Auditors' Results

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#### Financial Statements

1. Type of auditor's report issued: Unqualified

Internal control over financial reporting:

2. Material weaknesses identified? ☒ yes ☐ no
3. Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported
4. Noncompliance material to financial statements noted? ☒ yes ☐ no

#### Federal Awards

Internal control over major programs:

5. Material weaknesses identified? ☒ yes ☐ no
6. Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported
7. Type of auditor's report issued on compliance for major programs:
- Unqualified, except for Child Nutrition Program Cluster which is qualified for allowable activities and reporting
8. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ☒ yes ☐ no

9. Identification of major programs:

84.010 and 84.389 (ARRA) – Title I, Part A  
84.367 – Title II, Part A  
84.365 – Title III, Part A  
84.377 and 84.388 (ARRA) – School Improvement Grants  
84.027, 84.173, 84.391(ARRA), and 84.392(ARRA) – Special Education Program Cluster  
10.553, 10.555, and 10.559 – Child Nutrition Program Cluster

10. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000
11. Auditee qualified as low-risk auditee? ☐ yes ☒ no

## **Section II—Financial Statement Findings**

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### **2012-01 PROCUREMENT**

#### ***Material weakness in controls and material noncompliance with laws and regulations***

*Criteria* – Texas Education Code Section 44.031 requires that competitive procurements be, among other things, appropriately advertised, to ensure open and fair competition. Additionally, District control policies and procedures require a series of reviews and approvals related to all significant procurements.

*Condition* – During the performance of agreed-upon procedures related to the District's e-rate contract, we noted that two of the District's contracts (awarded for \$7.2 million and \$35 million) were not appropriately advertised in accordance with state laws.

Additionally, during our procurement testing, we noted five instances in which the bid control checklist was missing or had not been completed or properly reviewed; one file for which the bid number did not match the advertised bid number; two instances in which the internal committee conflict of interest evaluation was missing or had not been completed; and one instance in which the vendor conflict of interest questionnaire was missing or had not been completed.

*Cause* – Procurement personnel failed to adhere to District policies and checklists that require the advertisement of competitive bids. A review of the completed checklist for the contracts was not appropriately performed. We also noted that District policies and procedures are not consistently followed and adhered to by procurement personnel throughout the purchasing process.

*Effect* – The District did not comply with state procurement law related to the two e-rate contracts awarded for the year ended June 30, 2012. Further, other contracts are at risk of noncompliance when policies and procedures are not properly followed.

*Recommendation* – Review internal controls, policies and checklists related to procurement to ensure that they are updated, complete and sufficient to comply with state law. Ensure that department personnel and managers are adequately trained and understand the policies and procedures to be followed and acknowledge their responsibility for compliance with laws and regulations. Consider the need for routine or annual refresher trainings of personnel and/or obtaining periodic certifications from management as to their compliance with laws and regulations.

*View of Responsible Officials* – See corrective action plan.

### **2012-02 USER ACCESS MANAGEMENT AND SECURITY**

#### ***Significant deficiency in controls***

*Criteria* – User access reviews and approvals for all systems should be formal, documented processes that consider all users with access to the application, performed by someone with knowledge of the users' business needs in the system/application.

*Condition* – The following control weaknesses were noted in the District's controls over user access management and configuration of security assignment related to information systems that process financial data on OneSource (Food Services IT):

- For the Food Services IT application OneSource, user access approvals are not formally documented.
- Periodic user access review performed by Food Services IT management for OneSource and SQL server database does not include all users with access to the application, and the review is not performed by the users' supervisors.
- For the Food Services IT application OneSource, database (SQL server) administrator access is granted inappropriately to the Windows administrators through their Windows groups.

*Cause* – Access approvals are informal and access reviews for business users were not performed by the business users' supervisors.

*Effect* – A lack of controls over information systems access and inappropriate security assignment can lead to unauthorized transactions being executed, compromising the intended segregation of duties and potentially causing lack of integrity and reliability of information produced by the systems.

