

# **GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**AUGUST 31, 2012**



# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT

### TABLE OF CONTENTS

FOR THE YEAR ENDED AUGUST 31, 2012

| <u>Exhibit<br/>Number</u> |                                                                                                                                                                                                                           | <u>Page<br/>Number</u> |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
|                           | Certificate of Board .....                                                                                                                                                                                                | ii                     |
|                           | <b>FINANCIAL SECTION</b>                                                                                                                                                                                                  |                        |
|                           | Independent Auditors' Report .....                                                                                                                                                                                        | 2                      |
|                           | Management's Discussion and Analysis .....                                                                                                                                                                                | 4                      |
|                           | <b>Basic Financial Statements:</b>                                                                                                                                                                                        |                        |
|                           | Government-wide Financial Statements:                                                                                                                                                                                     |                        |
| A-1                       | Statement of Net Assets .....                                                                                                                                                                                             | 10                     |
| B-1                       | Statement of Activities .....                                                                                                                                                                                             | 11                     |
|                           | Fund Financial Statements:                                                                                                                                                                                                |                        |
| C-1                       | Balance Sheet - Governmental Funds .....                                                                                                                                                                                  | 12                     |
| C-1R                      | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....                                                                                                                               | 15                     |
| C-2                       | Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....                                                                                                                              | 16                     |
| C-3                       | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund<br>Balances of Governmental Funds to the Statement of Activities .....                                                                     | 18                     |
| C-4                       | Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis)<br>and Actual - General Fund .....                                                                                                 | 19                     |
| E-1                       | Statement of Fiduciary Assets and Liabilities - Fiduciary Funds .....                                                                                                                                                     | 20                     |
|                           | Notes to the Financial Statements .....                                                                                                                                                                                   | 21                     |
|                           | <b>Other Supplementary Information:</b>                                                                                                                                                                                   |                        |
| J-1                       | Schedule of Delinquent Taxes Receivable .....                                                                                                                                                                             | 36                     |
| J-2                       | Schedule of Expenditures for Computation of Indirect Cost for 2013-2014 .....                                                                                                                                             | 38                     |
| J-3                       | Budgetary Comparison Schedule - National School Breakfast and Lunch Program .....                                                                                                                                         | 39                     |
| J-4                       | Budgetary Comparison Schedule - Debt Service Fund .....                                                                                                                                                                   | 40                     |
|                           | <b>Overall Compliance, Internal Control Section and Federal Awards:</b>                                                                                                                                                   |                        |
|                           | Report on Internal Control over Financial Reporting and on Compliance and Other<br>Matters Based on an Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> .....           | 42                     |
|                           | Independent Auditors' Report on Compliance with Requirements that could have a Direct<br>and Material Effect on Each Major Program and on Internal Control over Compliance in<br>Accordance with OMB Circular A-133 ..... | 44                     |
|                           | Schedule of Findings and Questioned Costs .....                                                                                                                                                                           | 46                     |
|                           | Summary Schedule of Prior Audit Findings .....                                                                                                                                                                            | 48                     |
|                           | Corrective Action Plan .....                                                                                                                                                                                              | 49                     |
| K-1                       | Schedule of Expenditures of Federal Awards .....                                                                                                                                                                          | 50                     |
|                           | Notes to Schedule of Expenditures of Federal Awards .....                                                                                                                                                                 | 51                     |
| L-1                       | Schedule of Required Responses to Selected School First Indicators .....                                                                                                                                                  | 53                     |

## CERTIFICATE OF BOARD

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**

Name of School

**DALLAS**

County

**057-910**

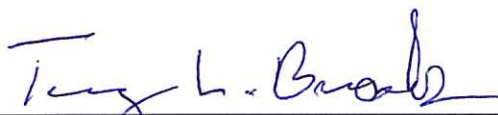
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and

**[X] APPROVED --- [ ] DISAPPROVED**

(Check One)

for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the 10th day of January, 2013.

  
\_\_\_\_\_  
SIGNATURE OF BOARD SECRETARY  
\_\_\_\_\_  
SIGNATURE OF BOARD PRESIDENT

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

## **FINANCIAL SECTION**

# HLSK

*Hereford, Lynch, Sellars & Kirkham*

Certified Public Accountants • A Professional Corporation

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Conroe, Texas 77304  
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111 East Boothe  
Cleveland, Texas 77327  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Grand Prairie Independent School District  
2602 S. Beltline Road  
Grand Prairie, Texas 75052

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Prairie Independent School District (District), as of and for the year ended August 31, 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 District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying other supplementary information, including the schedule of required responses to selected school first indicators, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The other supplementary information, including the schedule of required responses to selected school first indicators and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

*Hereford, Lynch, Sellars & Kirkham, P.C.*

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.**  
**Certified Public Accountants**

**Conroe, Texas**  
**January 2, 2013**

## Management's Discussion and Analysis

As management of the Grand Prairie Independent School District ("the District"), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2012. (In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable and claims payable of the District's self-insured workers' compensation program.)

### Financial Highlights

- Governmental Activities assets exceeded liabilities at year-end by \$27,688,652.
- The District's total net assets increased by \$16,850,834.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$69,665,670, a decrease of \$23,598,769 as compared to the preceding year.
- At the end of the year, unassigned fund balance of the general fund was \$41,947,868, or 24 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$14,300,208 (3 percent) during the year.

### Overview of the Financial Statements

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

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

The *Statement of Net Assets* (Exhibit A-1) presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net assets changed during the year. Changes in net assets are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Current Debt Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements, Payments to Juvenile Justice Alternative Education Programs, Payments to Tax Increment Fund, and Other Intergovernmental Charges*.

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

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

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained thirty-eight individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other thirty-five governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs and activities. A statement of fiduciary assets and liabilities is the only financial statement presented for fiduciary funds, as noted in the table of contents of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report presents other supplementary information, including schedules required by the Texas Education Agency. Other supplementary information is noted in the table of contents of this report.

### Government-wide Financial Analysis

As mentioned earlier, net assets may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets exceeded liabilities in the amount of \$27,688,652, an increase of \$16,850,834 over the preceding year.

### GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

|                                                    | Governmental Activities |            |                      |            |                      |       |
|----------------------------------------------------|-------------------------|------------|----------------------|------------|----------------------|-------|
|                                                    | 2012                    |            | 2011                 |            | Increase (Decrease)  |       |
|                                                    | Amount                  | %          | Amount               | %          | Amount               | %     |
| Current and Other Assets                           | \$ 91,072,598           | 17         | \$ 115,278,966       | 21         | \$ (24,206,368)      | (21)  |
| Capital Assets, net of Depreciation                | 458,207,617             | 83         | 432,529,555          | 79         | 25,678,062           | 6     |
| <b>Total Assets</b>                                | <b>549,280,215</b>      | <b>100</b> | <b>547,808,521</b>   | <b>100</b> | <b>1,471,694</b>     |       |
| Noncurrent Liabilities Outstanding                 | 506,759,785             | 97         | 521,558,726          | 97         | (14,798,941)         | (3)   |
| Other Liabilities                                  | 14,831,778              | 3          | 15,411,977           | 3          | (580,199)            | (4)   |
| <b>Total Liabilities</b>                           | <b>521,591,563</b>      | <b>100</b> | <b>536,970,703</b>   | <b>100</b> | <b>(15,379,140)</b>  |       |
| <b>Net Assets:</b>                                 |                         |            |                      |            |                      |       |
| Invested in Capital Assets,<br>net of Related Debt | (1,937,419)             | (7)        | 68,895,551           | 636        | (70,832,970)         | (103) |
| Restricted                                         | 10,000                  | -          | 10,000               | -          | -                    | -     |
| Unrestricted (Deficit)                             | 29,616,071              | 107        | (58,067,733)         | (536)      | 87,683,804           | (151) |
| <b>Total Net Assets</b>                            | <b>\$ 27,688,652</b>    | <b>100</b> | <b>\$ 10,837,818</b> | <b>100</b> | <b>\$ 16,850,834</b> |       |

Restricted net assets totaled \$10,000 were restricted for scholarships to students graduating from the District.

The District's invested in capital assets (e.g., land, buildings and improvements, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding totaled \$(1,937,419). The District uses these capital assets to provide services to students; 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.

The remaining balance, *unrestricted net assets* \$29,616,071, may be used to meet future obligations to students and creditors.

**Governmental activities.** Governmental activities increased the District's net assets by \$16,850,834. The elements giving rise to this change may be determined from the table below.

#### GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

|                                                              | Governmental Activities |            |                      |            |                      |       |
|--------------------------------------------------------------|-------------------------|------------|----------------------|------------|----------------------|-------|
|                                                              | 2012                    |            | 2011                 |            | Increase (Decrease)  |       |
|                                                              | Amount                  | %          | Amount               | %          | Amount               | %     |
| <b>Revenue:</b>                                              |                         |            |                      |            |                      |       |
| Program Revenues:                                            |                         |            |                      |            |                      |       |
| Charges for Services                                         | \$ 4,786,812            | 2          | \$ 3,604,321         | 1          | \$ 1,182,491         | 33    |
| Operating Grants and Contributions                           | 54,298,985              | 21         | 70,967,139           | 28         | (16,668,154)         | (23)  |
| General Revenues:                                            |                         |            |                      |            |                      |       |
| Property Taxes, Levied for General Purpose                   | 50,514,674              | 19         | 51,125,698           | 19         | (611,024)            | (1)   |
| Property Taxes, Levied for Debt Service                      | 20,549,988              | 8          | 20,864,438           | 8          | (314,450)            | (2)   |
| Grants and Contributions Not Restricted to Specific Programs | 130,134,362             | 49         | 116,886,465          | 44         | 13,247,897           | 11    |
| Investment Earnings                                          | 158,844                 | -          | 88,347               | -          | 70,497               | 80    |
| Miscellaneous                                                | 1,727,119               | 1          | 77,180               | -          | 1,649,939            | 2,138 |
| <b>Total Revenues</b>                                        | <b>262,170,784</b>      | <b>100</b> | <b>263,613,588</b>   | <b>100</b> | <b>(1,442,804)</b>   |       |
| <b>Expenses:</b>                                             |                         |            |                      |            |                      |       |
| Instruction                                                  | 126,213,019             | 53         | 131,540,831          | 52         | (5,327,812)          | (4)   |
| Instructional Resources and Media Services                   | 2,597,450               | 1          | 3,495,058            | 1          | (897,608)            | (26)  |
| Curriculum and Staff Development                             | 5,722,171               | 2          | 3,930,432            | 2          | 1,791,739            | 46    |
| Instructional Leadership                                     | 3,177,293               | 1          | 3,924,656            | 2          | (747,363)            | (19)  |
| School Leadership                                            | 14,284,628              | 6          | 12,862,024           | 5          | 1,422,604            | 11    |
| Guidance, Counseling, and Evaluation Services                | 9,751,608               | 4          | 10,430,569           | 4          | (678,961)            | (7)   |
| Social Work Services                                         | 681,870                 | -          | 795,430              | -          | (113,560)            | (14)  |
| Health Services                                              | 2,715,087               | 1          | 2,681,263            | 1          | 33,824               | 1     |
| Student Transportation                                       | 3,780,221               | 2          | 3,639,838            | 1          | 140,383              | 4     |
| Food Service                                                 | 12,597,959              | 5          | 12,948,004           | 5          | (350,045)            | (3)   |
| Extracurricular Activities                                   | 5,644,132               | 2          | 6,618,071            | 3          | (973,939)            | (15)  |
| General Administration                                       | 4,652,733               | 2          | 5,507,453            | 2          | (854,720)            | (16)  |
| Plant Maintenance and Operations                             | 20,242,255              | 8          | 23,116,198           | 9          | (2,873,943)          | (12)  |
| Security and Monitoring Services                             | 892,431                 | -          | 1,001,951            | -          | (109,520)            | (11)  |
| Data Processing Services                                     | 2,532,381               | 1          | 2,558,252            | 1          | (25,871)             | (1)   |
| Community Services                                           | 2,207,584               | 1          | 2,144,967            | 1          | 62,617               | 3     |
| Interest on Long-term Debt                                   | 23,480,781              | 10         | 24,840,682           | 10         | (1,359,901)          | (5)   |
| Current Debt Fees                                            | 623,575                 | -          | 202,620              | -          | 420,955              | 208   |
| Facilities Repair and Maintenance                            | -                       | -          | 206,047              | -          | (206,047)            | (100) |
| Payments Related to Shared Services Arrangements             | 215,000                 | -          | 118,500              | -          | 96,500               | 81    |
| Payments to Juvenile Justice Alternative Education Programs  | 127,338                 | -          | 78,318               | -          | 49,020               | 63    |
| Payments to Tax Increment Fund                               | 2,896,669               | 1          | 3,046,048            | 1          | (149,379)            | (5)   |
| Other Intergovernmental Charges                              | 283,765                 | -          | 275,696              | -          | 8,069                | 3     |
| <b>Total Expenses</b>                                        | <b>245,319,950</b>      | <b>100</b> | <b>255,962,908</b>   | <b>100</b> | <b>(10,642,958)</b>  |       |
| Change in Net Assets                                         | 16,850,834              |            | 7,650,680            |            | 9,200,154            |       |
| Net Assets - Beginning                                       | 10,837,818              |            | (263,402)            |            | 11,101,220           |       |
| Prior Period Adjustments                                     | -                       |            | 3,450,540            |            | (3,450,540)          |       |
| <b>Net Assets - Ending</b>                                   | <b>\$ 27,688,652</b>    |            | <b>\$ 10,837,818</b> |            | <b>\$ 16,850,834</b> |       |

The increase in governmental activities net assets was primarily the result of decreases in expenditures related to instruction, plant maintenance and operations, and interest on long-term debt.

