

GARLAND INDEPENDENT SCHOOL DISTRICT  
GARLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED  
AUGUST 31, 2011

Prepared by:  
The Department of  
Business Operations



GARLAND INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2011

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## Introductory Section

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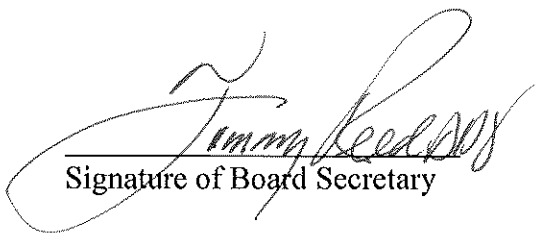
**CERTIFICATE OF THE BOARD**

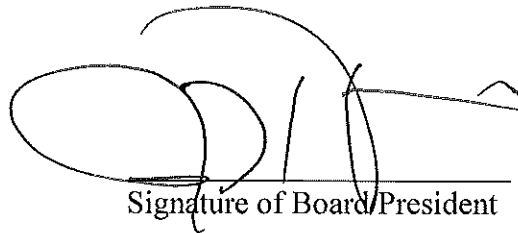
Garland Independent School District  
Name of School District

Dallas  
County

057-909-10  
County-District-Regional No.

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2011, at a meeting of the Board of Trustees of such school district on the 24<sup>th</sup> day of January, 2012.

  
Signature of Board Secretary

  
Signature of Board/President

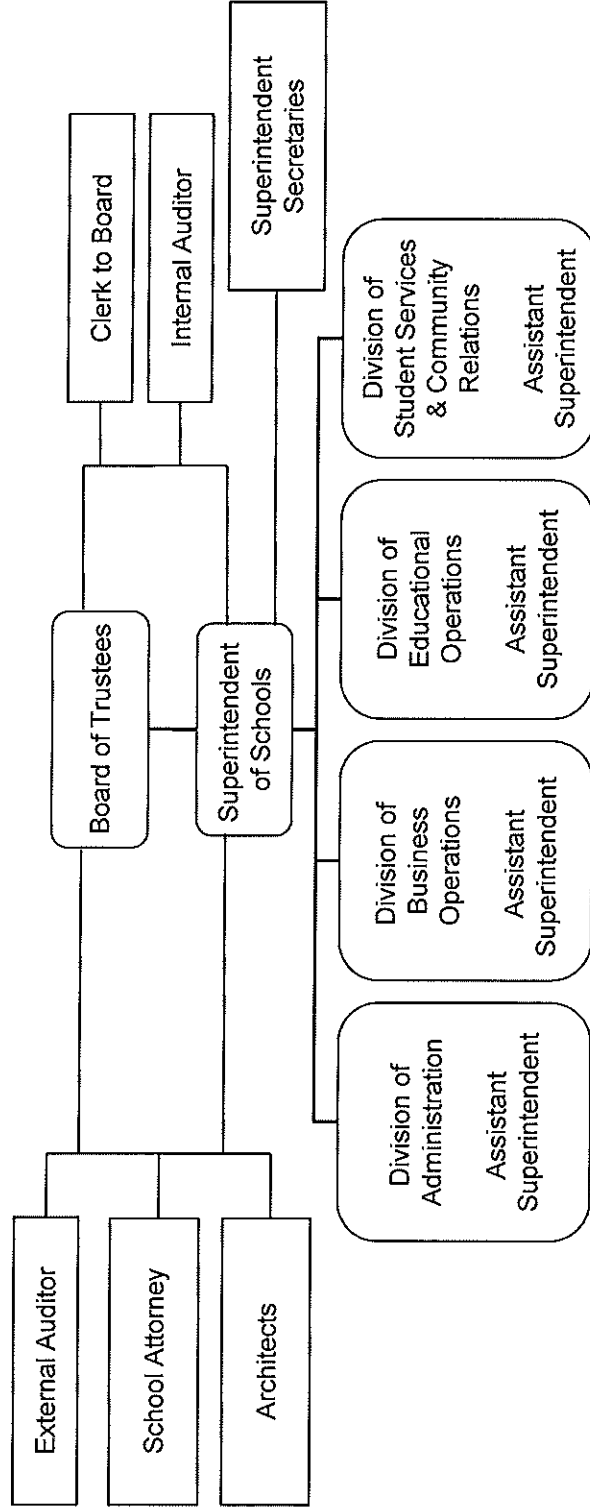
## BOARD OF TRUSTEES

<u>Name</u>	<u>Place</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Larry Glick Member	1	4 years	May 2013	Tax Attorney
Robert L. Harris President	2	11 years	May 2013	Attorney
Linda Griffin Member	3	13 years	May 2013	Consultant
Dr. Cindy Castañeda Assistant Secretary	4	3 years	May 2014	College Administrator
Scott Luna Secretary	5	6 years	May 2014	Attorney
Keith Montgomery Member	6	11 years	May 2012	Insurance Agent
Dr. Tommy Reed Vice President	7	20 years	May 2012	Dentist

## ADMINISTRATIVE OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Dr. Curtis Culwell	Superintendent	12 years
Dr. Phyllis Parker	Assistant Superintendent Educational Operations	10 years
Dr. Gary Reeves	Assistant Superintendent Administration	44 years
Dr. Rene Barajas	Assistant Superintendent Business Operations	3 years
John Washington	Assistant Superintendent Student Services and Community Relations	12 years

# Garland ISD Plan of Organization





Division of  
Business Operations

January 17, 2012

Board of Trustees and Citizens of the  
Garland Independent School District  
501 S. Jupiter  
Garland, Texas 75042

Ladies and Gentlemen:

The Texas Education Agency requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA). The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Garland Independent School District (the District) for the fiscal year ended August 31, 2011.

The Comprehensive Annual Financial Report ("CAFR") is presented in five sections:

1. **Introductory Section**, which includes the Certificate of the Board, the Letter of Transmittal, the Plan of Organization, Board of Trustees and Administrative Officials, the Government Finance Officers Association ("GFOA") Certificate of Achievement in Financial Reporting, and the Association of School Business Officials ("ASBO") Certificate of Excellence.
2. **Financial Section**, which includes the Independent Auditor's Report, Management's Discussion and Analysis ("MD&A"), the Basic Financial Statements, Combining and Individual Statements and Schedules, and Supplementary Information.
3. **Required TEA Schedules Section**, which includes the Schedules of Delinquent Taxes Receivable, Expenditures for Computations of Indirect Cost, and Changes in Fund Balance Budget and Actual-Debt Service Fund.
4. **Statistical Section**, which includes financial and demographic information.
5. **Federal Awards Section**, which includes the Auditor's Reports, Schedule of Expenditures of Federal Awards, and Schedule of Findings and Questioned Costs.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. In order to provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft or misuse. Additionally, the internal control framework is designed to compile sufficient, reliable information for the preparation of the District's financial statements in conformity with GAAP. Because costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute assurance, that the financial statements

Phone: 972.487.3101  
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Garland, Texas 75042

GARLAND INDEPENDENT SCHOOL DISTRICT  
Garland, Rowlett and Sachse  
[www.garlandisd.net](http://www.garlandisd.net)

FAX: 972.485.4922  
Mailing Address:  
P.O. Box 469026  
Garland, TX 75046-9026

will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Weaver and Tidwell, L.L.P., a firm of independent auditors, have audited the financial statements of the District. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2011, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended August 31, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The District is including all information required by the TEA, as set forth in the Financial Accountability System Resource Guide. In order to comply with state-mandated audit requirements, data control codes are shown on all of the financial statements. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and independent auditor's reports on the internal control and compliance with applicable laws and regulations is included in this report and sent to the TEA.