*Recommendation* – Management should document and implement policies and procedures to adequately control system access and to review access rights for users periodically for appropriateness. Appropriate monitoring controls should be established to ensure the documented policy is being followed by the users of IT systems.

*View of Responsible Officials* – See corrective action plan.

### **Section III—Federal Award Findings and Questioned Costs**

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#### **2012-03 TITLE I SUPPLEMENTAL EDUCATION SERVICES (“SES”) GRANT PROGRAM Title I (84.010A, 84.389A-ARRA) Department of Education, Passed Through Texas Education Agency**

##### ***Allowable Costs and Cost Principles – Significant Deficiency in Controls and Noncompliance with Grant Requirements***

*Criteria* – OMB Circular A-133 requires entities receiving federal funds to maintain internal control over federal programs in order to provide reasonable assurance that the District is managing federal awards in compliance with laws, regulations, and the provisions of contracts or agreements that could have a material effect on its federal programs. Additionally, OMB Circular A-87 requires that governments assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award and that, among other things, for costs to be allowable under federal guidelines, they must be adequately documented.

*Condition* – As a result of weaknesses that were identified in the prior year related to the SES portion of Title I, the District revised their internal controls to require that management perform a series of procedures on all SES vendor billings, including the matching of vendor invoices to campus liaison sign-in sheets and follow-up with individual students to confirm that tutoring occurred in the event of inconsistencies in vendor invoice packages. However, in some instances, no follow up was performed with the students in question. In certain other instances, documentation of the resolution of the inconsistency was not maintained with the invoice package.

*Perspective* – 22 of 66 invoices selected for testing had an inconsistency that was followed up by management prior to payment, but no documentation was maintained in the file or with the invoice package of the follow up procedures performed and resolution. 2 of 66 invoices selected for testing had inconsistencies noted by management and no follow up with the student in question prior to payment.

*Questioned Costs* – \$1,034 (calculated as the rate paid multiplied by the hours for unsupported selections)

*Cause* – Department management responsible for reviewing and approving vendor invoices revised the review and approval procedures for Title I invoices in the current year. Significant efforts were made to review every invoice prior to payment and contact students to ensure that services were received, however, documentation of such efforts and the results thereof was not consistently maintained in District records as a part of the invoice approval process.

*Effect* – Controls over allowable cost requirements for the SES program of the Title I grant appear to be adequately designed but are not consistently implemented, documented, and operating effectively.

*Recommendation* – Implement and document controls, as designed, to evidence the communication between grants personnel and students that evidences that services were received and payment of the invoices is appropriate. Ensure that documentation is maintained with invoice and payment support in accordance with federal requirements.

*View of Responsible Officials* – See corrective action plan.

**2012-04 LACK OF SUPPORTING DOCUMENTATION FOR MEALS CLAIMED  
Child Nutrition Cluster (10.553, 10.555, 10.559) Department of Agriculture, Passed  
through Texas Education Agency**

***Allowable Activities and Reporting – Material Weakness in Controls and Material Noncompliance  
with Grant Requirements***

*Criteria* – Federal program guidelines require that “all meals claimed for reimbursement must (a) be of types authorized ... (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type (7 CFR sections 210.7(c), 210.8(c), and 225.9(d)).” Section 7 of the Texas department of Agriculture *National School Lunch Program Administrator’s Reference Handbook* requires that, any information collection or procedure used for claiming the procedure/system “must be able to tie the students back to a name or their eligibility number. This includes paid student. Paid students must also be tied to eligibility.” Additionally, per 42.USC 1766, “No reimbursement may be made to any institution ...for more than two meals and one supplement per day per child.”

*Condition* –Meal count reports selected for testing contained instances in which the District claimed reimbursement for free, reduced and full price meals provided to students with “no ID” on system reports. For certain campuses, no reconciliation was performed to substantiate that the listing of “no IDs” represented actual eligible students. Additionally, in certain instances, daily meal count reports did not agree to total summary reports used for monthly reimbursement requests. Furthermore, some reimbursement was claimed for students who received more than the maximum number of meals in one day.