Revenues, aggregating \$262,170,784, were generated primarily from two sources. Property taxes \$71,064,662 represent 27 percent of total revenues while grants and contributions (including those not restricted for program-specific use as well as for general operations, totaling \$184,433,347), represent 70 percent of total revenues. The remaining 3 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is *Instruction* \$126,213,019, which represents 53 percent of total expenses, while all remaining expense categories are 10 percent or less of total expenses.

## Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$69,665,670, a decrease of \$23,598,769 from the preceding year. Comments as to each individual fund's change in fund balance follow.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$41,947,868, while total fund balance was \$44,182,514. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24 percent of total general fund expenditures, while total fund balance represents 25 percent of that same total. The fund balance of the general fund increased \$15,537,256 during the year from current activities, primarily due to the increase in state revenues and decreases in general administrative expenditures.

The debt service fund ending fund balance of \$14,275,272 is reserved for the payment of principal and interest on debt. The debt service fund balance decreased \$2,794,284 during the year, primarily due to the increases in debt requirements.

The capital projects fund ending fund balance of \$7,488,765 is reserved for capital expenditures. The net decrease in fund balance during the current year in the capital projects fund was \$37,047,403. The decrease was due to expenditure of funds as authorized per the bond issue.

Governmental funds financial statements may be found by referring to the table of contents.

## General Fund Budgetary Highlights

Differences between the originally-adopted budget and the final amended budget of the general fund were to increase appropriations \$8,532,994. The most significant changes were to increase appropriations for curriculum and staff development, instructional and school leadership, plant maintenance and operations, and facilities acquisition and construction. Amendments were approved by the governing body.

There were no significant variations between the final appropriations and actual expenditures.

## Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2012 was \$458,207,617 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The increase in net investment in capital assets for governmental activities for the current fiscal year was \$25,678,062.

Major capital asset activity during the year included the following:

- An addition of \$19,250,875 in construction in progress to build school buildings and renovate and equip such school buildings.

**Commitments.** At the end of the current fiscal year, the District's commitments with construction contractors totaled \$24,594,242.

## GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS (net of depreciation)

|                            | Governmental Activities |            |                       |            |                      |       |
|----------------------------|-------------------------|------------|-----------------------|------------|----------------------|-------|
|                            | 2012                    |            | 2011                  |            | Increase (Decrease)  |       |
|                            | Amount                  | %          | Amount                | %          | Amount               | %     |
| Land                       | \$ 18,499,088           | 4          | \$ 18,499,088         | 4          | \$ -                 | -     |
| Buildings and Improvements | 408,737,358             | 90         | 404,135,623           | 94         | 4,601,735            | 1     |
| Furniture and Equipment    | 10,818,503              | 2          | 8,993,051             | 2          | 1,825,452            | 20    |
| Construction in Progress   | 20,152,668              | 4          | 901,793               | -          | 19,250,875           | 2,135 |
| <b>Totals</b>              | <b>\$ 458,207,617</b>   | <b>100</b> | <b>\$ 432,529,555</b> | <b>100</b> | <b>\$ 25,678,062</b> |       |

Additional information on the District's capital assets can be found in the notes to the financial statements per the table of contents.

**Noncurrent Liabilities.** At year-end, the District had a liability for bonded debt of \$503,824,214. The debt is supported by the full faith and credit of the District, as further guaranteed by the Permanent School Fund of the State of Texas. Other long-term obligations, representing claims expense of the self-funded workers' compensation program of \$2,776,321 and compensated absences of \$159,250.

#### GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT'S OUTSTANDING NONCURRENT LIABILITIES

|                                | Governmental Activities |            |                       |            |                        |      |
|--------------------------------|-------------------------|------------|-----------------------|------------|------------------------|------|
|                                | 2012                    |            | 2011                  |            | Increase (Decrease)    |      |
|                                | Amount                  | %          | Amount                | %          | Amount                 | %    |
| General Obligation Bonds (Net) | \$ 503,824,214          | 99         | \$ 518,124,422        | 99         | \$ (14,300,208)        | (3)  |
| Workers' Compensation Claims   | 2,776,321               | 1          | 3,224,644             | 1          | (448,323)              | (14) |
| Compensated Absences           | 159,250                 | -          | 209,660               | -          | (50,410)               | (24) |
| <b>Totals</b>                  | <b>\$ 506,759,785</b>   | <b>100</b> | <b>\$ 521,558,726</b> | <b>100</b> | <b>\$ (14,798,941)</b> |      |

The District's total bonded debt decreased by \$14,300,208. The key factor was the issuance of new debt.

The District received an "AAA" rating by Standard and Poor's and "AAA" rating by Fitch for the Series 2012 general obligation debt, which reflected the guarantee of the State of Texas Permanent School Fund in December 2012.

State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found as noted in the notes to the financial statements per the table of contents of this report.

#### Economic and Other Factors and Fiscal Year 2011-12 Budgets

- School year (2012-13) student enrollment is 26,912.
- District staff totals 3,240 employees in 2012-13, excluding substitutes and other part-time employees, which consist of 1,736 teachers and 293 are teacher aides and secretaries.
- The District maintains thirty-eight regular education campuses.
- The unemployment rate for the County is currently 7.4 percent, which is favorable compared to 8.8 percent a year ago. This compares unfavorably to the state's average unemployment rate of 7.1 percent, which was 8.4 percent a year ago.
- Property values of the District are projected to remain stable for the 2012-13 year.
- A maintenance and operations tax rate of \$1.04 and a debt service tax rate of \$.425, a total rate of \$1.465 was adopted for 2012-13.

All of these factors and others were considered in preparing the District's budget for the 2012-13 fiscal year.

During 2011-12, fund balance in the general fund increased to \$44,182,514. Due to the uncertainty of state school funding, the District plans to set-aside these additional funds to ensure operating expenses are met in the 2012-13 and 2013-14 fiscal years.

#### Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Business Operations, Grand Prairie Independent School District, 2602 S. Beltline Rd. Grand Prairie, Texas 75052.

## **BASIC FINANCIAL STATEMENTS**

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

AUGUST 31, 2012

EXHIBIT A-1

1

Data  
Control  
Codes

Governmental  
Activities

### ASSETS:

|                 |                                            |    |                    |
|-----------------|--------------------------------------------|----|--------------------|
| 1110            | Cash and Cash Equivalents                  | \$ | 1,119,520          |
| 1120            | Current Investments                        |    | 75,594,222         |
| 1225            | Property Taxes Receivables (Net)           |    | 4,091,201          |
| 1240            | Due from Other Governments                 |    | 3,717,984          |
| 1267            | Due from Fiduciary                         |    | 5,609              |
| 1300            | Inventories                                |    | 599,263            |
| 1410            | Prepaid Items                              |    | 2,678,713          |
| 1420            | Capital Bond and Other Debt Issuance Costs |    | 3,256,086          |
| Capital Assets: |                                            |    |                    |
| 1510            | Land                                       |    | 18,499,088         |
| 1520            | Buildings and Improvements (Net)           |    | 408,737,358        |
| 1530            | Furniture and Equipment (Net)              |    | 10,818,503         |
| 1580            | Construction in Progress                   |    | 20,152,668         |
| 1800            | Restricted Assets                          |    | 10,000             |
| 1000            | Total Assets                               |    | <u>549,280,215</u> |

### LIABILITIES:

|                         |                           |  |                    |
|-------------------------|---------------------------|--|--------------------|
| 2110                    | Accounts Payable          |  | 6,983,662          |
| 2140                    | Interest Payable          |  | 772,137            |
| 2165                    | Accrued Liabilities       |  | 5,126,822          |
| 2180                    | Due to Other Governments  |  | 526,944            |
| 2200                    | Accrued Expenditures      |  | 939,907            |
| 2300                    | Unearned Revenue          |  | 482,306            |
| Noncurrent Liabilities: |                           |  |                    |
| 2501                    | Due Within One Year       |  | 16,666,504         |
| 2502                    | Due in More Than One Year |  | 490,093,281        |
| 2000                    | Total Liabilities         |  | <u>521,591,563</u> |

### NET ASSETS

|      |                                                  |    |                   |
|------|--------------------------------------------------|----|-------------------|
| 3200 | Invested in Capital Assets (Net of Related Debt) |    | (1,937,419)       |
| 3880 | Restricted for Scholarships                      |    | 10,000            |
| 3900 | Unrestricted                                     |    | 29,616,071        |
| 3000 | Total Net Assets                                 | \$ | <u>27,688,652</u> |

The accompanying notes are an integral part of this statement.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT B-1