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

## **PROFILE OF THE DISTRICT**

The District was created in 1949 and is the thirteenth largest school district in Texas. Residents of the District elect a seven-member Board of Trustees (the Board), each of which serves for three years. Semi-monthly meetings of the Board are posted and advertised as prescribed under state law so the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or work sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

Serving the communities of Garland, Rowlett, and Sachse, the District's boundaries encompass approximately 93 square miles in Dallas County. The District provides a well-rounded program of public education for children from pre-kindergarten through grade twelve. In addition to basic instructional programs, the District offers special education, gifted and talented, bilingual/ESL, remedial, college preparatory, and career and technical programs. The District is fully accredited by the TEA.

The District has seven traditional high schools serving students in grades nine through twelve. The District has a nontraditional high school program serving students in grades nine through twelve in the evening. The District has thirteen middle schools, forty-seven elementary schools, two Pre-K Centers and two special learning centers.

The table below shows the demographic composition of the District during the 2000-01 and 2010-11 school years.

	<b>2000-01</b>	<b>2010-11</b>
Enrollment	50,312	57,833
White	47.2%	24.5%
Hispanic	28.8%	47.9%
African-American	16.8%	17.0%
Asian	6.5%	8.0%
Native American	0.6%	0.6%
Two or More		2.0%
Economically Disadvantaged	33.0%	58.8%
Limited English	13.5%	21.8%
Graduates	2,553	3,701

The District’s total student population has remained stable in recent years and is expected to remain relatively unchanged in 2011-12. However, the makeup of the student population continues to change. This change can require adjustments in the instructional programs. Educational research suggests economically disadvantaged students come to school with learning styles that need to be addressed through early childhood programs, accelerated instruction, and extended learning time. The District is expanding existing programs to meet these needs and studying the most effective methods to enhance learning for these children.

A challenge facing many Texas school districts is the growing number of students who do not speak English. While the majority of non-English speakers are Hispanic, the District serves students speaking more than 52 different languages. The District is continuing to expand and improve the bilingual and English-as-a-Second Language instructional programs. The growth, particularly in these two areas, is an ongoing challenge for the Garland Independent School District.

#### Equity Beliefs

- All children, regardless of their racial and socio-economic status differences, have the capability to learn and succeed at equally high academic levels as required by the TEKS.
- It is the responsibility of all adults in the district to ensure that all of the children succeed academically.
- Equitable and excellent classroom learning is the primary focus of district operations.

A high degree of professionalism exists among the District’s employees, and an on-going recognition of student and staff excellence contributes to this environment. The instructional program is geared toward having the students meet or exceed grade level expectations. Emphasis is placed on higher level thinking skills, including research methodologies and independent, complex, and critical thinking skills.

The District attracts highly qualified personnel because of its commitment to excellence. The following table shows the employee composition of the District during the 2000-01 and 2010-11 school years:

	2000-01	2010-11
Total Staff	5,623	7,346
Teachers	3,088	3,712
Masters or Doctorate	25.9%	26.7%
Average Years of Experience	10.8	11.3
Student/Teacher Ratio	16.3	15.6

The District maintains budgetary controls throughout all of its financial systems. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the official budget adopted by the Board. The Board adopts an official budget for the general fund, debt service fund, and national breakfast and lunch program (which is included in special revenue funds). In accordance with procedures prescribed by the Texas Education Code, budget amendments that affect the total amount in a fund or functional spending category must be approved by the Board prior to the expenditure of funds. The functional level is specified by Board policy as the legal level of budgetary control.

#### **FINANCIAL CONDITION AND LONG RANGE PLANNING**

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates.

**Local Economy** - The District is located approximately fourteen miles northeast of downtown Dallas. The economic condition of the area within the District's boundaries has declined slightly from the prior year. The table below compares property values for the District.

	2009-10	2010-11	2011-12
Certified Market Value	\$16,534,513,550	\$15,949,296,220	\$15,777,230,570
Average Market Value of Residence	\$133,775	\$131,834	\$130,248

Signs of recovery are currently mixed in the District. An In & Out Burger is under construction at the Firewheel Mall, and a previously vacant Linens & Things has reopened as a Kirkland's and an Ulta. Work is progressing on the extension of the George Bush Turnpike from State Highway 78 to Interstate 30. The North Texas Tollway Authority is projecting that the extension will be complete in December 2011.

**Bond Election and Issuance** - On September 21, 2002, the voters of the District authorized the issuance of \$385,000,000 in general obligation bonds to construct two early childhood centers, three elementary schools, one middle school, one high school, one stadium, one special events center, and for renovations and additions to existing facilities and technology upgrades. The District has \$12,485,959 of authorized but unissued general obligation bonds. As part of the District's continuing philosophy of providing well-maintained facilities, \$61,615,000 of Unlimited Tax School Building Bonds, Series 2011, were issued in June 2011. Management continues to evaluate the renovation and new facility needs of the District to determine the appropriate time to issue the remaining authorized bonds.

**State Funding** – The State of Texas faced a significant reduction in revenue when developing its budget during the past two legislative sessions. To address the budget deficit during the 2009 Legislative session, Legislators utilized funding from the American Recovery and Reinvestment Act (ARRA) to replace state education funding. For fiscal years 2009-10 and 2010-11 the District received approximately \$19,400,000 and \$24,600,000, respectively, through the ARRA State Fiscal Stabilization Fund. Federal funding through the various ARRA programs ends in fiscal year 2011-12, and the majority of the funding was received during fiscal years 2009-10 and 2010-11.

During the 2011 legislative session, the state reduced funding for education by \$4 billion as part of deeper cuts to the state budget for the next two years. The District's funding from the state will decline approximately \$21,000,000 for 2011-12 and \$14,000,000 for 2012-13, compared to the funding received under the funding formulas contained in HB 3646. The state funding formula has been modified by SB 1 to achieve this reduction in state funding. The District will receive approximately \$9,700,000 in additional funding for fiscal year 2011-12 from the Federal Education Jobs Fund.

**Fund Balance** – The unassigned fund balance in the general fund is 25.3% of general fund expenditures. This represents 3.0 months of operations in the general fund.

The District has been aware of the possibility of reductions in state funding for several years and has taken steps to control expenditures and increase operational efficiencies. Accordingly, the fund balance in the general fund has increased for 3 consecutive years.

The increased fund balance will enable the District to compensate for reduced state funding and meet the challenge of possible future cuts in funding when the legislature reconvenes in 2013.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

The District enjoys a reputation for academic and financial excellence. Most recently, the District has been recognized for the following:

- The District received a rating of five stars in the Texas Comptroller of Public Accounts Financial Allocation Study for Texas (FAST) for two years in a row. The study included both independent school districts and charter schools.
- The District received a rating of *Superior* on the Schools Financial Accountability Rating System of Texas (FIRST). The rating system was established during the 76<sup>th</sup> Texas Legislature.
- The District has begun designing a new elementary school campus to replace the existing Daugherty Elementary School facility. The students and faculty will be relocated during the 2012-13 school year while a new building is completed at the current location. The students will start the 2013-14 school year in a new six-section campus.