*Perspective* –

- 10 of 23 selected campuses contained instances of “no ID” that were not reconciled to actual eligible students;
- On those 10 campuses, we noted 1,316 total instances of “no ID” included in the free lunches, 158 free breakfasts, 11 reduced lunches, 3 reduced breakfasts, 85 full price lunches, and 28 full price breakfasts claimed for reimbursement for the month selected for testing;
- 9 of 23 campuses selected for testing contained undocumented instances of differences between meals counted per the daily meal count sheets and the summary reports used for monthly reimbursement requests; and
- 1 of 23 campuses selected for testing contained 3 students receiving more than the maximum number of meals in one day.

*Questioned Costs* – \$4,198(calculated as the net number of unsubstantiated “no ID” counts, number of differences between the daily meal count sheets and the summary reports and the students who received more than the maximum number of meals for the month selected for testing multiplied times the rate of reimbursement requested for free, reduced and full price meals)

*Cause* – Controls are not in place to require that all campus reports that support meal counts are reconciled to actual eligible students to ensure that claims for reimbursements are properly documented as required by federal regulations.

*Effect* – Ineligible students could be served under this program.

*Recommendation* – Implement procedures to require and monitor the reconciliation of meal count reports to actual eligible students prior to the submission of claims for reimbursement.

*View of Responsible Officials* – See corrective action plan.

**2012-05 INSUFFICIENT SUPPORTING DOCUMENTATION FOR INVOICES  
Special Education Cluster (84.027, 84.173, 84.391-ARRA, and 84.392-ARRA)  
Department of Education, Passed Through Texas Education Agency**

***Allowable Costs –Significant Deficiency in Controls – Noncompliance with Grant Requirements***

*Criteria* – In accordance with OMB Circular A-87, to be allowable under Federal awards, costs charged to a grant must be adequately documented. Professional services are allowable when reasonable in relation to actual services rendered, occur within the period of the grant, and are supported by available or rendered evidence that service was completed.

*Condition* – Adequate supporting documentation was not obtained prior to the approval of payment of invoices for a professional services agreement with a third party vendor. For the months selected for testing, no additional documentation was on file to support that services had been rendered to District students prior to approving payment. Upon requesting additional information, it was learned that (a) no support was available for one invoice and (b) the support for the second invoice indicated that services had been provided to a non-District child and improperly billed to the District.

*Perspective/Instances* – One of 12 invoices selected for testing did not have adequate support that services were provided under the professional services agreement. Another one of 12 invoices selected for testing indicated that services were provided to a non-District child under a professional services contract.

*Questioned Costs* – \$45,989 (calculated as the total of two invoices noted above)

*Cause* – Grant managers failed to obtain and review adequate supporting documentation related to invoices prior to approving payments to professional services provider.

*Effect* – Controls are not in place to monitor compliance with federal grant requirements. Payments may be made for services not received.

*Recommendation* – Implement procedures to require the receipt and review of supporting documentation for all invoices prior to approval for payment.

*View of Responsible Officials* – See corrective action plan.

**2012-06 INEFFECTIVE TIME AND EFFORT REPORTING BY COACHES**  
**Title I, Part A (84.010A, 84.389A-ARRA) Department of Education, Passed through**  
**Texas Education Agency**

*Allowable Costs and Cost Principals – Significant Deficiency in Controls*

*Criteria* – In accordance with OMB Circular A-87, “personnel activity reports or equivalent documentation must:(a) reflect an after-the-fact distribution of the actual activity of each employee, (b) account for the total activity for which each employee is compensated, (c) be prepared at least monthly and must coincide with one or more pay periods, and (d) be signed by the employee.”

*Condition* – Certifications of time and effort were obtained from individuals in accordance with federal requirements for selected personnel charged to grant programs. However, a number of coaches represented that they spent 100% of their time on grant activities when a portion of the day was spent on non-grant-related activities.