| Data<br>Control<br>Codes | Functions/Programs                                           | 1                     | 3                       | 4                                                            | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--------------------------|--------------------------------------------------------------|-----------------------|-------------------------|--------------------------------------------------------------|----------------------------------------------------------|
|                          |                                                              | Expenses              | Charges for<br>Services | Program Revenues<br>Operating<br>Grants and<br>Contributions | Governmental<br>Activities                               |
|                          | Governmental Activities:                                     |                       |                         |                                                              |                                                          |
| 0011                     | Instruction                                                  | \$ 126,213,019        | \$ 864,527              | \$ 12,967,698                                                | \$ (112,380,794)                                         |
| 0012                     | Instructional Resources and Media Services                   | 2,597,450             | 18,450                  | 1,324,788                                                    | (1,254,212)                                              |
| 0013                     | Curriculum and Staff Development                             | 5,722,171             | 549                     | 4,533,743                                                    | (1,187,879)                                              |
| 0021                     | Instructional Leadership                                     | 3,177,293             | 7,204                   | 713,952                                                      | (2,456,137)                                              |
| 0023                     | School Leadership                                            | 14,284,628            | 615,198                 | 860,401                                                      | (12,809,029)                                             |
| 0031                     | Guidance, Counseling, and Evaluation Services                | 9,751,608             | -                       | 2,292,589                                                    | (7,459,019)                                              |
| 0032                     | Social Work Services                                         | 681,870               | -                       | 510,006                                                      | (171,864)                                                |
| 0033                     | Health Services                                              | 2,715,087             | -                       | 1,303,292                                                    | (1,411,795)                                              |
| 0034                     | Student Transportation                                       | 3,780,221             | -                       | 475,763                                                      | (3,304,458)                                              |
| 0035                     | Food Service                                                 | 12,597,959            | 2,684,836               | 10,880,950                                                   | 967,827                                                  |
| 0036                     | Extracurricular Activities                                   | 5,644,132             | 299,234                 | 116,033                                                      | (5,228,865)                                              |
| 0041                     | General Administration                                       | 4,652,733             | -                       | 609,039                                                      | (4,043,694)                                              |
| 0051                     | Plant Maintenance and Operations                             | 20,242,255            | 283,177                 | 647,377                                                      | (19,311,701)                                             |
| 0052                     | Security and Monitoring Services                             | 892,431               | -                       | 2,293                                                        | (890,138)                                                |
| 0053                     | Data Processing Services                                     | 2,532,381             | -                       | 179,392                                                      | (2,352,989)                                              |
| 0061                     | Community Services                                           | 2,207,584             | 13,637                  | 880,562                                                      | (1,313,385)                                              |
| 0072                     | Interest on Long-term Debt                                   | 23,480,781            | -                       | 15,786,107                                                   | (7,694,674)                                              |
| 0073                     | Current Debt Fees                                            | 623,575               | -                       | -                                                            | (623,575)                                                |
| 0093                     | Payments Related to Shared Services Arrangements             | 215,000               | -                       | 215,000                                                      | -                                                        |
| 0095                     | Payments to Juvenile Justice Alternative Education Programs  | 127,338               | -                       | -                                                            | (127,338)                                                |
| 0097                     | Payments to Tax Increment Fund                               | 2,896,669             | -                       | -                                                            | (2,896,669)                                              |
| 0099                     | Other Intergovernmental Charges                              | 283,765               | -                       | -                                                            | (283,765)                                                |
| TG                       | Total Governmental Activities                                | <u>245,319,950</u>    | <u>4,786,812</u>        | <u>54,298,985</u>                                            | <u>(186,234,153)</u>                                     |
| TP                       | Total Primary Government                                     | <u>\$ 245,319,950</u> | <u>\$ 4,786,812</u>     | <u>\$ 54,298,985</u>                                         | <u>(186,234,153)</u>                                     |
| General Revenues:        |                                                              |                       |                         |                                                              |                                                          |
| MT                       | Property Taxes, Levied for General Purposes                  |                       |                         |                                                              | 50,514,674                                               |
| DT                       | Property Taxes, Levied for Debt Services                     |                       |                         |                                                              | 20,549,988                                               |
| GC                       | Grants and Contributions Not Restricted to Specific Programs |                       |                         |                                                              | 130,134,362                                              |
| IE                       | Investment Earnings                                          |                       |                         |                                                              | 158,844                                                  |
| MI                       | Miscellaneous                                                |                       |                         |                                                              | 1,727,119                                                |
| TR                       | Total General Revenues                                       |                       |                         |                                                              | <u>203,084,987</u>                                       |
| CN                       | Change in Net Assets                                         |                       |                         |                                                              | 16,850,834                                               |
| NB                       | Net Assets - Beginning                                       |                       |                         |                                                              | 10,837,818                                               |
| NE                       | Net Assets - Ending                                          |                       |                         |                                                              | <u>\$ 27,688,652</u>                                     |

The accompanying notes are an integral part of this statement.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

| Data<br>Control<br>Codes                                           | 199                  | 599                  |
|--------------------------------------------------------------------|----------------------|----------------------|
|                                                                    | General Fund         | Debt Service<br>Fund |
| <b>ASSETS:</b>                                                     |                      |                      |
| 1110 Cash and Cash Equivalents                                     | \$ 389,392           | \$ 3,617             |
| 1120 Current Investments                                           | 46,191,774           | 14,798,599           |
| 1225 Taxes Receivable (Net)                                        | 3,073,141            | 1,018,060            |
| 1240 Due from Other Governments                                    | 2,320,460            | -                    |
| 1260 Due from Other Funds                                          | 1,907,059            | -                    |
| 1300 Inventories                                                   | 241,988              | -                    |
| 1410 Prepaid Items                                                 | 1,992,658            | -                    |
| 1800 Restricted Assets                                             | -                    | -                    |
| 1000 Total Assets                                                  | <u>\$ 56,116,472</u> | <u>\$ 15,820,276</u> |
| <b>LIABILITIES:</b>                                                |                      |                      |
| Current Liabilities:                                               |                      |                      |
| 2110 Accounts Payable                                              | \$ 332,452           | \$ -                 |
| 2160 Accrued Wages Payable                                         | 4,965,003            | -                    |
| 2170 Due to Other Funds                                            | 3,551,914            | -                    |
| 2180 Due to Other Governments                                      | -                    | 526,944              |
| 2200 Accrued Expenditures                                          | -                    | -                    |
| 2300 Deferred Revenue                                              | 3,084,589            | 1,018,060            |
| 2000 Total Liabilities                                             | <u>11,933,958</u>    | <u>1,545,004</u>     |
| <b>FUND BALANCES:</b>                                              |                      |                      |
| 3410 Non-Spendable - Inventories                                   | 241,988              | -                    |
| 3430 Non-Spendable - Prepaid Items                                 | 1,992,658            | -                    |
| 3450 Restricted - Grant Funds                                      | -                    | -                    |
| 3470 Restricted - Capital Acquisitions and Contractual Obligations | -                    | -                    |
| 3480 Restricted - Debt Service                                     | -                    | 14,275,272           |
| 3545 Committed - Other                                             | -                    | -                    |
| 3600 Unassigned                                                    | 41,947,868           | -                    |
| 3000 Total Fund Balances                                           | <u>44,182,514</u>    | <u>14,275,272</u>    |
| 4000 Total Liabilities and Fund Balances                           | <u>\$ 56,116,472</u> | <u>\$ 15,820,276</u> |

The accompanying notes are an integral part of this statement.

| 699                      | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|--------------------------|--------------------------------|--------------------------------------|
| Capital<br>Projects Fund |                                |                                      |
| \$ 27,710                | \$ 698,801                     | \$ 1,119,520                         |
| 14,603,849               | -                              | 75,594,222                           |
| -                        | -                              | 4,091,201                            |
| -                        | 1,397,524                      | 3,717,984                            |
| -                        | 1,673,470                      | 3,580,529                            |
| -                        | 357,275                        | 599,263                              |
| -                        | 686,055                        | 2,678,713                            |
| -                        | 10,000                         | 10,000                               |
| <u>\$ 14,631,559</u>     | <u>\$ 4,823,125</u>            | <u>\$ 91,391,432</u>                 |
| <br>                     |                                |                                      |
| \$ 6,202,787             | \$ 448,423                     | \$ 6,983,662                         |
| -                        | 161,819                        | 5,126,822                            |
| 100                      | 22,906                         | 3,574,920                            |
| -                        | -                              | 526,944                              |
| 939,907                  | -                              | 939,907                              |
| -                        | 470,858                        | 4,573,507                            |
| <u>7,142,794</u>         | <u>1,104,006</u>               | <u>21,725,762</u>                    |
| <br>                     |                                |                                      |
| -                        | -                              | 241,988                              |
| -                        | 686,055                        | 2,678,713                            |
| -                        | 10,000                         | 10,000                               |
| 7,488,765                | -                              | 7,488,765                            |
| -                        | -                              | 14,275,272                           |
| -                        | 3,023,064                      | 3,023,064                            |
| -                        | -                              | 41,947,868                           |
| <u>7,488,765</u>         | <u>3,719,119</u>               | <u>69,665,670</u>                    |
| <br>                     |                                |                                      |
| <u>\$ 14,631,559</u>     | <u>\$ 4,823,125</u>            | <u>\$ 91,391,432</u>                 |

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**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AUGUST 31, 2012**

**EXHIBIT C-1R**

**Total Fund Balances - Governmental Funds (Exhibit C-1)** **\$ 69,665,670**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

|                                                         |                |             |
|---------------------------------------------------------|----------------|-------------|
| Governmental Capital Assets Costs                       | \$ 641,968,828 |             |
| Accumulated Depreciation of Governmental Capital Assets | (183,761,211)  | 458,207,617 |

|                                                                                                                                                                             |           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. | 4,091,201 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                               |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Issuance cost related to debt is not a financial resource and, therefore, is not reported in the funds. Issuance cost is amortized over the life of the debt. | 3,256,086 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

|                                |                  |               |
|--------------------------------|------------------|---------------|
| Bonds Payable, at Original Par | \$ (467,045,764) |               |
| Premium on Bonds Payable       | (10,925,267)     |               |
| Discount on Bonds Payable      | 734,925          |               |
| Accreted Interest              | (36,190,413)     |               |
| Defeasance Costs               | 9,602,305        |               |
| Accrued Interest on the Bonds  | (772,137)        |               |
| Workers' Compensation          | (2,776,321)      |               |
| Compensated Absences           | (159,250)        | (507,531,922) |

**Total Net Assets - Governmental Activities (Exhibit A-1)** **\$ 27,688,652**

The accompanying notes are an integral part of this statement.

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

|                                 |                                                             | 199           | 599               |
|---------------------------------|-------------------------------------------------------------|---------------|-------------------|
| Data Control Codes              |                                                             | General Fund  | Debt Service Fund |
| REVENUES:                       |                                                             |               |                   |
| 5700                            | Local and Intermediate Sources                              | \$ 52,149,547 | \$ 20,559,162     |
| 5800                            | State Program Revenues                                      | 133,602,026   | 15,786,107        |
| 5900                            | Federal Program Revenues                                    | 4,942,238     | -                 |
| 5020                            | Total Revenues                                              | 190,693,811   | 36,345,269        |
| EXPENDITURES:                   |                                                             |               |                   |
| Current:                        |                                                             |               |                   |
| 0011                            | Instruction                                                 | 107,925,253   | -                 |
| 0012                            | Instructional Resources and Media Services                  | 1,320,045     | -                 |
| 0013                            | Curriculum and Staff Development                            | 1,251,341     | -                 |
| 0021                            | Instructional Leadership                                    | 2,611,512     | -                 |
| 0023                            | School Leadership                                           | 13,245,925    | -                 |
| 0031                            | Guidance, Counseling, and Evaluation Services               | 7,931,256     | -                 |
| 0032                            | Social Work Services                                        | 184,424       | -                 |
| 0033                            | Health Services                                             | 1,497,667     | -                 |
| 0034                            | Student Transportation                                      | 2,975,167     | -                 |
| 0035                            | Food Service                                                | -             | -                 |
| 0036                            | Extracurricular Activities                                  | 3,520,034     | -                 |
| 0041                            | General Administration                                      | 4,579,195     | -                 |
| 0051                            | Plant Maintenance and Operations                            | 19,403,320    | -                 |
| 0052                            | Security and Monitoring Services                            | 889,700       | -                 |
| 0053                            | Data Processing Services                                    | 2,547,170     | -                 |
| 0061                            | Community Services                                          | 1,395,858     | -                 |
| Debt Service:                   |                                                             |               |                   |
| 0071                            | Principal on Long-term Debt                                 | -             | 16,248,526        |
| 0072                            | Interest on Long-term Debt                                  | -             | 22,168,502        |
| 0073                            | Issuance Costs and Fees                                     | -             | 611,271           |
| Capital Outlay:                 |                                                             |               |                   |
| 0081                            | Facilities Acquisition and Construction                     | 1,560,100     | -                 |
| Intergovernmental:              |                                                             |               |                   |
| 0093                            | Payments to Shared Services Arrangements                    | -             | -                 |
| 0095                            | Payments to Juvenile Justice Alternative Education Programs | 127,338       | -                 |
| 0097                            | Payments to Tax Increment Fund                              | 2,196,632     | 700,037           |
| 0099                            | Other Intergovernmental Charges                             | 283,765       | -                 |
| 6030                            | Total Expenditures                                          | 175,445,702   | 39,728,336        |
| 1100                            | Excess (Deficiency) of Revenues Over (Under)                |               |                   |
| 1100                            | Expenditures                                                | 15,248,109    | (3,383,067)       |
| OTHER FINANCING SOURCES (USES): |                                                             |               |                   |
| 7911                            | Capital-related Debt Issued (Regular Bonds)                 | -             | 55,805,000        |
| 7915                            | Transfers In                                                | 289,147       | -                 |
| 7916                            | Premium or Discount on Issuance of Bonds                    | -             | 5,862,552         |
| 8911                            | Transfers Out                                               | -             | -                 |
| 8949                            | Other Uses                                                  | -             | (61,078,769)      |
| 7080                            | Total Other Financing Sources (Uses)                        | 289,147       | 588,783           |
| 1200                            | Net Change in Fund Balances                                 | 15,537,256    | (2,794,284)       |
| 0100                            | Fund Balances - Beginning                                   | 28,645,258    | 17,069,556        |
| 3000                            | Fund Balances - Ending                                      | \$ 44,182,514 | \$ 14,275,272     |