## **AWARDS AND ACKNOWLEDGEMENTS**

**Awards** - The Government Finance Officers Associations of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.



In order to be awarded a Certificate of Achievement, the District published a Comprehensive Annual Financial Report in which contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. The District has received a Certificate of Achievement for twenty-one consecutive years. We believe our current Comprehensive Annual Financial Report continues to meet the certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District was awarded a Certificate of Excellence in Financial Reporting by the Association of School Business Officials (ASBO) stating that the District's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2010, substantially conforms to the recommended principles and standards of financial reporting adopted by that organization.

The District has received the Certificate of Excellence for twenty-three consecutive years. The Certificate of Excellence is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

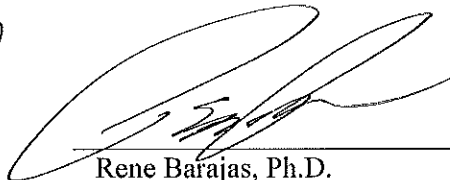
**Acknowledgments** - The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Business Department. We would like to express our appreciation to all members of the Department who assisted and contributed to its preparation.

We also wish to thank the members of the Board of Trustees for their continued leadership and support, and for planning and conducting the financial operations of the District in a responsible and progressive manner.

Sincerely,



Curtis Culwell, Ed.D.  
Superintendent



Rene Barajas, Ph.D.  
Assistant Superintendent, Business Operations

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Garland Independent School  
District, Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emswiler*

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**GARLAND INDEPENDENT SCHOOL DISTRICT**

**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended August 31, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Garland Independent School District, Texas (the District) as of and for the year ended August 31, 2011, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Garland Independent School District, Texas, as of August 31, 2011, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the Garland Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis (on pages 3 through 12) and the schedule of revenues, expenditures and changes in fund balances-budget and actual for the General Fund and National Breakfast and Lunch Program (on pages 51 through 55) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.



Garland Independent School District  
January 17, 2012

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We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, required T.E.A. section, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are 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 in addition to the other supplementary information, and the required T.E.A. schedules listed in the table of contents, are not a required part of the basic financial statements of the District and are the responsibility of management. Such information, excluding the introductory and statistical sections (marked unaudited) on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 17, 2012





## Financial Section

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**Garland Independent School District**  
**Management's Discussion and Analysis**  
**Year Ended August 31, 2011**  
**(Unaudited)**

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2011.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceed its liabilities at the close of the most recent fiscal year by \$264,060,266 (net assets). Of this amount \$118,812,043 may be used to meet the District's ongoing obligations (unrestricted net assets).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$212,274,364, which breaks down as follows:

Non-Spendable	\$ 4,221,658	2.0%
Restricted	91,584,807	43.1%
Committed	12,272,576	5.8%
Assigned	10,085,494	4.8%
Unassigned	<u>94,109,829</u>	<u>44.3%</u>
Total	<u>\$ 212,274,364</u>	<u>100.0%</u>

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Both the discussion and analysis presented are 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, 3) notes to the 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 business.

The *statement of net assets* 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 a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when revenue is received or expenses incurred. Thus, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has only one *business-type activity*: the Concession Fund. Component units are legally separate organizations for which the

Board of Trustees of the District is legally accountable. The District has no component units for which it is financially accountable. Component units can also be other organizations for which the nature and significance of their relationship with the District is such that exclusion would cause the District's financial statements to be incomplete. The government-wide financial statements can be found on pages 13 - 15 of this report.

**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, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds and not the District as a whole. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds 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 impact of the government'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 maintains seven governmental funds. 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, capital projects fund, national breakfast and lunch program, federal special revenue fund, state special revenue fund, and local special revenue fund, all of which are considered to be major funds. Per the Texas Education Agency, the District adopts an annual appropriated budget for its general fund, debt service fund, and national breakfast and lunch program. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 16 - 21 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types: Enterprise and Internal Service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in government-wide financial statements. The District uses an *enterprise fund* to account for its concessions operations. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its catering services, risk management, Special Events Center, print shop, health insurance, motor pool, and copier pool programs. The basic proprietary fund financial statements can be found on pages 22 – 24 of this report.

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the District. 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. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate *Statement of Fiduciary Assets and Liabilities* that can be found on page 25. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 50 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 51 - 55 of this report.

Combining statements are prepared in connection with internal service funds and are presented immediately following the required supplementary information. Combining statements can be found on pages 57 - 62 of this report.

### Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$264,060,266 as of August 31, 2011.

### The District's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 277,348,934	\$ 192,915,647	\$ (123,098)	\$ (126,958)	\$ 277,225,836	\$ 192,788,689
Capital assets	478,089,008	478,537,183	17,536	21,673	478,106,544	478,558,856
Total assets	755,437,942	671,452,830	(105,562)	(105,285)	755,332,380	671,347,545
Long-term liabilities	446,597,217	403,378,788			446,597,217	403,378,788
Other liabilities	44,668,236	41,880,896	6,661	11,927	44,674,897	41,892,823
Total liabilities	491,265,453	445,259,684	6,661	11,927	491,272,114	445,271,611
Invested in capital assets, net of related debt	135,714,399	119,473,529	17,536	21,673	135,731,935	119,495,202
Restricted	9,516,288	6,930,159			9,516,288	6,930,159
Unrestricted	118,941,802	99,789,458	(129,759)	(138,885)	118,812,043	99,650,573
Total net assets	\$ 264,172,489	\$ 226,193,146	\$ (112,223)	\$ (117,212)	\$ 264,060,266	\$ 226,075,934

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related outstanding debt used to acquire those assets is \$135,731,935. 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 capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets cannot themselves be used to liquidate these liabilities. An additional portion (approximately 4%) of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$118,812,043, may be used to meet the District's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities increased the District's net assets by \$37,979,343. This increase is due to an increase in operating grants and state program revenue. The total cost of all *governmental activities* this year was \$510,109,654. The amount our taxpayers paid for these activities through property taxes was \$167,393,450, or 33%.

## Changes in the District's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 14,467,550	\$ 14,929,588	\$ 263,967	\$ 222,740	\$ 14,731,517	\$ 15,152,328
Operating grants & contributions	132,960,615	105,829,524			132,960,615	105,829,524
<b>General revenues</b>						
Property taxes	167,393,450	172,048,968			167,393,450	172,048,968
State Grants	224,600,836	220,388,265			224,600,836	220,388,265
Other	6,390,888	4,549,843	-	-	6,390,888	4,549,843
Total revenues	<u>545,813,339</u>	<u>517,746,188</u>	<u>263,967</u>	<u>222,740</u>	<u>546,077,306</u>	<u>517,968,928</u>
<b>Expenses</b>						
Instructional & instr. related services	310,983,690	304,990,927			310,983,690	304,990,927
Instructional & school leadership	37,688,228	37,443,826			37,688,228	37,443,826
Support services - Student	70,523,251	69,554,019			70,523,251	69,554,019
Administrative support services	11,255,328	10,668,993			11,255,328	10,668,993
Support services - non-student	55,457,548	59,054,926			55,457,548	59,054,926
Community services	5,289,947	5,614,407			5,289,947	5,614,407
Debt service	15,816,186	16,975,140			15,816,186	16,975,140
Facilities acquisition & construction	2,297,277	1,570,426			2,297,277	1,570,426
Payments to Fiscal Agent of Shared Services						
Arrangement	31,422				31,422	-
Payments to JJAEP	66,234	52,360			66,234	52,360
Intergovernmental Charges	700,543	698,644			700,543	698,644
Concessions	-	-	258,978	287,235	258,978	287,235
Total expenses	<u>510,109,654</u>	<u>506,623,668</u>	<u>258,978</u>	<u>287,235</u>	<u>510,368,632</u>	<u>506,910,903</u>
<b>Excess of revenues over expenses</b>						
Extraordinary Item - Insurance Recoveries	2,275,658	-	-	-	2,275,658	-
Increase in net assets	37,979,343	11,122,520	4,989	(64,495)	37,984,332	11,058,025
Beginning net assets	226,193,146	215,070,626	(117,212)	(52,717)	226,075,934	215,017,909
Ending net assets	<u>\$ 264,172,489</u>	<u>\$ 226,193,146</u>	<u>\$ (112,223)</u>	<u>\$ (117,212)</u>	<u>\$ 264,060,266</u>	<u>\$ 226,075,934</u>