*Perspective/Instances* – 27 coaches and other similar individuals were identified by District grants management as being paid 100% from grant funds, but having spent a portion of their time on non-grant activity during fiscal year 2012.

*Questioned Costs* – Not applicable. Current year costs of \$856,298 related to the personnel identified by District management were removed from the grant expenditures prior to the final draw-down. However, the District identified the amount paid related to the same positions in fiscal year 2011 and remitted a payment to their oversight agency (Texas Education Agency) subsequent to year-end in the amount of \$479,426.

*Cause* – Lack of understanding of the time and effort forms by employees signing the form appears to have caused the oversight. While District management designed and implemented controls to obtain time and effort certifications from all grant employees as required by federal regulations, employees signing the forms did not always properly complete the forms. Whether lack of proper knowledge of allowable activities, assignments, funding sources, or other misunderstandings existed in completing the forms, it appears that employees require additional training to be able to appropriately periodically certify time and effort.

*Effect* – Internal controls over time and effort forms did not operate effectively on a consistent basis for the year. Inconsistent controls in time and effort certifications can lead to overcharges of federal grants.

*Recommendation* – Ensure that all employees who work on federally funded grant programs and their supervisors are properly trained in the completion of periodic accurate time and certifications. Consider implementing a process to require the checking of schedules against time and effort certifications by supervisors as an additional control to verify time and effort certifications while employee training is being implemented and tested.

*View of Responsible Officials* – See corrective action plan.

## **CORRECTIVE ACTION PLAN**

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### **2012-01 PROCUREMENT**

*Responsible Party* – Richard Coulter

*Corrective Action* – The District changed leadership in the Purchasing Department in August 2012 and created a new Assistant Director position to provide additional oversight and expertise. The departmental procurement file and bid process checklists have been enhanced. Additional training will be provided to all staff in the Purchasing Department and procurement files will be centrally filed.

*Expected completion date* – March 31, 2013

### **2012-02 USER ACCESS MANAGEMENT AND SECURITY**

*Responsible Party* – Dora Rivas

*Corrective Action* – Policies and procedures have been developed to adequately control system access and to review access rights for users periodically for appropriateness but will be enhanced to further include validation of all users access as they relate to separation of duties. An access management system has been developed to formally document access requests but will be further enhanced to incorporate a documented Supervisor approval process. Periodic access reviews were being performed by Technology on a random sample of Active Directory users but will be further enhanced to include all active users and Supervisor reviews of their staff with access to applications. Administrator access to OneSource SQL server and Windows servers will be setup to provide appropriate adequate security controls.

*Expected Completion Date* – November 30, 2012

### **2012-03 TITLE I SUPPLEMENTAL EDUCATION SERVICES (“SES”) GRANT PROGRAM**

*Responsible Party* – Jordan Roberts

*Corrective Action* – The District has reorganized the responsibilities of SES staff in order to ensure proper documentation is maintained and reviewed for all invoices. This will allow a more efficient turnaround when inconsistencies are identified. Student interviews will be conducted in a timely so that proper payment can be rendered.

*Expected Completion Date* – December 7, 2012



## **2012-04 LACK OF SUPPORTING DOCUMENTATION FOR MEALS CLAIMED**

*Responsible Party* – Dora Rivas

*Corrective Action* – F&CNS claims meals at the point of service based on student's eligibility and meal components selected. However, in some cases, (POS failure, power failure and acts of nature) student names and/or eligibility codes were not maintained on file for audit purposes. We have implemented a new alternative procedure in conjunction with our current Point of Sales (POS) system to capture the information in questioned. All reports will be maintained on file for audit purposes.

*Expected Completion Date* – December 31, 2012

## **2012-05 INSUFFICIENT SUPPORTING DOCUMENTATION FOR INVOICES**

*Responsible Party* – Angela Pittman

*Corrective Action* – Prior to approval for payment, departmental staff will verify all professional services being invoiced to ensure that services have been provided by reviewing receipts and supporting documentation.