The accompanying notes are an integral part of this statement.

| 699                      | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|--------------------------|--------------------------------|--------------------------------------|
| Capital<br>Projects Fund |                                |                                      |
| \$ 88,794                | \$ 3,457,774                   | \$ 76,255,277                        |
| -                        | 2,417,046                      | 151,805,179                          |
| -                        | 27,685,930                     | 32,628,168                           |
| <u>88,794</u>            | <u>33,560,750</u>              | <u>260,688,624</u>                   |
| 262,890                  | 7,788,738                      | 115,976,881                          |
| -                        | 1,284,190                      | 2,604,235                            |
| -                        | 4,486,590                      | 5,737,931                            |
| -                        | 574,391                        | 3,185,903                            |
| -                        | 626,097                        | 13,872,022                           |
| -                        | 1,931,604                      | 9,862,860                            |
| -                        | 499,369                        | 683,793                              |
| -                        | 1,224,888                      | 2,722,555                            |
| 1,497,537                | 314,786                        | 4,787,490                            |
| -                        | 12,692,872                     | 12,692,872                           |
| -                        | 10,356                         | 3,530,390                            |
| -                        | -                              | 4,579,195                            |
| 1,063,757                | 360                            | 20,467,437                           |
| -                        | -                              | 889,700                              |
| 1,437,402                | 90,169                         | 4,074,741                            |
| -                        | 826,531                        | 2,222,389                            |
| -                        | -                              | 16,248,526                           |
| -                        | -                              | 22,168,502                           |
| -                        | -                              | 611,271                              |
| 32,874,611               | -                              | 34,434,711                           |
| -                        | 215,000                        | 215,000                              |
| -                        | -                              | 127,338                              |
| -                        | -                              | 2,896,669                            |
| -                        | -                              | 283,765                              |
| <u>37,136,197</u>        | <u>32,565,941</u>              | <u>284,876,176</u>                   |
| (37,047,403)             | 994,809                        | (24,187,552)                         |
| -                        | -                              | 55,805,000                           |
| -                        | -                              | 289,147                              |
| -                        | -                              | 5,862,552                            |
| -                        | (289,147)                      | (289,147)                            |
| -                        | -                              | (61,078,769)                         |
| <u>-</u>                 | <u>(289,147)</u>               | <u>588,783</u>                       |
| (37,047,403)             | 705,662                        | (23,598,769)                         |
| 44,536,168               | 3,013,457                      | 93,264,439                           |
| <u>\$ 7,488,765</u>      | <u>\$ 3,719,119</u>            | <u>\$ 69,665,670</u>                 |

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT****EXHIBIT C-3****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2012****Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)****\$ (23,598,769)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

|                                 |                     |            |
|---------------------------------|---------------------|------------|
| Capital Assets <i>increased</i> | \$ 39,366,144       |            |
| Depreciation Expense            | <u>(15,232,594)</u> | 24,133,550 |

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is a increase (decrease) to net assets. 1,544,512

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (62,352)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

|                                      |                  |         |
|--------------------------------------|------------------|---------|
| Bond Issuance Costs <i>increased</i> | \$ 586,135       |         |
| Amortization of Issuance Costs       | <u>(204,069)</u> | 382,066 |

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

|                    |                    |              |
|--------------------|--------------------|--------------|
| Par Value          | \$ (55,805,000)    |              |
| (Premium) Discount | <u>(5,862,552)</u> | (61,667,552) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 16,248,526

Payments to escrow agent to refund bonds from refunding proceeds. 61,078,769

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consist of the following:

|                                                                     |                  |             |
|---------------------------------------------------------------------|------------------|-------------|
| Accrued Interest on Current Interest Bonds Payable <i>decreased</i> | \$ 47,256        |             |
| Accreted Interest Paid                                              | 5,116,473        |             |
| Interest Accreted on the Capital Appreciation Bonds                 | (6,970,424)      |             |
| Amortization of Bond Premium and Discount                           | 741,537          |             |
| Amortization of Defeasance Costs                                    | <u>(641,491)</u> | (1,706,649) |

The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 448,323

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 50,410

**Change in Net Assets for Governmental Activities (Exhibit B-1)****\$ 16,850,834**

The accompanying notes are an integral part of this statement.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED AUGUST 31, 2012

| Data<br>Control<br>Codes                      | 1                                                           |    | 2           |    | 3           | Variance with<br>Final Budget<br>Positive<br>(Negative) |             |    |            |
|-----------------------------------------------|-------------------------------------------------------------|----|-------------|----|-------------|---------------------------------------------------------|-------------|----|------------|
|                                               | Budgeted Amounts                                            |    |             |    | Actual      |                                                         |             |    |            |
|                                               | Original                                                    |    | Final       |    |             |                                                         |             |    |            |
| REVENUES:                                     |                                                             |    |             |    |             |                                                         |             |    |            |
| 5700                                          | Local and Intermediate Sources                              | \$ | 51,019,477  | \$ | 51,750,000  | \$                                                      | 52,149,547  | \$ | 399,547    |
| 5800                                          | State Program Revenues                                      |    | 120,566,912 |    | 120,566,912 |                                                         | 133,602,026 |    | 13,035,114 |
| 5900                                          | Federal Program Revenues                                    |    | 515,000     |    | 4,320,000   |                                                         | 4,942,238   |    | 622,238    |
| 5020                                          | Total Revenues                                              |    | 172,101,389 |    | 176,636,912 |                                                         | 190,693,811 |    | 14,056,899 |
| EXPENDITURES:                                 |                                                             |    |             |    |             |                                                         |             |    |            |
| Current:                                      |                                                             |    |             |    |             |                                                         |             |    |            |
| Instruction & Instructional Related Services: |                                                             |    |             |    |             |                                                         |             |    |            |
| 0011                                          | Instruction                                                 |    | 108,063,889 |    | 108,740,038 |                                                         | 107,925,253 |    | 814,785    |
| 0012                                          | Instructional Resources and Media Services                  |    | 2,165,000   |    | 1,499,900   |                                                         | 1,320,045   |    | 179,855    |
| 0013                                          | Curriculum and Staff Development                            |    | 850,000     |    | 1,646,095   |                                                         | 1,251,341   |    | 394,754    |
|                                               | Total Instruction & Instr. Related Services                 |    | 111,078,889 |    | 111,886,033 |                                                         | 110,496,639 |    | 1,389,394  |
| Instructional and School Leadership:          |                                                             |    |             |    |             |                                                         |             |    |            |
| 0021                                          | Instructional Leadership                                    |    | 2,025,000   |    | 3,000,000   |                                                         | 2,611,512   |    | 388,488    |
| 0023                                          | School Leadership                                           |    | 12,230,000  |    | 13,750,000  |                                                         | 13,245,925  |    | 504,075    |
|                                               | Total Instructional & School Leadership                     |    | 14,255,000  |    | 16,750,000  |                                                         | 15,857,437  |    | 892,563    |
| Support Services - Student (Pupil):           |                                                             |    |             |    |             |                                                         |             |    |            |
| 0031                                          | Guidance, Counseling, and Evaluation Services               |    | 7,855,000   |    | 8,250,000   |                                                         | 7,931,256   |    | 318,744    |
| 0032                                          | Social Work Services                                        |    | 398,000     |    | 278,000     |                                                         | 184,424     |    | 93,576     |
| 0033                                          | Health Services                                             |    | 2,402,500   |    | 2,177,500   |                                                         | 1,497,667   |    | 679,833    |
| 0034                                          | Student Transportation                                      |    | 2,561,500   |    | 3,152,500   |                                                         | 2,975,167   |    | 177,333    |
| 0036                                          | Extracurricular Activities                                  |    | 2,650,000   |    | 3,589,362   |                                                         | 3,520,034   |    | 69,328     |
|                                               | Total Support Services - Student (Pupil)                    |    | 15,867,000  |    | 17,447,362  |                                                         | 16,108,548  |    | 1,338,814  |
| Administrative Support Services:              |                                                             |    |             |    |             |                                                         |             |    |            |
| 0041                                          | General Administration                                      |    | 5,865,000   |    | 5,665,000   |                                                         | 4,579,195   |    | 1,085,805  |
|                                               | Total Administrative Support Services                       |    | 5,865,000   |    | 5,665,000   |                                                         | 4,579,195   |    | 1,085,805  |
| Support Services - Nonstudent Based:          |                                                             |    |             |    |             |                                                         |             |    |            |
| 0051                                          | Plant Maintenance and Operations                            |    | 17,700,000  |    | 19,497,459  |                                                         | 19,403,320  |    | 94,139     |
| 0052                                          | Security and Monitoring Services                            |    | 1,018,000   |    | 892,890     |                                                         | 889,700     |    | 3,190      |
| 0053                                          | Data Processing Services                                    |    | 2,342,500   |    | 2,859,664   |                                                         | 2,547,170   |    | 312,494    |
|                                               | Total Support Services - Nonstudent Based                   |    | 21,060,500  |    | 23,250,013  |                                                         | 22,840,190  |    | 409,823    |
| Ancillary Services:                           |                                                             |    |             |    |             |                                                         |             |    |            |
| 0061                                          | Community Services                                          |    | 975,000     |    | 1,400,000   |                                                         | 1,395,858   |    | 4,142      |
|                                               | Total Ancillary Services                                    |    | 975,000     |    | 1,400,000   |                                                         | 1,395,858   |    | 4,142      |
| Capital Outlay:                               |                                                             |    |             |    |             |                                                         |             |    |            |
| 0081                                          | Facilities Acquisition and Construction                     |    | 25,000      |    | 1,564,343   |                                                         | 1,560,100   |    | 4,243      |
|                                               | Total Capital Outlay                                        |    | 25,000      |    | 1,564,343   |                                                         | 1,560,100   |    | 4,243      |
| Intergovernmental Charges:                    |                                                             |    |             |    |             |                                                         |             |    |            |
| 0095                                          | Payments to Juvenile Justice Alternative Education Programs |    | 175,000     |    | 175,000     |                                                         | 127,338     |    | 47,662     |
| 0097                                          | Payments to Tax Increment Fund                              |    | 2,500,000   |    | 2,196,632   |                                                         | 2,196,632   |    | -          |
| 0099                                          | Other Intergovernmental Charges                             |    | 300,000     |    | 300,000     |                                                         | 283,765     |    | 16,235     |
|                                               | Total Intergovernmental Charges                             |    | 2,975,000   |    | 2,671,632   |                                                         | 2,607,735   |    | 63,897     |
| 6030                                          | Total Expenditures                                          |    | 172,101,389 |    | 180,634,383 |                                                         | 175,445,702 |    | 5,188,681  |
| 1100                                          | Excess (Deficiency) of Revenues Over (Under)                |    |             |    |             |                                                         |             |    |            |
| 1100                                          | Expenditures                                                |    | -           |    | (3,997,471) |                                                         | 15,248,109  |    | 19,245,580 |
| OTHER FINANCING SOURCES (USES):               |                                                             |    |             |    |             |                                                         |             |    |            |
| 7915                                          | Transfers In                                                |    | -           |    | -           |                                                         | 289,147     |    | 289,147    |
| 7080                                          | Total Other Financing Sources (Uses)                        |    | -           |    | -           |                                                         | 289,147     |    | 289,147    |
| 1200                                          | Net Change in Fund Balances                                 |    | -           |    | (3,997,471) |                                                         | 15,537,256  |    | 19,534,727 |
| 0100                                          | Fund Balances - Beginning                                   |    | 28,645,258  |    | 28,645,258  |                                                         | 28,645,258  |    | -          |
| 3000                                          | Fund Balances - Ending                                      | \$ | 28,645,258  | \$ | 24,647,787  | \$                                                      | 44,182,514  | \$ | 19,534,727 |

The accompanying notes are an integral part of this statement.