**Business-type Activities.** Business-type activities increased the District's net assets by \$4,989. The District's business-type activities consist entirely of concession operations.

**Financial Analysis of the District's Funds**

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$212,274,364, an increase of \$79,253,543 over last year.

Non-Spendable - Inventories	\$ 3,392,920	1.6%
Non-Spendable - Prepaid Items	828,738	0.4%
Restricted - Grant Funds	7,652,679	3.6%
Restricted - Capital Acquisitions and Contractual Obligations	79,399,452	37.4%
Restricted - Retirement of Long-term Debt	4,532,676	2.1%
Committed - Capital Expenditures for Equipment	1,963,746	0.9%
Committed - Self-Insurance	8,000,000	3.8%
Committed - Local Special Revenue Funds	2,308,830	1.1%
Assigned - Construction and Capital Expenditures	10,085,494	4.8%
Unassigned	<u>94,109,829</u>	<u>44.3%</u>
	<u>\$ 212,274,364</u>	<u>100.0%</u>

The general fund is the primary operating fund of the District. At the end of the current fiscal year, the general fund's unassigned fund balance was \$94,109,829. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total general fund expenditures. Unassigned fund balance represents 25% of the total general fund expenditures, while total fund balance represents 29% of that same amount.

The general fund's fund balance increased \$14,313,199 during the current fiscal year. This is due to an increase in state and federal revenues and very little increase in expenditures.

The debt service fund has a total fund balance of \$4,532,676 all of which is restricted for the payment of debt service. The net decrease in debt services fund balance was \$197,348. This decrease was due to using a portion of fund balance to call bonds prior to their maturity date.

The capital projects fund increased its fund balance by \$58,189,785. This increase is due to the proceeds from the issuance of the Series 2011 Unlimited Tax School Buildings netted against current year expenditures for the construction and renovation of school facilities discussed further under capital assets.

The national breakfast and lunch program fund balance increased by \$1,334,603. This increase is due to an increase in local and federal revenues.



The federal special revenue fund increased its fund balance by \$10,507. This is due to activities associated with the District's Medicaid Administrative Claiming program.

The state special revenue fund increased its fund balance by \$5,407,375. This increase is due to the creation of a textbook allotment by the State of Texas. The textbook funding was made available in August 2011, but the District was unable to expend the funds prior to year end.

The local special revenue fund increased its fund balance by \$195,422. This increase is due to E-rate payments for data lines received in the current year.

*Proprietary funds.* As previously noted, the District's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Net assets of the District's internal service funds at August 31, 2011, amounted to \$9,318,349 while net assets increased \$2,282,631. This is due to an increase in net assets of \$2,765,951 in the Health Insurance Fund. The increase was the result of a transfer from the general fund to cover shortfalls and claims received subsequent to the termination of the District health self-insurance program. The remaining difference is the result of small increases and decreases in the other internal service funds. Effective September 1, 2011, the District began participating in the state run TRS-ActiveCare health insurance program.

Factors concerning the finances of the concession fund have already been addressed in the discussion of the District's business-type activities.

### **Budgetary Highlights**

Over the course of the year, the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts reserved and designated in the prior year
- Amendments approved shortly after the beginning of the new fiscal year to align the payroll budget with job assignment changes
- Amendments to revise estimates for local and state revenue based on the latest information on student attendance numbers and tax collections
- Amendments throughout the year for transfers to and from other funds and federal indirect cost calculations
- Amendments during the year for changes in programs

Differences between the original and the final amended budget are briefly summarized below:

#### **GENERAL FUND**

##### **Revenues**

- \$2,012,066 increase in local revenues to align revenue budget with estimated year end totals.
- \$25,571,598 increase in state program revenues of which approximately \$7,000,000 is to align revenue budget with estimated year end totals and \$18,000,000 is to record textbook donations from TEA. Subsequent to year end, after the Board of Trustees adopted the final amended budget, TEA provided additional information that the donation is to be recorded in 2011-12.

- \$4,450,000 increase in federal Medicaid program revenues to align revenue budget with estimated year end totals.

#### Expenditures and Transfers Out

- \$19,405,401 increase in instruction expenditures of which approximately \$1,500,000 is to align salary budget with estimated year end totals and \$18,000,000 is to record textbook donations from TEA. Subsequent to year end, after the Board of Trustees adopted the final amended budget, TEA provided additional information that the donation is to be recorded in 2011-12.
- \$2,489,517 increase in instructional staff development expenditures to align salary budget with estimated year end totals.
- \$980,233 increase in instructional leadership expenditures to align salary budget with estimated year end totals.
- \$1,063,389 increase in school leadership expenditures to align salary budget with estimated year end totals.
- \$964,782 increase in extracurricular activities to align salary budget with estimated year end totals.
- \$1,355,212 decrease in plant maintenance and operations to align salary budget with estimated year end totals.
- \$1,348,501 increase in data processing services to align contractor payments and supplies with estimated year end totals.
- \$10,000,000 increase in operating transfers out, of which \$10,000,000 went to the Employee Benefits fund.

After appropriations were amended as described above, actual revenues were \$9,162,324 less than final budgeted amounts due to less state revenue than final budgeted estimates. Actual expenditures were \$31,635,044 less than final budget amounts. Both of these variances are due to the budget amendment related to textbook donations. The actual donations will be recorded in fiscal 2011-12. Additionally, the year end payroll accrual and non payroll expenses were less than estimated at the time the final amended budget was submitted to the Board of Trustees for approval. Year end revenues were greater than expenditures, thus adding to existing fund balance.

#### NATIONAL BREAKFAST AND LUNCH PROGRAM

##### Revenues

- \$1,423,292 decrease in local and intermediate sources to align revenue budget with estimated year end totals.

##### Expenditures and Transfers Out

- \$1,179,642 decrease in food service expenditures to align food purchases and salary budget with estimated year end totals.

After appropriations were amended as described above, actual revenues were \$364,940 more than final budgeted amounts due to more revenue in all categories than final budgeted estimates.

Actual expenditures were \$512,749 less than final budget amounts due to the year-end payroll accrual being less than estimated at the time the final amended budget was submitted to the Board of Trustees for approval. Year end revenues were greater than expenditures, thus adding to existing fund balance.