Departmental staff will compare and verify the roster of students for which the vendor is billing the district with the district's roster of students scheduled to attend the vendor's center on a monthly basis.

*Expected Completion Date* – June 30, 2013

## **2012-06 INEFFECTIVE TIME AND EFFORT REPORTING BY COACHES**

*Responsible Party* – Jordan Roberts

*Corrective Action* – The District has developed procedures to monitor assignments of all federally funded staff on campuses using the student management system on a monthly basis. Additionally, resource guides by job will be posted on the District's intranet of allowable activities by fund.

*Expected Completion Date* – December 14, 2012

## **STATUS OF PRIOR YEAR FINDINGS**

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### **2011-01 TREASURY ACCOUNTING AND CONTROLS**

*Responsible Party* – Marian Hamlett

*Corrective Action* – The District has created a new accounting position to work with the Treasury Department on all accounting issues and the Investment Committee membership will be expanded to add staff with additional investment experience.

*Status* – Finding was corrected through Department reorganization and additional review procedures

### **2011- 02 USER ACCESS MANAGEMENT AND SECURITY**

*Responsible Party* – Dora Rivas

*Corrective Action* – Food Services has decommissioned VBOSS and Fast Lane applications as of August 2011. Security parameters in the new OneSource system will provide an enhanced security control over the application. OneSource can leverage Microsoft Active Directory Domain-based authentication to achieve the password characteristics required including Enforce password history, Maximum password age, Minimum password age, Minimum password length, and Designate password complexity requirements. Food Services IT is currently developing policy and procedures to implement a periodic access review process of Food Service Systems. Food Services IT is in the process of validating all user access as they relate to the appropriate segregation of duties and to enforce user accountability including database administrator access.

*Status* – Partially corrected. See finding 2012-02.

### **2011- 03 CONTROLS OVER SES GRANT FUNDED PROGRAM**

*Responsible Party* – Steve Korby

*Corrective Action* – In September 2011, the monitoring and compliance function for the SES program was restructured and significant additional monitoring controls were implemented. Additionally, SES vendor contracts were modified to add requirements for more verification prior to payment of invoices.

*Status* – Finding was partially corrected through the implementation of additional review procedures. See finding 2012-03.

### **2011-04 SPREADSHEET CONTROLS AND INTEGRITY**

*Responsible Party* – Marian Hamlett

*Corrective Action* – The District has created a new accounting position to add an additional layer of review on complex accounting transactions and the supporting calculations.

*Status* – Finding was corrected through the implementation of additional review procedures.

## **2011-05 TITLE I SES GRANT PROGRAM**

*Responsible Party* – Steve Korby

*Corrective Action*– In September 2011, the monitoring and compliance function for the SES program was restructured and significant additional monitoring controls were implemented. Additionally, SES vendor contracts were modified to add requirements for more verification prior to payment of invoices.

*Status* – Partially corrected – see finding 2012-03

## **2011-06 ELIGIBILITY FOR THE TEACHER INCENTIVE FUND**

*Responsible Party* – Marian Hamlett

*Corrective Action* – Management has established appropriate internal controls and policies and procedures to ensure that only eligible incentive awards are charged to the Teacher Incentive Fund.

*Status* – Finding was corrected through the implementation of additional review procedures.

## **2011-07 DISPOSAL OF ASSETS PURCHASED WITH GRANT FUNDS**

*Responsible Party* – Steve Korby

*Corrective Action* - Prior to the retirement of any capital assets purchased with federal funds, the District will obtain written confirmation from the organization requesting the disposal that the awarding agency has been notified.

*Status* – Finding was corrected through the implementation of additional review procedures.

## **2011-08 UNUSED EQUIPMENT PURCHASED WITH GRANT FUNDS**

*Responsible Party* – Angela Pittman

*Corrective Action* – Departmental Staff will receive additional training as necessary to ensure compliance with appropriate laws and regulations. The department will also conduct an annual physical inventory of capital assets purchased with federal grant funds.

*Status* – Finding was corrected through the implementation of additional review procedures.

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