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**

EXHIBIT E-1

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****FIDUCIARY FUNDS****AUGUST 31, 2012**

| Data<br>Control<br>Codes |                                  | Agency<br>Fund    |
|--------------------------|----------------------------------|-------------------|
| <b>ASSETS:</b>           |                                  |                   |
| 1110                     | <i>Cash and Cash Equivalents</i> | \$ 630,468        |
| 1000                     | Total Assets                     | <u>\$ 630,468</u> |
| <b>LIABILITIES:</b>      |                                  |                   |
| Current Liabilities:     |                                  |                   |
| 2170                     | <i>Due to Other Funds</i>        | \$ 5,609          |
| 2190                     | <i>Due to Student Groups</i>     | <u>624,859</u>    |
| 2000                     | Total Liabilities                | <u>\$ 630,468</u> |

The accompanying notes are an integral part of this statement.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### I. Summary of Significant Accounting Policies

#### A. Reporting Entity

The Grand Prairie Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues that are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Depreciation expense and workers' compensation have been allocated to all applicable functions in order to present the expenditures of District more accurately in the Statement of Activities. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 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 general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorization construction.

Additionally, the District reports the following fund types:

The *agency fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operation.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the governmental fund balance sheet and proprietary fund statement of net assets and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of activities.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise and internal service funds are charges to the funds for sales and services. Operating expenses for enterprise and internal service funds include the cost of services, administrative expenses and depreciation on capital assets expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted (committed, assigned, or unassigned) resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

### **D. Assets, Liabilities, and Equity**

#### **1. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand or time deposits.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges collateral, which complies with state law. The collateral is approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of collateral is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

State statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, or investment pools. Investments are held by the District's agent in the District's name.

Investments for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All property tax receivables are shown net of estimated allowance for uncollectible amounts. The property tax receivable allowance approximates 3 percent of outstanding property taxes at August 31, 2012. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of financial statements.

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

### **3. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Capital Assets**

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost which equals or exceeds \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Land and construction in progress are not depreciated. Buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

| <b><u>Assets</u></b>       | <b><u>Years</u></b> |
|----------------------------|---------------------|
| Buildings and Improvements | 7-50                |
| Furniture and Equipment    | 3-25                |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### 5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. Payment for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas). All sick pay is accrued when incurred (employee is eligible for retirement) in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, the result of employee terminations.

The District does not have a liability for unpaid vacation at year end due to the District's policy does not allow a carryover of vacation not taken at August 31.

### 6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net assets. Effective September 1, 2001, bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

### 7. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Superintendent or his designee through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### 8. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### 9. Data Control Codes

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

## II. Stewardship, Compliance, and Accountability

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast and Lunch Program* special revenue fund and, debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 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. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made several supplemental budgetary appropriations throughout the year.

The supplemental budgetary amendments made in the general fund totaled \$8,532,994 which consisted primarily of increased appropriations for curriculum and staff development, instructional and school leadership, plant maintenance and operations, and facilities acquisition and construction.

The supplemental budgetary increases made in the National School Breakfast and Lunch Program totaled \$1,719,614. The supplemental budgetary appropriations made in the National School Breakfast and Lunch Program special revenue fund were to appropriate funds for the purchase of additional child nutrition expenditures.

The supplemental budgetary increases made in the debt service fund for debt services totaled \$5,873,547 due to changes in debt requirements.

### B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2012, expenditures exceeded appropriations in the function (the legal level of budgetary control) of the following fund:

| <u>Fund</u> | <u>Function</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------|-----------------|---------------------|---------------|-----------------|
| None        |                 |                     |               |                 |

The District did not have excess expenditures.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### III. Detailed Notes on All Funds

#### A. Deposits and Investments

As of August 31, 2012, the District had the following investments:

| Investment Type  | Standard &<br>Poor's Rating | Fair Value           | Weighted Average<br>Maturity (Years) |
|------------------|-----------------------------|----------------------|--------------------------------------|
| Texpool          | AAAm                        | \$ 24,074,240        | 0.22                                 |
| Texas Class      | AAAm                        | 29,116,312           | 0.11                                 |
| TexStar          | AAAm                        | 18,400,011           | 0.19                                 |
| Lonestar         | AAAm                        | 4,003,659            | 0.30                                 |
| Total Fair Value |                             | <u>\$ 75,594,222</u> |                                      |

Portfolio Weighted Average Maturity

0.17

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment shall not exceed one year from the time of purchase, unless specifically authorized by the Board of Trustees.

*Credit risk.* State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF. 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act.

For fiscal year 2012, the District invested in Texpool, Texas Class and TexStar. Texpool is duly chartered and administered by the State Comptroller's Office. Texas Class invest on in securities allowed by the Texas Public Funds Investment Act. Texas Class carries a letter of credit that ensures the integrity of the fund. TexStar is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase.

*Concentration of credit risk.* The District's investment policy does not limit an investment in any one issuer.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2012, District's banks' balance of \$3,759,557 was not exposed to custodial credit risk because it was insured by unlimited FDIC Insurance.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are held by the District's agent in the District's name.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### B. Receivables

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                    | General             | Debt Service        | Nonmajor Governmental Funds | Total               |
|------------------------------------|---------------------|---------------------|-----------------------------|---------------------|
| <b>Receivables:</b>                |                     |                     |                             |                     |
| Property Taxes                     | \$ 3,168,187        | \$ 1,049,546        | \$ -                        | \$ 4,217,733        |
| Due From Other Governments         | 2,320,460           | -                   | 1,397,524                   | 3,717,984           |
| Other                              | -                   | -                   | -                           | -                   |
| Gross Receivables                  | 5,488,647           | 1,049,546           | 1,397,524                   | 7,935,717           |
| Less: Allowance for Uncollectibles | (95,046)            | (31,486)            | -                           | (126,532)           |
| <b>Net Total Receivables</b>       | <b>\$ 5,393,601</b> | <b>\$ 1,018,060</b> | <b>\$ 1,397,524</b>         | <b>\$ 7,809,185</b> |

Tax revenues of the general and debt service fund are reported net of estimated uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

|                                                        |                 |
|--------------------------------------------------------|-----------------|
| Uncollectibles Related to General Fund Property Taxes  | \$ 2,403        |
| Uncollectibles Related to Debt Service Property Taxes  | (475)           |
| <b>Total Uncollectibles of the Current Fiscal Year</b> | <b>\$ 1,928</b> |

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 or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

|                                                                                            | Unavailable         | Unearned          |
|--------------------------------------------------------------------------------------------|---------------------|-------------------|
| Delinquent Property Taxes Receivable (General Fund)                                        | \$ 3,073,141        | \$ -              |
| Delinquent Property Taxes Receivable (Debt Service Fund)                                   | 1,018,060           | -                 |
| Vendor Fair Revenue (General Fund)                                                         | -                   | 8,403             |
| Athletics Season Tickets (General Fund)                                                    | -                   | 3,045             |
| Grant Funds Received Prior to Meeting all Eligibility Requirements (Special Revenue Funds) | -                   | 470,858           |
| <b>Total Unavailable/Unearned Revenue For Governmental Funds</b>                           | <b>\$ 4,091,201</b> | <b>\$ 482,306</b> |

### C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of August 31, 2012, is as follows:

| Fund                                | Interfund Receivables | Interfund Payables  |
|-------------------------------------|-----------------------|---------------------|
| General Fund                        | \$ 1,907,059          | \$ 3,551,914        |
| Capital Projects Fund               | -                     | 100                 |
| Other Governmental Funds - Nonmajor | 1,673,470             | 22,906              |
| Agency Fund                         | -                     | 5,609               |
| <b>Totals</b>                       | <b>\$ 3,580,529</b>   | <b>\$ 3,580,529</b> |

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

### Interfund Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The following is a summary of the District's transfers for the year ended August 31, 2012.

| Transfer Out                        | Transfers In | Amount            |
|-------------------------------------|--------------|-------------------|
| Other Governmental Funds - Nonmajor | General Fund | \$ 289,147        |
| <b>Total</b>                        |              | <b>\$ 289,147</b> |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

Transfers are used to move unrestricted revenues into a fund to finance various programs accounted for in other funds in accordance with budgetary authorization. The actual transfers during the current fiscal year are summarized as follows:

- The District transferred \$289,147 from the National School Breakfast and Lunch Program special revenue fund to reimburse expenditures paid by the general fund.

### D. Capital Assets

Capital asset activity for the year ended August 31, 2012 was as follows:

|                                                     | Beginning<br>Balance  | Additions            | Reductions<br>and<br>Transfers | Ending<br>Balance     |
|-----------------------------------------------------|-----------------------|----------------------|--------------------------------|-----------------------|
| <b>Governmental Activities:</b>                     |                       |                      |                                |                       |
| <b>Capital Assets, not being Depreciated:</b>       |                       |                      |                                |                       |
| Land                                                | \$ 18,499,088         | \$ -                 | \$ -                           | \$ 18,499,088         |
| Construction in Progress                            | 901,793               | 39,366,144           | (20,115,269)                   | 20,152,668            |
| <b>Total Capital Assets, not being Depreciated</b>  | <b>19,400,881</b>     | <b>39,366,144</b>    | <b>(20,115,269)</b>            | <b>38,651,756</b>     |
| <b>Capital Assets, being Depreciated:</b>           |                       |                      |                                |                       |
| Buildings                                           | 553,086,907           | -                    | 17,143,464                     | 570,230,371           |
| Furniture and Equipment                             | 30,126,771            | -                    | 2,959,930                      | 33,086,701            |
| <b>Total Capital Assets, being Depreciated</b>      | <b>583,213,678</b>    | <b>-</b>             | <b>20,103,394</b>              | <b>603,317,072</b>    |
| <b>Less Accumulated Depreciation for:</b>           |                       |                      |                                |                       |
| Buildings                                           | (148,951,284)         | (13,459,740)         | 918,012                        | (161,493,012)         |
| Furniture and Equipment                             | (21,133,720)          | (1,772,854)          | 638,375                        | (22,268,199)          |
| <b>Total Accumulated Depreciation</b>               | <b>(170,085,004)</b>  | <b>(15,232,594)</b>  | <b>1,556,387</b>               | <b>(183,761,211)</b>  |
| <b>Total Capital Assets, being Depreciated, net</b> | <b>413,128,674</b>    | <b>(15,232,594)</b>  | <b>21,659,781</b>              | <b>419,555,861</b>    |
| <b>Governmental Activities Capital Assets, net</b>  | <b>\$ 432,529,555</b> | <b>\$ 24,133,550</b> | <b>\$ 1,544,512</b>            | <b>\$ 458,207,617</b> |

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

|                                                           |                      |
|-----------------------------------------------------------|----------------------|
| <b>Governmental Activities:</b>                           |                      |
| 11 Instruction                                            | \$ 11,401,946        |
| 23 School Leadership                                      | 450,656              |
| 31 Instructional Leadership                               | 2,233                |
| 34 Student Transportation                                 | 498,299              |
| 35 Food Service                                           | 275,333              |
| 36 Extracurricular Activities                             | 2,127,144            |
| 41 General Administration                                 | 87,644               |
| 51 Facilities Maintenance and Operations                  | 386,541              |
| 52 Security and Monitoring Services                       | 2,798                |
| <b>Total Depreciation Expense-Governmental Activities</b> | <b>\$ 15,232,594</b> |

### Construction Commitments

The District has active construction projects as of August 31, 2012. The projects include the construction and equipment of school facilities. At year end, the District's total commitments with contractors totals \$24,594,242. The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, workers' compensation claims, and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for workers' compensation claims are accounted for in the governmental funds. The current requirements for compensated absences are accounted for in the general fund.

### Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2012, was as follows:

|                                                    | Beginning<br>Balance  | Additions            | Reductions             | Ending<br>Balance     | Due Within<br>One Year |
|----------------------------------------------------|-----------------------|----------------------|------------------------|-----------------------|------------------------|
| <b>Governmental Activities:</b>                    |                       |                      |                        |                       |                        |
| <b>Bonds Payable:</b>                              |                       |                      |                        |                       |                        |
| General Obligation Bonds                           | \$ 487,079,290        | \$ 55,805,000        | \$ (75,838,526)        | \$ 467,045,764        | \$ 13,730,933          |
| Deferred Amounts:                                  |                       |                      |                        |                       |                        |
| For Issuance Premiums                              | 5,843,769             | 5,862,552            | (781,054)              | 10,925,267            | -                      |
| For Issuance Discount                              | (1,295,406)           | -                    | 560,481                | (734,925)             | -                      |
| For Accreted Interest (CAB)                        | 34,336,462            | 6,970,424            | (5,116,473)            | 36,190,413            | -                      |
| Deferred Interest Expense Adjustment               | (7,839,693)           | (5,555,049)          | 3,792,437              | (9,602,305)           | -                      |
| <b>Total Bonds Payable, net</b>                    | <b>518,124,422</b>    | <b>63,082,927</b>    | <b>(77,383,135)</b>    | <b>503,824,214</b>    | <b>13,730,933</b>      |
| Workers' Compensation                              | 3,224,644             | 291,116              | (739,439)              | 2,776,321             | 2,776,321              |
| Compensated Absences                               | 209,660               | (94,833)             | 44,423                 | 159,250               | 159,250                |
| <b>Governmental Activity Long-term Liabilities</b> | <b>\$ 521,558,726</b> | <b>\$ 63,279,210</b> | <b>\$ (78,078,151)</b> | <b>\$ 506,759,785</b> | <b>\$ 16,666,504</b>   |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 9-31 year current interest or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

| Series        | Interest<br>Rate | Original<br>Issue | Maturity<br>Date | Beginning<br>Balance  | Additions            | Reductions             | Ending<br>Balance     |
|---------------|------------------|-------------------|------------------|-----------------------|----------------------|------------------------|-----------------------|
| 1993 (CAB)    | 7.60-8.93%       | \$ 7,364,574      | 2012             | \$ 138,835            | \$ -                 | \$ (138,835)           | \$ -                  |
| 1994 (CAB)    | 6.40-6.45%       | 110,000           | 2014             | 110,000               | -                    | -                      | 110,000               |
| 1996 (CAB)    | 5.40%            | 52,236,409        | 2014             | 400,426               | -                    | (135,000)              | 265,426               |
| 2000 A        | 5.65-5.85%       | 80,901,851        | 2026             | 860,000               | -                    | (860,000)              | -                     |
| 2000 A (CAB)  | 4.70-5.80%       | 24,588,398        | 2018             | 12,825,566            | -                    | (2,370,060)            | 10,455,506            |
| 2002          | 5.00%            | 58,730,000        | 2026             | 58,730,000            | -                    | (58,730,000)           | -                     |
| 2002 (CAB)    | 1.75-5.14%       | 1,175,884         | 2017             | 185,000               | -                    | (75,000)               | 110,000               |
| 2003          | 3.00-5.75        | 60,050,000        | 2013             | 3,180,000             | -                    | (1,780,000)            | 1,400,000             |
| 2004 A        | 3.00-5.00%       | 21,950,000        | 2020             | 19,615,000            | -                    | (125,000)              | 19,490,000            |
| 2004 A (CAB)  | 4.40%            | 636,630           | 2015             | 636,630               | -                    | -                      | 636,630               |
| 2005          | 5.00%            | 17,080,000        | 2024             | 17,080,000            | -                    | -                      | 17,080,000            |
| 2005 (CAB)    | 5.10%            | 249,623           | 2021             | 249,623               | -                    | -                      | 249,623               |
| 2006          | 4.00-4.25%       | 9,105,000         | 2024             | 9,020,000             | -                    | (25,000)               | 8,995,000             |
| 2007          | 4.00-4.50%       | 45,725,000        | 2031             | 43,275,000            | -                    | (405,000)              | 42,870,000            |
| 2007 (CAB)    | 4.00-4.16%       | 1,495,000         | 2016             | 1,495,000             | -                    | -                      | 1,495,000             |
| 2007 A        | 4.00-5.00%       | 157,795,000       | 2037             | 147,400,000           | -                    | (4,115,000)            | 143,285,000           |
| 2008          | 2.00-4.77%       | 60,465,000        | 2037             | 58,985,000            | -                    | (705,000)              | 58,280,000            |
| 2009 (CAB)    | 1.25-7.21%       | 71,335,393        | 2040             | 67,893,210            | -                    | (914,631)              | 66,978,579            |
| 2011          | 2.00-4.00%       | 45,000,000        | 2029             | 45,000,000            | -                    | (4,325,000)            | 40,675,000            |
| 2011          | 2.00-5.00%       | 55,805,000        | 2026             | -                     | 55,805,000           | (1,135,000)            | 54,670,000            |
| <b>Totals</b> |                  |                   |                  | <b>\$ 487,079,290</b> | <b>\$ 55,805,000</b> | <b>\$ (75,838,526)</b> | <b>\$ 467,045,764</b> |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending<br>August 31 | Principal<br>Value    | Interest              | Total<br>Requirements |
|--------------------------|-----------------------|-----------------------|-----------------------|
| 2013                     | \$ 13,730,933         | \$ 17,259,672         | \$ 30,990,605         |
| 2014                     | 11,990,438            | 16,939,222            | 28,929,660            |
| 2015                     | 14,588,490            | 16,673,129            | 31,261,619            |
| 2016                     | 15,707,112            | 16,312,998            | 32,020,110            |
| 2017                     | 14,991,085            | 15,877,666            | 30,868,751            |
| 2018                     | 17,318,836            | 15,345,616            | 32,664,452            |
| 2019                     | 18,615,210            | 14,692,066            | 33,307,276            |
| 2020                     | 19,152,304            | 13,966,149            | 33,118,453            |
| 2021                     | 19,450,250            | 13,179,250            | 32,629,500            |
| 2022                     | 20,349,980            | 12,352,613            | 32,702,593            |
| 2023                     | 20,908,392            | 11,540,763            | 32,449,155            |
| 2024                     | 21,550,391            | 10,653,919            | 32,204,310            |
| 2025                     | 22,814,186            | 9,640,409             | 32,454,595            |
| 2026                     | 21,224,494            | 8,692,100             | 29,916,594            |
| 2027                     | 15,804,435            | 8,004,056             | 23,808,491            |
| 2028                     | 15,655,556            | 7,471,681             | 23,127,237            |
| 2029                     | 15,421,994            | 6,936,256             | 22,358,250            |
| 2030                     | 16,761,623            | 6,353,494             | 23,115,117            |
| 2031                     | 25,490,210            | 5,455,319             | 30,945,529            |
| 2032                     | 20,732,962            | 4,409,500             | 25,142,462            |
| 2033                     | 14,656,036            | 3,674,000             | 18,330,036            |
| 2034                     | 18,555,273            | 3,007,250             | 21,562,523            |
| 2035                     | 19,216,136            | 2,199,500             | 21,415,636            |
| 2036                     | 19,925,105            | 1,350,250             | 21,275,355            |
| 2037                     | 20,547,077            | 457,500               | 21,004,577            |
| 2038                     | 4,217,070             | -                     | 4,217,070             |
| 2039                     | 3,957,271             | -                     | 3,957,271             |
| 2040                     | 3,712,915             | -                     | 3,712,915             |
| <b>Totals</b>            | <b>\$ 467,045,764</b> | <b>\$ 242,444,378</b> | <b>\$ 709,490,142</b> |

As of August 31, 2012, the District has \$25,000,000 authorized, but unissued bonds.

In prior years the District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the District's basic financial statements. As of August 31, 2012, \$46,195,000 of outstanding bonds are considered defeased.

In November 2011, the District issued \$55,805,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$59,590,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$5,555,049. The District advance-refunded the bonds in order to reduce its future debt service payments by \$11,485,608 and to obtain an economic gain (differences between the present values of the debt service payments on the old and new debt) of \$9,071,306.

### F. Fund Balance

Other committed of fund balance includes the following commitments of funds:

|                                                                    |                     |
|--------------------------------------------------------------------|---------------------|
| Other Governmental Funds - National School Breakfast/Lunch Program | \$ 2,499,074        |
| Other Governmental Funds - Campus Activity Funds                   | 522,115             |
| Other Governmental Funds - Crime Stoppers                          | 1,875               |
| <b>Total Other Committed Fund Balance</b>                          | <b>\$ 3,023,064</b> |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### G. Revenues from Local and Intermediate Sources

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

|                                    | General              | Debt<br>Service      | Capital<br>Projects | Other<br>Funds      | Totals               |
|------------------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|
| Property Taxes                     | \$ 50,592,395        | \$ 20,534,619        | \$ -                | \$ -                | \$ 71,127,014        |
| Investment Income                  | 56,224               | 24,543               | 78,077              | -                   | 158,844              |
| Food Sales                         | -                    | -                    | -                   | 2,684,836           | 2,684,836            |
| Extracurricular Student Activities | 290,770              | -                    | -                   | -                   | 290,770              |
| Rental Income                      | 283,177              | -                    | -                   | -                   | 283,177              |
| Other                              | 926,981              | -                    | 10,717              | 772,938             | 1,710,636            |
| <b>Total</b>                       | <b>\$ 52,149,547</b> | <b>\$ 20,559,162</b> | <b>\$ 88,794</b>    | <b>\$ 3,457,774</b> | <b>\$ 76,255,277</b> |

### H. Subsequent Events

In December, 2012, the District closed on the sale of the Unlimited Tax School Building Bonds, Series 2012 \$8,900,000. The Series 2012 Bonds have various maturity dates beginning in 2014 through 2029 with an interest range between 2% and 3%.

## IV. Other Information

### A. Risk Management

#### Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. In addition, the District participates in the Texas Association of Public Schools Risk Management Fund (Fund) for property, liability, vehicle coverage, and crime. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### Health Care Coverage

During the year ended August 31, 2012, the District contributed \$301 per month per employee towards the cost of health care for those who elected to participate in the TRS health care plan.

#### Workers' Compensation

During the year ended August 31, 2012, Grand Prairie ISD met its statutory workers' compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, Grand Prairie ISD is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The member is protected against higher than expected claims costs through the purchase of stop-loss coverage.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

|                                                             | Year Ended<br>8/31/2012 | Year Ended<br>8/31/2011 |
|-------------------------------------------------------------|-------------------------|-------------------------|
| Unpaid Claims, Beginning of Fiscal Year                     | \$ 3,224,644            | \$ 3,289,004            |
| Incurred Claims (including IBNRs and changes in provisions) | 291,116                 | 591,277                 |
| Claim Payments                                              | (739,439)               | (655,637)               |
| Unpaid Claims, End of Fiscal Year                           | <u>\$ 2,776,321</u>     | <u>\$ 3,224,644</u>     |

### B. Contingencies

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 August 31, 2012, these programs are subject to financial and compliance audits by the grantor agencies. 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.

### C. Joint Ventures – Shared Service Agreement

#### Irving Regional School Program for the Deaf:

The District participates in the Regional Day School for the Deaf with Irving Independent School District acting as the fiscal agent and the District as a member district. The District's portion of expenditures for the year ended August 31, 2012, totaled \$215,000.

#### Title I, Part C Migrant Shared Service-Region 10:

Under this agreement, Region 10 acts as the fiscal agent for the Title I, Part C Migrant Education Program. This arrangement allows members LEAs to be included in the Consolidated Application for Federal Funds and receive financial accounting services, exemption from NCLB monitoring, and district/campus services related to identification and recruitment of migrant students. The fee is 10% of the allocation for these services. The remaining funds will be kept in the District's account and used to reimburse allowable expenses by the district. The District's portion of expenditures for the year ended August 31, 2012, totaled \$3,391.