**Capital Asset and Debt Administration**

**Capital assets.** The District’s investment in capital assets as of August 31, 2011 and 2010 was \$478,106,544 and \$478,558,856 (net of accumulated depreciation) respectively. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

District’s Capital Assets  
(net of depreciation)

	<u>2011</u>	<u>2010</u>
Land	\$ 14,077,107	\$ 14,077,107
Land improvements, net	14,312,447	15,413,920
Buildings and improvements, net	405,288,490	410,231,509
Furniture and equipment, net	39,602,847	30,624,082
Construction in progress	<u>4,825,653</u>	<u>8,212,238</u>
Total at historical cost	<u>\$478,106,544</u>	<u>\$478,558,856</u>

The decrease in capital assets is due primarily to current year depreciation exceeding current additions.

Additional information on the District’s capital assets can be found in Note 4 to the financial statements.

**Long-term debt.** At August 31, 2011, the District had total bonded debt outstanding of \$422,583,476, which represents an increase of \$38,429,231 from the prior year. This increase is due to the net of the issuance of \$71,460,000 of bonds, scheduled bond payments, and refunding associated with the Series 2010 refunding bonds.

The “AAA” long-term rating on the District’s Texas bonds reflects the Texas Permanent School Fund guarantee. The District maintains an underlying rating of Aaa from Moody’s Investors Service and AA from Standard & Poor’s.

Some statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$1,336,603,630, which is significantly higher than the District’s outstanding general obligation debt.

Additional information on the District’s long-term debt can be found in Note 6 to the financial statements.

**Economic Factors and Next Year’s Budgets and Rates**

- The unemployment rate for the City of Garland stands at 9.0%. The Dallas Metropolitan Statistical Area has an 8.7% unemployment rate as compared to a statewide rate of 8.8% and a national average of 9.3%.

- Inflationary trends in the region tend to be similar to the national consumer price index (CPI). The region's CPI increased 3.7%; Texas experienced a 3.5% increase in the CPI. The nation experienced a 3.8% increase in the CPI.
- The District's student attendance rate has historically been approximately 96%.
- The District has appropriated revenues of \$383,920,983 and expenditures of \$385,424,818 in the 2011-12 budget of the General Fund.
- The Debt Service Fund has budgeted revenues of \$38,591,435 and expenditures of \$39,660,656.
- The National Breakfast and Lunch Program Fund revenue and expenditure budgets for 2011-12 are \$29,246,981 and \$28,147,515, respectively.
- The 2011-12 budget is based on a total property tax rate of \$1.2533 per hundred dollars of assessed value. The property tax rate has remained unchanged since 2007-08. The District's taxable value for 2011-12 decreased 2% due to an overall decline in the real estate market.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Garland ISD, P.O. Box 469026, Garland, Texas, 75046-9026.

## Basic Financial Statements

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GARLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2011

EXHIBIT A-1

Data Codes	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 248,558,644		\$ 248,558,644
1220 Property Taxes - Receivable (Delinquent)	7,919,463		7,919,463
1230 Allowance for Uncollectible Taxes	(2,361,095)		(2,361,095)
1240 Due From Other Governments	14,983,801		14,983,801
1260 Internal Balances	126,029	\$ (126,029)	-
1270 Due From Fiduciary Funds	109,772		109,772
1290 Other Receivables, net	604,963		604,963
1300 Inventories	3,392,920	2,931	3,395,851
1410 Deferred Expenses	917,513		917,513
1420 Capitalized Bond and Other Debt Issuance Costs	3,096,924		3,096,924
Capital Assets:			
1510 Land and Improvements, net	28,389,554		28,389,554
1520 Buildings, net	405,288,490		405,288,490
1530 Furniture and Equipment, net	39,585,311	17,536	39,602,847
1580 Construction in Progress	4,825,653	-	4,825,653
1000 Total Assets	<u>755,437,942</u>	<u>(105,562)</u>	<u>755,332,380</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	4,587,799	3,730	4,591,529
2140 Interest Payable	826,481		826,481
2150 Payroll Deductions and Withholdings	746,651		746,651
2160 Accrued Wages Payable	18,244,588		18,244,588
2180 Due to Other Governments	14,366,174		14,366,174
2181 Due to Fiduciary Funds	25,172		25,172
2200 Accrued Expenses	31,703	2,931	34,634
2201 Claims Liability	5,234,363		5,234,363
2300 Unearned Revenues	605,305		605,305
Noncurrent Liabilities:			
2501 Due Within One Year	23,636,085		23,636,085
2502 Due in More Than One Year	418,830,891		418,830,891
2532 Vested Vacation Benefits Payable	1,393,327		1,393,327
2591 Long-Term Claims Liability	2,736,914	-	2,736,914
2000 Total Liabilities	<u>491,265,453</u>	<u>6,661</u>	<u>491,272,114</u>
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	135,714,399	17,536	135,731,935
3840 Restricted for Food Service	3,572,158		3,572,158
3850 Restricted for Debt Service	5,944,130		5,944,130
3900 Unrestricted Net Assets	118,941,802	(129,759)	118,812,043
3000 Total Net Assets	<u>\$ 264,172,489</u>	<u>\$ (112,223)</u>	<u>\$ 264,060,266</u>

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

GARLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	Program Revenues		
		1 Expenses	3 Charges for Services	4 Operating Grants and Contributions
	Primary government:			
	Governmental activities:			
11	Instruction	\$ 294,208,920	\$ 169,918	\$ 83,991,155
12	Instructional resources and media services	8,193,015		583,801
13	Curriculum and staff development	8,581,755		1,876,599
21	Instructional leadership	9,757,848		3,469,482
23	School leadership	27,930,380		1,631,555
31	Guidance, counseling, and evaluation services	18,429,805		3,418,846
32	Social work services	929,097		123,743
33	Health services	5,654,397		639,638
34	Student transportation	10,811,955		50,929
35	Food service	27,407,886	9,220,579	17,737,039
36	Extracurricular activities	7,290,111	4,900,323	55,436
41	General administration	11,255,328		341,687
51	Plant maintenance and operations	37,876,948	176,730	483,668
52	Security and monitoring services	3,803,372		4,459
53	Data processing services	13,777,228		5,990,913
61	Community services	5,289,947		2,571,830
72	Interest on long-term debt	15,378,492		9,958,774
73	Bond issuance costs and fees	437,694		
81	Facilities acquisition and construction	2,297,277		
93	Payments to fiscal agent of shared services arrangement	31,422		31,061
95	Payments to Juvenile Justice Alternative Education Programs	66,234		
99	Intergovernmental charges	700,543	-	-
TG	TG Total governmental activities	<u>510,109,654</u>	<u>14,467,550</u>	<u>132,960,615</u>
	Business-type activities:			
01	01 Concessions	258,978	263,967	-
TB	TB Total business-type activities	<u>258,978</u>	<u>263,967</u>	-
TP	TP Total primary government	<u>\$ 510,368,632</u>	<u>\$ 14,731,517</u>	<u>\$ 132,960,615</u>

Data Control Codes	General revenues:
	Taxes:
MT	Property taxes, levied for general purposes
DT	Property taxes, levied for debt service
SF	State aid-formula grants (Unrestricted)
GC	Grants and contributions not restricted to specific programs
IE	Investment earnings
MI	Miscellaneous
EI	Insurance recoveries
TR	Total general revenues and special items
CN	Change in Net Assets
NB	Net assets—beginning
NE	Net assets—ending