### D. Defined Benefit Pension Plan

#### Pension Plan for Employees Participating in Teacher Retirement System

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

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

**Contributions.** Contribution rates and contributions for fiscal years 2012-2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

| Year | Member |              | State  |              | Statutory Minimum |
|------|--------|--------------|--------|--------------|-------------------|
|      | Rate   | Amount       | Rate   | Amount       | Amount            |
| 2012 | 6.4%   | \$ 8,868,601 | 6.000% | \$ 6,065,985 | \$ 1,493,689      |
| 2011 | 6.4%   | \$ 9,316,100 | 6.644% | \$ 7,359,929 | \$ 1,482,775      |
| 2010 | 6.4%   | \$ 9,361,686 | 6.644% | \$ 7,645,194 | \$ 1,491,536      |

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

### E. School District Retiree Health Plan

**Plan Description.** The Grand Prairie Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 Teacher Retirement System of Texas 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) under the **TRS Publications** heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

**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 |              | School District |            |
|------|---------------|------------|-------|--------------|-----------------|------------|
|      | Rate          | Amount     | Rate  | Amount       | Rate            | Amount     |
| 2012 | 0.65%         | \$ 900,717 | 1.00% | \$ 1,259,909 | 0.55%           | \$ 762,145 |
| 2011 | 0.65%         | \$ 946,166 | 1.00% | \$ 1,330,926 | 0.55%           | \$ 800,602 |
| 2010 | 0.65%         | \$ 950,796 | 1.00% | \$ 1,368,063 | 0.55%           | \$ 804,520 |

In addition, the State of Texas contributed \$647,340, \$357,076 and \$382,002 in 2012, 2011, and 2010, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

# **GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2012**

### **F. Nonmonetary Transactions**

During 2012, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$1,757,316. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$1,757,316 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

## **OTHER SUPPLEMENTARY INFORMATION**

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2012**

| Year Ended<br>August 31  | 1           |         | 2            |         | 3                                                      |               |
|--------------------------|-------------|---------|--------------|---------|--------------------------------------------------------|---------------|
|                          | Tax Rates   |         |              |         | Assessed/Appraised<br>Value For School<br>Tax Purposes |               |
|                          | Maintenance |         | Debt Service |         |                                                        |               |
| 2003 and Prior Years     | \$          | Various | \$           | Various | \$                                                     | Various       |
| 2004                     |             | 1.4385  |              | 0.2886  |                                                        | 3,548,561,596 |
| 2005                     |             | 1.4625  |              | 0.2886  |                                                        | 3,773,411,468 |
| 2006                     |             | 1.49    |              | 0.2686  |                                                        | 4,048,510,651 |
| 2007                     |             | 1.3611  |              | 0.2686  |                                                        | 4,330,790,557 |
| 2008                     |             | 1.04    |              | 0.425   |                                                        | 4,741,559,318 |
| 2009                     |             | 1.04    |              | 0.425   |                                                        | 5,982,899,701 |
| 2010                     |             | 1.04    |              | 0.425   |                                                        | 4,797,819,113 |
| 2011                     |             | 1.04    |              | 0.425   |                                                        | 4,784,353,678 |
| 2012 (School Year Audit) |             | 1.04    |              | 0.425   |                                                        | 4,734,829,420 |
| 1000 Totals              |             |         |              |         |                                                        |               |

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

| 10<br>Beginning<br>Balance<br>9/1/11 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/12 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 838,087                           | \$ -                                  | \$ 102,122                       | \$ 19,003                         | \$ (46,952)                           | \$ 670,010                         |
| 168,860                              | -                                     | 8,357                            | 1,677                             | (5,610)                               | 153,216                            |
| 181,315                              | -                                     | 12,378                           | 2,443                             | (4,764)                               | 161,730                            |
| 182,386                              | -                                     | 19,493                           | 3,514                             | (5,719)                               | 153,660                            |
| 218,802                              | -                                     | 25,780                           | 5,087                             | 687                                   | 188,622                            |
| 375,696                              | -                                     | 40,143                           | 16,405                            | (119,106)                             | 200,042                            |
| 523,644                              | -                                     | 74,681                           | 30,518                            | 3,997                                 | 422,442                            |
| 625,717                              | -                                     | 116,197                          | 47,484                            | (8,949)                               | 453,087                            |
| 1,167,506                            | -                                     | 208,547                          | 85,223                            | (287,361)                             | 586,375                            |
| -                                    | 69,365,251                            | 48,416,144                       | 19,785,443                        | 64,885                                | 1,228,549                          |
| <u>\$ 4,282,013</u>                  | <u>\$ 69,365,251</u>                  | <u>\$ 49,023,842</u>             | <u>\$ 19,996,797</u>              | <u>\$ (408,892)</u>                   | <u>\$ 4,217,733</u>                |
|                                      |                                       | \$ 2,196,632                     | \$ 700,037                        |                                       |                                    |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2012

### FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

| Account Number | Account Name                                                                                               | 1<br>(702)<br>School Board | 2<br>(703)<br>Tax Collection | 3<br>(701)<br>Supt's Office | 4<br>(750)<br>Indirect Cost | 5<br>(720)<br>Direct Cost | 6<br>(Other)<br>Misc. | 7<br>Total   |
|----------------|------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------|--------------|
| 611X-6146      | Payroll Costs                                                                                              | \$ -                       | \$ -                         | \$ 418,759                  | \$ 1,094,966                | \$ 701,165                | \$ 571,894            | \$ 2,786,784 |
| 6149           | Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)                      | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 6149           | Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53) | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 6211           | Legal Services                                                                                             | -                          | -                            | 33,184                      | -                           | -                         | -                     | 33,184       |
| 6212           | Audit Services                                                                                             | -                          | -                            | -                           | 74,100                      | -                         | -                     | 74,100       |
| 6213           | Tax Appraisal and Collection                                                                               | -                          | 283,765                      | -                           | -                           | -                         | -                     | 283,765      |
| 621X           | Other Prof. Services                                                                                       | -                          | -                            | -                           | 52,555                      | -                         | 6,752                 | 59,307       |
| 6220           | Tuition and Transfer Payments                                                                              | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 6230           | Education Service Centers                                                                                  | 1,000                      | -                            | 1,300                       | 1,000                       | 2,500                     | -                     | 5,800        |
| 6240           | Contr. Maint. and Repair                                                                                   | -                          | -                            | -                           | -                           | 153,025                   | -                     | 153,025      |
| 6250           | Utilities                                                                                                  | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 6260           | Rentals                                                                                                    | -                          | -                            | -                           | 866                         | -                         | -                     | 866          |
| 6290           | Miscellaneous Contr.                                                                                       | -                          | -                            | 17,593                      | 237,702                     | 46,316                    | 14,339                | 315,950      |
| 6310           | Operational Supplies, Materials                                                                            | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 6320           | Textbooks and Reading                                                                                      | 615                        | -                            | 57                          | -                           | -                         | 768                   | 1,440        |
| 6330           | Testing Materials                                                                                          | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 63XX           | Other Supplies, Materials                                                                                  | 1,338                      | -                            | 859                         | 19,983                      | 9,415                     | 102,471               | 134,066      |
| 6410           | Travel, Subsistence, Stipends                                                                              | 4,893                      | -                            | 4,292                       | 13,254                      | 3,976                     | 2,708                 | 29,123       |
| 6420           | Ins. and Bonding Costs                                                                                     | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 6430           | Election Costs                                                                                             | 1,929                      | -                            | -                           | -                           | -                         | -                     | 1,929        |
| 6490           | Miscellaneous Operating                                                                                    | 39,738                     | -                            | 19,319                      | 910,845                     | 4,084                     | 4,678                 | 978,664      |
| 6500           | Debt Service                                                                                               | -                          | -                            | -                           | -                           | -                         | -                     | -            |
| 6600           | Capital Outlay                                                                                             | -                          | -                            | -                           | -                           | -                         | 4,957                 | 4,957        |

Total \$ 49,513 \$ 283,765 \$ 495,363 \$ 2,405,271 \$ 920,481 \$ 708,567 \$ 4,862,960

Total Expenditures for General and Special Revenue Funds (9) \$ 208,011,643

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

|                                            |      |               |
|--------------------------------------------|------|---------------|
| Total Capital Outlay (6600)                | (10) | \$ 3,170,196  |
| Total Debt & Lease (6500)                  | (11) | \$ -          |
| Plant Maintenance (Function 51, 6100-6400) | (12) | \$ 19,208,109 |
| Food (Function 35, 6341 and 6499)          | (13) | \$ 5,182,481  |
| Stipends (6413)                            | (14) | \$ -          |
| Column 4 (above) - Total Indirect Cost     |      | \$ 2,405,271  |

Subtotal 29,966,057

Net Allowed Direct Cost \$ 178,045,586

#### CUMULATIVE

|                                                                       |      |                |
|-----------------------------------------------------------------------|------|----------------|
| Total Cost of Buildings Before Depreciation (1520)                    | (15) | \$ 570,230,371 |
| Historical Cost of Buildings over 50 years old                        | (16) | 36,562,154     |
| Amount of Federal Money in Building Cost (Net of #16)                 | (17) | -              |
| Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540) | (18) | 33,086,701     |
| Historical Cost of Furniture & Equipment over 16 years old            | (19) | 6,402,442      |
| Amount of Federal Money in Furniture & Equipment (Net of #19)         | (20) | \$ 2,760,840   |

(8) Note A - No Function 53 expenditures and \$283,765 in Function 99 expenditures are included in this report on administrative costs.

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT J-3

| Data Control Codes                        | 1                | 2            | 3            | Variance with Final Budget Positive (Negative) |
|-------------------------------------------|------------------|--------------|--------------|------------------------------------------------|
|                                           | Budgeted Amounts |              |              |                                                |
|                                           | Original         | Final        | Actual       |                                                |
| REVENUES:                                 |                  |              |              |                                                |
| 5700 Local and Intermediate Sources       | \$ 2,979,243     | \$ 2,979,243 | \$ 2,684,836 | \$ (294,407)                                   |
| 5800 State Program Revenues               | 91,633           | 91,633       | 86,617       | (5,016)                                        |
| 5900 Federal Program Revenues             | 10,642,160       | 11,344,124   | 10,794,333   | (549,791)                                      |
| 5020 Total Revenues                       | 13,713,036       | 14,415,000   | 13,565,786   | (849,214)                                      |
| EXPENDITURES:                             |                  |              |              |                                                |
| Current:                                  |                  |              |              |                                                |
| Support Services - Student (Pupil):       |                  |              |              |                                                |
| 0035 Food Service                         | 12,695,386       | 14,415,000   | 12,692,872   | 1,722,128                                      |
| 6030 Total Expenditures                   | 12,695,386       | 14,415,000   | 12,692,872   | 1,722,128                                      |
| 1100 Excess (Deficiency) of Revenues      |                  |              |              |                                                |
| 1100 Over (Under) Expenditures            | 1,017,650        | -            | 872,914      | 872,914                                        |
| OTHER FINANCING SOURCES (USES):           |                  |              |              |                                                |
| 8911 Transfers Out                        | -                | -            | (289,147)    | (289,147)                                      |
| 8949 Other Uses                           | -                | (700,000)    | -            | 700,000                                        |
| 7080 Total Other Financing Sources (Uses) | -                | (700,000)    | (289,147)    | 410,853                                        |
| 1200 Net Change in Fund Balance           | 1,017,650        | (700,000)    | 583,767      | 1,283,767                                      |
| 0100 Fund Balance - Beginning             | 2,601,362        | 2,601,362    | 2,601,362    | -                                              |
| 3000 Fund Balance - Ending                | \$ 3,619,012     | \$ 1,901,362 | \$ 3,185,129 | \$ 1,283,767                                   |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

| Data<br>Control<br>Codes            |                                             | 1                | 2             | 3             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-------------------------------------|---------------------------------------------|------------------|---------------|---------------|---------------------------------------------------------|
|                                     |                                             | Budgeted Amounts |               | Actual        |                                                         |
|                                     |                                             | Original         | Final         |               |                                                         |
| REVENUES:                           |                                             |                  |               |               |                                                         |
| 5700                                | Local and Intermediate Sources              | \$ 20,655,757    | \$ 20,655,757 | \$ 20,559,162 | \$ (96,595)                                             |
| 5800                                | State Program Revenues                      | 13,200,255       | 15,927,203    | 15,786,107    | (141,096)                                               |
| 5020                                | Total Revenues                              | 33,856,012       | 36,582,960    | 36,345,269    | (237,691)                                               |
| EXPENDITURES:                       |                                             |                  |               |               |                                                         |
| Current:                            |                                             |                  |               |               |                                                         |
| Support Services - Student (Pupil): |                                             |                  |               |               |                                                         |
| 0071                                | Principal on Long-term Debt                 | 16,248,528       | 16,248,528    | 16,248,526    | 2                                                       |
| 0072                                | Interest on Long-term Debt                  | 16,857,484       | 22,169,721    | 22,168,502    | 1,219                                                   |
| 0073                                | Issuance Costs and Fees                     | -                | 611,273       | 611,271       | 2                                                       |
|                                     | Total Debt Service                          | 33,106,012       | 39,029,522    | 39,028,299    | 1,223                                                   |
| Intergovernmental Charges:          |                                             |                  |               |               |                                                         |
| 0097                                | Payments to Tax Increment Fund              | 750,000          | 700,037       | 700,037       | -                                                       |
|                                     | Total Intergovernmental Charges             | 750,000          | 700,037       | 700,037       | -                                                       |
| 6030                                | Total Expenditures                          | 33,856,012       | 39,729,559    | 39,728,336    | 1,223                                                   |
| 1100                                | Excess (Deficiency) of Revenues             |                  |               |               |                                                         |
| 1100                                | Over (Under) Expenditures                   | -                | (3,146,599)   | (3,383,067)   | (236,468)                                               |
| OTHER FINANCING SOURCES (USES):     |                                             |                  |               |               |                                                         |
| 7911                                | Capital-related Debt Issued (Regular Bonds) | -                | 55,805,000    | 55,805,000    | -                                                       |
| 7916                                | Premium or Discount on Issuance of Bonds    | -                | 5,862,553     | 5,862,552     | (1)                                                     |
| 8949                                | Other Uses                                  | -                | (61,078,769)  | (61,078,769)  | -                                                       |
|                                     | Total Other Financing Sources (Uses)        | -                | 588,784       | 588,783       | (1)                                                     |
| 1200                                | Net Change in Fund Balance                  | -                | (2,557,815)   | (2,794,284)   | (236,469)                                               |
| 0100                                | Fund Balance - Beginning                    | 17,069,556       | 17,069,556    | 17,069,556    | -                                                       |
| 3000                                | Fund Balance - Ending                       | \$ 17,069,556    | \$ 14,511,741 | \$ 14,275,272 | \$ (236,469)                                            |

**OVERALL COMPLIANCE, INTERNAL CONTROL SECTION AND FEDERAL AWARDS**

# HLSK

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

Board of Trustees  
Grand Prairie Independent School District  
2602 S. Beltline Road  
Grand Prairie, Texas 75052

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grand Prairie Independent School District (District), as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 2, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

### Compliance and Other Matters

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

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

Respectfully submitted,

*Hereford, Lynch, Sellars & Kirkham, P.C.*

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.**  
**Certified Public Accountants**

**Conroe, Texas**  
**January 2, 2013**

# HLSK

*Hereford, Lynch, Sellars & Kirkham*

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

Board of Trustees  
Grand Prairie Independent School District  
2602 S. Beltline Road  
Grand Prairie, Texas 75052

Members of the Board of Trustees:

### Compliance

We have audited Grand Prairie Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 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 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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. However, the results of our auditing procedures disclosed an instance 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 item 2012-1.

### Internal Control Over Compliance

The 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,

*Hereford, Lynch, Sellars & Kirkham, P.C.*

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.**  
**Certified Public Accountants**

**Conroe, Texas**  
**January 2, 2013**

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012*

|                                                                                                                           |                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <b>SECTION I – SUMMARY OF AUDITORS’ RESULTS</b>                                                                           |                                                                                                                                 |
| <b>FINANCIAL STATEMENTS</b>                                                                                               |                                                                                                                                 |
| 1. Type of auditors’ report issued                                                                                        | Unqualified                                                                                                                     |
| 2. Internal Control over Financial Reporting:                                                                             |                                                                                                                                 |
| a. Material Weakness(es) identified?                                                                                      | No                                                                                                                              |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?                              | None reported                                                                                                                   |
| 3. Noncompliance material to the Financial Statements noted?                                                              | No                                                                                                                              |
| <b>FEDERAL AWARDS</b>                                                                                                     |                                                                                                                                 |
| 4. Internal control over major programs:                                                                                  |                                                                                                                                 |
| a. Material Weakness(es) identified?                                                                                      | No                                                                                                                              |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?                              | None reported                                                                                                                   |
| 5. Type of auditors’ report issued on compliance with major programs?                                                     | Unqualified                                                                                                                     |
| 6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133? | Yes, See 2012-1                                                                                                                 |
| 7. Identification of Major Programs                                                                                       | Child Nutrition Cluster<br>84.365A Title III, Part A<br>84.367A ESEA Title II, Part A<br>84.377A Texas Title I Priority Schools |
| 8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs                                        | \$843,550                                                                                                                       |
| 9. Auditee Qualified as a Low-Risk Auditee?                                                                               | Yes                                                                                                                             |
| <b>SECTION II –FINANCIAL STATEMENT FINDINGS</b>                                                                           |                                                                                                                                 |
| None reported                                                                                                             |                                                                                                                                 |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2012

### SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### **2012-1 CHILD NUTRITION CLUSTER - CFDA No. 10.553 and No. 10.555; Grant No. 71301201 and 71401201.**

*Statement of Condition:* District's staff incorrectly evaluated an application for free or reduced meals and a student was placed on the reduced meal roster.

*Criteria:* Eligibility Requirements per the OMB Circular A-133 Compliance Supplement and USDA Income Eligibility Guidelines

*Cause:* Procedures are in place to verify eligibility; however, a calculation of family income error occurred.

*Effect:* District received reimbursement of meals for an ineligible student.

*Context:* A sample of 25 eligible students were selected from a population of 12,601 eligible students. The test found that one student was approved for reduced meals due to an error in the calculation of family income. The noncompliance resulted in one student being served meals at a reduced price for a known questioned costs of \$648.

*Recommendation:* We recommend that the District implement a second review of calculations for free and reduced meals per application, prior to designating such application for free or reduced meals.

*Views of Responsible Official(s) and Planned Corrective Actions:* See Corrective Action Plan.

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2012*

| <b><i>PRIOR YEAR FINDINGS</i></b> |
|-----------------------------------|
| None                              |

# GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT

## CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2012

### **CURRENT YEAR FINDINGS**

Responsible Party: Carolyn Foster

Corrective Action Plan: In May 2012, the District implemented a cross check of documents so that this clerical error does not occur in the future.

Expected completion Date: May 2012

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**EXHIBIT K-1**

| (1)<br>Federal Grantor/<br>Pass-Through Grantor/<br>Program Title                                  | (2)<br>Federal<br>CFDA<br>Number | (2A)<br>Pass-Through<br>Entity Identifying<br>Number | (3)<br>Total<br>Federal<br>Expenditures |
|----------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------|-----------------------------------------|
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>                                                         |                                  |                                                      |                                         |
| Direct:                                                                                            |                                  |                                                      |                                         |
| Indian Education Act, Title V                                                                      | 84.060A                          | S060A111185                                          | \$ 24,197                               |
| <b>Title I, Part A Cluster:</b>                                                                    |                                  |                                                      |                                         |
| Passed Through State Department of Education:                                                      |                                  |                                                      |                                         |
| ESEA Title I, Part A - Improving Basic Programs                                                    | 84.010A                          | 12610101057910                                       | 6,216,761                               |
| ESEA Title I, Part A - Improving Basic Programs                                                    | 84.010A                          | 13610101057910                                       | 1,732                                   |
| Title I - School Improvement Program                                                               | 84.010A                          | 12610104057910048                                    | 12,907                                  |
| Title I - School Improvement Effective Strategies                                                  | 84.010A                          | 12610110057910048                                    | 98,315                                  |
| ARRA ESEA Title I, Part A - Improving Basic Programs                                               | 84.389A                          | 10551001057910                                       | 26,339                                  |
| <b>Total Title I, Part A Cluster</b>                                                               |                                  |                                                      | <b>6,356,054</b>                        |
| <b>Special Education Cluster (IDEA):</b>                                                           |                                  |                                                      |                                         |
| Passed Through State Department of Education:                                                      |                                  |                                                      |                                         |
| IDEA - Part B, Formula                                                                             | 84.027A                          | 126600010579106600                                   | 5,007,945                               |
| IDEA - Part B, Preschool                                                                           | 84.173A                          | 126610010579106610                                   | 70,608                                  |
| Passed Through Region X Education Service Center:                                                  |                                  |                                                      |                                         |
| Preschool Program for Children with Disabilities Least Restrictive Environment Project Application | 84.027                           | 1266002271210                                        | 11,453                                  |
| <b>Total Special Education Cluster (IDEA)</b>                                                      |                                  |                                                      | <b>5,090,006</b>                        |
| Passed Through State Department of Education:                                                      |                                  |                                                      |                                         |
| Career and Technical - Basic Grant                                                                 | 84.048A                          | 12420006057910                                       | 260,752                                 |
| Career and Technical - Basic Grant                                                                 | 84.048A                          | 13694501057910                                       | 35,760                                  |
| <b>Total CFDA Number 84.048A</b>                                                                   |                                  |                                                      | <b>296,512</b>                          |
| Title III, Part A - English Language Acquisition and Language Enhancement                          | 84.365A                          | 12671001057910                                       | 669,407                                 |
| ESEA Title II, Part A - Teacher and Principal Training and Recruiting                              | 84.367A                          | 12694501057910                                       | 718,489                                 |
| Texas Title I Priority Schools                                                                     | 84.377A                          | 116107047110016                                      | 995,123                                 |
| ARRA Title XIV State Fiscal Stabilization Fund                                                     | 84.394A                          | 11557001057910                                       | 312,049                                 |
| Education Jobs Fund                                                                                | 84.410A                          | 11550101057910                                       | 2,476,585                               |
| Passed Through Region X Education Service Center:                                                  |                                  |                                                      |                                         |
| Title I, Part C - Migrant Education Program                                                        | 84.011A                          | 12615001057950                                       | 30,028                                  |
| Title I, Part C - Migrant Education Program                                                        | 84.011A                          | 13615001057950                                       | 200                                     |
| <b>Total CFDA Number 84.011</b>                                                                    |                                  |                                                      | <b>30,228</b>                           |
| McKinney-Vento Homeless Education                                                                  | 84.196A                          | 00-002                                               | 132,020                                 |
| Passed Through Region XVII Education Service Center:                                               |                                  |                                                      |                                         |
| Teacher Incentive Fund TIF/TAP Grant                                                               | 84.374                           | S374A110176                                          | 54,346                                  |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                                                          |                                  |                                                      | <b>17,155,016</b>                       |
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>                                                       |                                  |                                                      |                                         |
| Passed Through State Department of Education:                                                      |                                  |                                                      |                                         |
| Child Nutrition Cluster:                                                                           |                                  |                                                      |                                         |
| Non-Cash Assistance (Commodities):                                                                 |                                  |                                                      |                                         |
| National School Lunch Program                                                                      | 10.555                           | 057006A                                              | 772,033                                 |
| Cash Assistance:                                                                                   |                                  |                                                      |                                         |
| National School Lunch Program                                                                      | 10.555                           | 71301201                                             | 7,782,206                               |
| School Breakfast Program                                                                           | 10.553                           | 71401201                                             | 2,240,094                               |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER</b>                              |                                  |                                                      | <b>10,794,333</b>                       |
| <b><u>U.S. DEPARTMENT OF DEFENSE</u></b>                                                           |                                  |                                                      |                                         |
| Reserve Officers' Training Corp.                                                                   | 12.000                           | N/A                                                  | 168,967                                 |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                                        |                                  |                                                      | <b>\$ 28,118,316</b>                    |

The accompanying notes are an integral part of this schedule.

**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AUGUST 31, 2012**

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Grand Prairie Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

|                                                             |                             |
|-------------------------------------------------------------|-----------------------------|
| <b>Total Expenditures of Federal Awards per Exhibit K-1</b> | <b>\$ 28,118,316</b>        |
| <b>General Fund - Federal Revenue</b>                       |                             |
| SHARS                                                       | 3,981,835                   |
| E-Rate                                                      | 417,585                     |
| Medical Assistance Program                                  | 110,432                     |
| <b>Total Federal Revenues per Exhibit C-2</b>               | <b>\$ <u>32,628,168</u></b> |

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**GRAND PRAIRIE INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS*  
AS OF AUGUST 31, 2012

EXHIBIT L-1

Data  
Control  
Codes

Responses

|      |                                                                                                                                                      |               |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| SF2  | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations? | No            |
| SF4  | Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?                                           | Yes           |
| SF5  | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?                                                  | No            |
| SF9  | Was there any disclosure in the Annual Financial Report of material noncompliance?                                                                   | No            |
| SF10 | What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?      | \$ 36,190,413 |