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



Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (210,047,847)		\$ (210,047,847)
(7,609,214)		(7,609,214)
(6,705,156)		(6,705,156)
(6,288,366)		(6,288,366)
(26,298,825)		(26,298,825)
(15,010,959)		(15,010,959)
(805,354)		(805,354)
(5,014,759)		(5,014,759)
(10,761,026)		(10,761,026)
(450,268)		(450,268)
(2,334,352)		(2,334,352)
(10,913,641)		(10,913,641)
(37,216,550)		(37,216,550)
(3,798,913)		(3,798,913)
(7,786,315)		(7,786,315)
(2,718,117)		(2,718,117)
(5,419,718)		(5,419,718)
(437,694)		(437,694)
(2,297,277)		(2,297,277)
(361)		(361)
(66,234)		(66,234)
(700,543)	-	(700,543)
(362,681,489)	-	(362,681,489)
-	\$ 4,989	4,989
-	4,989	4,989
\$ (362,681,489)	\$ 4,989	\$ (362,676,500)
138,879,794		138,879,794
28,513,656		28,513,656
224,600,836		224,600,836
5,192,762		5,192,762
250,405		250,405
947,721		947,721
2,275,658	-	2,275,658
400,660,832	-	400,660,832
37,979,343	4,989	37,984,332
226,193,146	(117,212)	226,075,934
\$ 264,172,489	\$ (112,223)	\$ 264,060,266

GARLAND INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 131,910,706	\$ 7,088,732	\$ 89,814,873
1220 Property Taxes Receivable - Delinquent	6,715,904	1,203,559	-
1230 Allowance for Uncollectible Taxes (Credit)	(1,928,109)	(432,986)	-
1240 Due From Other Governments	-	-	-
1260 Due From Other Funds	11,194,002	1,060,940	-
1290 Other Receivables	15,430	-	-
1300 Inventories	1,463,630	-	-
1410 Deferred Expenditures	828,734	-	-
1000 Total Assets	<u>150,200,297</u>	<u>8,920,245</u>	<u>89,814,873</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	2,578,876	-	284,869
2150 Payroll Deductions and Withholdings	746,339	-	-
2160 Accrued Wages Payable	17,499,898	-	-
2170 Due to Other Funds	7,751,003	-	45,058
2180 Due to Other Governments	10,695,295	3,670,964	-
2200 Accrued Expenditures/Expenses	17,048	-	-
2300 Deferred Revenues	4,545,895	716,605	-
2000 Total Liabilities	<u>43,834,354</u>	<u>4,387,569</u>	<u>329,927</u>
Fund Balances:			
3410 Non-Spendable - Inventories	1,463,630		
3430 Non-Spendable - Prepaid Items	828,738		
3450 Restricted - Grant Funds			
3470 Restricted - Capital Acquisitions and Contractual Obligations			79,399,452
3480 Restricted - Retirement of Long-term Debt		4,532,676	
3530 Committed - Capital Expenditures for Equipment	1,963,746		
3540 Committed - Self-Insurance	8,000,000		
3540 Committed - Local Special Revenue Funds			
3550 Assigned - Construction and Capital Expenditures			10,085,494
3600 Unassigned	94,109,829	-	-
3000 Total Fund Balances	<u>106,365,943</u>	<u>4,532,676</u>	<u>89,484,946</u>
4000 Total Liabilities and Fund Balances	<u>\$ 150,200,297</u>	<u>\$ 8,920,245</u>	<u>\$ 89,814,873</u>

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

240 National Breakfast and Lunch Program	289 Other Federal Special Rev Funds	429 Other State Special Rev Funds	499 Other Local Special Rev Funds	Total Governmental Funds
\$ 2,164,366	\$ 3,405,713	\$ 122,280	\$ 3,060,700	\$ 237,567,370
-	-	-	-	7,919,463
-	-	-	-	(2,361,095)
663,029	8,092,850	6,228,006	-	14,983,885
455,874	-	-	1,537	12,712,353
19,917	-	-	-	35,347
1,929,290	-	-	-	3,392,920
-	-	-	-	828,734
<u>5,232,476</u>	<u>11,498,563</u>	<u>6,350,286</u>	<u>3,062,237</u>	<u>275,078,977</u>
735,951	632,217	61,970	79,015	4,372,898
312	-	-	-	746,651
469,319	977,997	6,398	-	18,953,612
14,189	9,539,557	620,675	674,392	18,644,874
-	-	-	-	14,366,259
-	-	-	-	17,048
440,547	224	-	-	5,703,271
<u>1,660,318</u>	<u>11,149,995</u>	<u>689,043</u>	<u>753,407</u>	<u>62,804,613</u>
1,929,290	-	-	-	3,392,920
-	-	-	-	828,738
1,642,868	348,568	5,661,243	-	7,652,679
-	-	-	-	79,399,452
-	-	-	-	4,532,676
-	-	-	-	1,963,746
-	-	-	-	8,000,000
-	-	-	2,308,830	2,308,830
-	-	-	-	10,085,494
-	-	-	-	94,109,829
<u>3,572,158</u>	<u>348,568</u>	<u>5,661,243</u>	<u>2,308,830</u>	<u>212,274,364</u>
\$ <u>5,232,476</u>	\$ <u>11,498,563</u>	\$ <u>6,350,286</u>	\$ <u>3,062,237</u>	\$ <u>275,078,977</u>

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GARLAND INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2011

EXHIBIT C-1R

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<b>Total Fund Balances - Governmental Funds</b>	\$ 212,274,364
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	9,318,349
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	750,353,117
3 Accumulated depreciation has not been included in the fund financial statements.	(273,562,101)
4 Bonds payable, related premiums, and loss on refunding have not been included in the fund financial statements.	(432,506,249)
5 Accrued liabilities for compensated absences due in more than one year have not been reflected in the fund financial statements.	(1,393,327)
6 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(7,819,642)
7 Revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	5,237,535
8 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(826,481)
9 Bond issuance costs were recorded as an expenditure in the fund financial statements.	4,514,317
10 Accumulated amortization of bond issuance costs has not been included in the fund financial statements.	(1,417,393)
<b>19 Net Assets of Governmental Activities</b>	<b>\$ 264,172,489</b>

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

GARLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total local and intermediate sources	\$ 141,172,910	\$ 28,539,741	\$ 50,252
5800 State program revenues	244,556,142	9,958,774	
5900 Federal program revenues	10,308,624	-	-
5020 Total Revenues	<u>396,037,676</u>	<u>38,498,515</u>	<u>50,252</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	219,494,313		
0012 Instructional Resources and Media Services	7,314,696		
0013 Curriculum and Instructional Staff Development	6,767,723		
0021 Instructional Leadership	6,692,653		
0023 School Leadership	26,905,413		
0031 Guidance, Counseling, and Evaluation Services	15,769,640		
0032 Social Work Services	857,708		
0033 Health Services	5,308,601		
0034 Student (Pupil) Transportation	8,952,408		
0035 Food Services	50,519		
0036 Cocurricular/Extracurricular Activities	5,352,481		
0041 General Administration	10,143,293		
0051 Plant Maintenance and Operations	35,356,214		
0052 Security and Monitoring Services	3,551,656		
0053 Data Processing Services	15,942,651		2,868,882
0061 Community Services	1,872,904		
Debt Service:			
0071 Debt Service-Principal on Long-Term Debt	470,000	21,275,000	
0072 Debt Service-Interest on Long-Term Debt	99,225	15,437,732	
0073 Debt Service-Bond Issuance Cost and Fees		597,654	567,031
Capital Outlay:			
0081 Facilities Acquisition and Construction	76,061		8,437,243
Intergovernmental:			
0093 Payments Related to Shared Services Arrangements	362		
0095 Payments to Juvenile Justice Alternative Ed Program	66,234		
0099 Other Intergovernmental Charges	700,201	-	-
6030 Total Expenditures	<u>371,744,956</u>	<u>37,310,386</u>	<u>11,873,156</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	24,292,720	1,188,129	(11,822,904)
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued (Bonds)		9,845,000	61,615,000
7912 Sale of Real and Personal Property	18,712		
7915 Transfers In	1,767		
7916 Premium or Discount on Issuance of Bonds		1,167,643	6,122,031
7917 Prepaid Interest		238,982	
8911 Transfers Out	(10,000,000)		
8940 Payments to Escrow Agents		(12,637,102)	-
7080 Total Other Financing Sources (Uses)	<u>(9,979,521)</u>	<u>(1,385,477)</u>	<u>67,737,031</u>
7919 Extraordinary Item - Insurance Recovery			2,275,658
1200 Net Change in Fund Balances	14,313,199	(197,348)	58,189,785
0100 Fund Balance - September 1 (Beginning)	92,052,744	4,730,024	31,295,161
3000 Fund Balance - August 31 (Ending)	<u>\$ 106,365,943</u>	<u>\$ 4,532,676</u>	<u>\$ 89,484,946</u>

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

240 National Breakfast and Lunch Program	289 Other Federal Special Rev Funds	429 Other State Special Rev Funds	499 Other Local Special Rev Funds	Total Governmental Funds
\$ 9,295,340			\$ 4,460,665	\$ 183,518,908
153,600		\$ 12,577,677		267,246,193
17,819,642	\$ 66,916,723	-	-	95,044,989
<u>27,268,582</u>	<u>66,916,723</u>	<u>12,577,677</u>	<u>4,460,665</u>	<u>545,810,090</u>
	57,291,471	6,671,584	2,928,299	286,385,667
		169,564	122,402	7,606,662
	1,483,877	168,530	15,994	8,436,124
	2,963,126	98,361	2,988	9,757,128
	17,234	870	291,356	27,214,873
	2,399,564		19,232	18,188,436
	365	58,186		916,259
	172,771		605	5,481,977
	6,188			8,958,596
25,539,492			154	25,590,165
		1,440	840,616	6,194,537
				10,143,293
447,759	3,492		1,773	35,809,238
				3,551,656
	67,314		17,400	18,896,247
	2,469,753		24,082	4,366,739
				21,745,000
				15,536,957
				1,164,685
				8,513,304
	31,061			31,423
				66,234
-	-	-	342	700,543
<u>25,987,251</u>	<u>66,906,216</u>	<u>7,168,535</u>	<u>4,265,243</u>	<u>525,255,743</u>
<u>1,281,331</u>	<u>10,507</u>	<u>5,409,142</u>	<u>195,422</u>	<u>20,554,347</u>
				71,460,000
53,272				71,984
				1,767
				7,289,674
				238,982
		(1,767)		(10,001,767)
-	-	-	-	(12,637,102)
<u>53,272</u>	<u>-</u>	<u>(1,767)</u>	<u>-</u>	<u>56,423,538</u>
				2,275,658
1,334,603	10,507	5,407,375	195,422	79,253,543
2,237,555	338,061	253,868	2,113,408	133,020,821
<u>\$ 3,572,158</u>	<u>\$ 348,568</u>	<u>\$ 5,661,243</u>	<u>\$ 2,308,830</u>	<u>\$ 212,274,364</u>

GARLAND INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT C-3

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 79,253,543</b>
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	2,282,631
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2011 capital outlays is to increase net assets. Total governmental activities additions (\$24,425,935) less internal service fund additions (\$47,597).	24,378,338
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(23,723,764)
Current year long-term debt principal payments, refunding, payments of accreted interest on capital appreciation bonds, and amortization of loss on refunding are expenditures in the fund financial statements, but shown as reductions in long-term debt in the government-wide financial statements.	35,586,031
Current year accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in accreted interest on the government-wide financial statements.	(1,144,231)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	(100,954)
Revenue from property taxes is deferred in the fund financial statements until it is considered available to finance current expenditures, but such revenue is recognized when assessed net of allowance for uncollectible accounts in the government-wide financial statements.	120,180
Proceeds from debt issuance are recorded as other financing sources in the fund financial statements, but are recorded as debt in the government-wide financial statements	(71,460,000)
Premium on bonds are considered revenues in the fund financial statements, but such revenues are recorded as part of debt in the government-wide financial statements	(7,289,674)
Loss on refunding of debt is not recognized as an expense in governmental funds since it does not require the use of current financial resources	205,626
Bond issuance costs are considered expenditures in the fund financial statements, but such expenditures are recorded as part of deferred expenses in the government-wide financial statements.	728,466
Amortization of bond issuance costs are not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's amortization is to decrease net assets.	(246,363)
Changes in the long-term vested sick leave liability is not shown in the fund financial statements. The net effect of the current year's increase is to increase net assets.	340,201
Net book value of capital assets disposed of is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(950,687)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 37,979,343</u></b>

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



GARLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2011

EXHIBIT D-1

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents		\$ 10,991,274
Due From Other Funds	\$ -	6,322,074
Other Receivables	-	564,268
Inventories	2,931	-
Deferred Expenses	-	88,779
Total Current Assets	2,931	17,966,395
Noncurrent Assets:		
Capital Assets:		
Land Purchase and Improvements		196,078
Furniture and Equipment	33,574	2,108,357
Accumulated Depreciation-Other Land Improvements	-	(24,510)
Accumulated Depreciation-Furniture and Equipment	(16,038)	(981,933)
Total Noncurrent Assets	17,536	1,297,992
Total Assets	20,467	19,264,387
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	3,730	224,205
Accrued Wages Payable	-	13,184
Due to Other Funds	126,029	178,924
Accrued Expenses	2,931	-
Claims Liability	-	6,653,240
Deferred Revenues	-	139,571
Total Current Liabilities	132,690	7,209,124
Noncurrent liabilities:		
Other Long-Term Liabilities	-	2,736,914
Total Noncurrent liabilities	-	2,736,914
Total Liabilities	132,690	9,946,038
<b>NET ASSETS</b>		
Investments in Capital Assets	17,536	1,297,992
Unreserved and Undesignated:		
Unrestricted Net Assets	(129,759)	8,020,357
Total Net Assets	\$ (112,223)	\$ 9,318,349

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

GARLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT D-2

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 263,967	\$ 36,390,263
Total Operating Revenues	263,967	36,390,263
<b>OPERATING EXPENSES:</b>		
Payroll Costs	164,776	1,843,212
Professional and Contracted Services	239	2,171,423
Supplies and Materials	89,796	618,132
Other Operating Costs	4,167	39,479,360
Total Operating Expenses	258,978	44,112,127
Operating Income (Loss)	4,989	(7,721,864)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Earnings from Temporary Deposits & Investments	-	6,989
Loss on Sale of Real and Personal Property	-	(2,494)
Total Nonoperating Revenues (Expenses)	-	4,495
Income Before Transfers	4,989	(7,717,369)
Operating Transfers In	-	10,000,000
Change in Net Assets	4,989	2,282,631
Total Net Assets - September 1 (Beginning)	(117,212)	7,035,718
Total Net Assets - August 31 (Ending)	\$ (112,223)	\$ 9,318,349

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

GARLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT D-3

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities:		
Cash Received from User Charges	\$ 255,825	\$ 13,766,497
Cash Received from Assessments - Other Funds		18,606,519
Cash Payments to Employees for Services	(164,778)	(1,851,984)
Cash Payments for Insurance Claims		(38,542,583)
Cash Payments for Suppliers	(90,778)	(653,308)
Cash Payments for Other Operating Expenses	(30)	(159,096)
Cash Payments for Prof. and Contracted Services	(239)	(2,232,069)
Net Cash Used for Operating Activities	<u>-</u>	<u>(11,066,024)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfer from Other Funds	-	10,000,000
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>10,000,000</u>
Cash Flows from Capital Financing Activities:		
Acquisition of Capital Assets	-	(47,597)
Net Cash Used for Capital Financing Activities	<u>-</u>	<u>(47,597)</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	-	6,989
Net Decrease in Cash and Cash Equivalents	<u>-</u>	<u>(1,106,632)</u>
Cash and Cash Equivalents at Beginning of the Year:	<u>-</u>	<u>12,097,906</u>
Cash and Cash Equivalents at the End of the Year:	<u>-</u>	<u>10,991,274</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Income/(Loss):	4,989	(7,721,864)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	4,137	197,165
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease in Deferred Revenue		(27,401)
Decrease in Other Receivables		89,741
Decrease in Inventories	4,282	
Decrease in Deferred Expenses		19,327
Decrease in Accounts Payable	(982)	(47,711)
Decrease in Accrued Expenses	(4,282)	
Decrease in Accrued Wages Payable	(2)	(8,772)
(Increase) Decrease in Due from Other Funds	2,854	(4,032,729)
Increase (Decrease) in Due to Other Funds	(10,996)	26,013
Increase in Claims Liability		440,207
Net Cash Used for Operating Activities	<u>\$ -</u>	<u>\$ (11,066,024)</u>

Noncash Investing, Capital, and Financing Activities:

During the year, the Print Shop Fund disposed of a Plotter and Press. The undepreciated cost of the equipment was recorded as a loss - \$2,494.

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

GARLAND INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AUGUST 31, 2011

EXHIBIT E-1

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,260,132
Due from Other Funds	26,144
Total Assets	<u>1,286,276</u>
<b>LIABILITIES</b>	
Accounts Payable	22,325
Due to Other Funds	110,744
Due to Student Groups	1,153,207
Total Liabilities	<u>\$ 1,286,276</u>

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

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Garland Independent School District (the "District") conform to generally accepted accounting principles applicable to governmental entities and to the rules prescribed by the Texas Education Agency ("TEA") Financial Accountability System Resource Guide (the "Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the government for financial reporting purposes, the District's management has considered all potential component units. By applying the criteria set forth in generally accepted accounting principles ("GAAP"), the District has determined that no other organizations require inclusion in its reporting entity.

Governmental Fund Financial Statements

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items, and long-term receivables.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs, and other federal and state grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes campus activity funds and local special revenue funds.

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Assistant Superintendent of Business Operations.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 1. Summary of Significant Accounting Policies – continued

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed except for interfund services provided and used. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. *Business-type activities*, which are reported separately, 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes are reported as *general revenues*.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements use 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 1. Summary of Significant Accounting Policies – continued

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

Proprietary funds distinguish operating revenues from non-operating revenues. 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 fund are charges for items sold in the concession stands (primarily food and beverages). Operating expenses for the enterprise fund include salaries and the cost of products sold. The principal operating revenues of the District's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

Fund Accounting

The District reports the following major governmental funds:

The General Fund which accounts for financial resources related to the general operations of the District, including financial resources not required to be accounted for in some other fund.

The Debt Service Fund which is utilized to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs arising from general obligation bonds.

The Capital Projects Fund which accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and acquisition of capital facilities.

National Breakfast and Lunch Program which is used to account for funds used in food service operations and is to be used exclusively for allowable child nutrition program purposes.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 1. Summary of Significant Accounting Policies – continued

Federal Special Revenue Fund which is used to account, on a project basis, for funds granted from the Federal government other than the National Breakfast and Lunch Program.

State Special Revenue Fund which is used to account, on a project basis, for funds granted from the state of Texas.

Local Special Revenue Fund which is used to account, on a project basis, for funds granted from a local source.

Proprietary Funds:

Enterprise Fund accounts for activities of the District's concession stand operations.

Internal Service Funds used to account for services provided by one department to other departments of the District on a cost-reimbursement basis. For the District, these funds are used to provide health insurance, workers' compensation insurance, reproduction, catering services, print services, motor pool, and Special Events Center services.

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

Fiduciary Funds:

Agency Funds which are custodial in nature and account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity. Assets are equal to liabilities and do not include revenues and expenditures for general operations of the District. This accounting reflects the District's agency relationship with the student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

Official Budget

The District is required by state law to adopt annual budgets for the General Fund, Debt Service Fund, and the Food Service Fund, which is included within the Special Revenue Funds. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets that do not correspond to the District's fiscal year. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP").

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

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.



**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 1. Summary of Significant Accounting Policies – continued

A meeting of the Board of Trustees is then called for purpose of adopting the proposed budget after ten days public notice of the meeting has been given. Prior to September 1, the Board of Trustees legally enacts the budget through passage of a resolution.

The approved budget is filed with the Texas Education Agency (TEA).

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. There was a \$18,000,000 to increase Instructional expenditures to record textbook donations from TEA. Subsequent to the Board adopting the final amended budget, TEA provided additional guidance that the textbook donation is to be recorded in the fiscal year ending August 31, 2012. There was a \$10,000,000 amendment to increase transfers out, all of which was for the Employee Benefits fund.

Each budget is prepared and controlled by management at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Trustees. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Investments

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The tax rates assessed for the year ended August 31, 2011, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.0400 and \$0.2133 per \$100 valuation, respectively, for a total of \$1.2533 per \$100 valuation.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 1. Summary of Significant Accounting Policies – continued

periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2011, taxes receivable net of estimated uncollectible taxes, aggregated \$4,787,795 and \$770,573 for the General Fund and Debt Service Fund, respectively.

**Inventories and Deferred Expenditures**

Supplies and materials are recorded as expenditures when requisitioned. Inventories of supplies on the balance sheet are recorded at cost, using the average cost method. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture and are recorded as inventory when received. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the Food Service Fund.

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

**Interfund Transactions and Receivables and Payables**

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

**Capital Assets**

Capital assets, which include land, buildings, furniture and equipment, and construction in progress are reported in the government-wide financial statements. Capital assets are capitalized by the District if the cost of the item is more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land improvements, buildings, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 Years
Buildings and Improvements	10 - 45 Years
Furniture and Equipment	3 - 20 Years

**Reclassifications**

Certain reclassifications have been made between the Other Local Special Revenue Fund and the Capital Project Fund to conform to the presentation in fiscal year 2011 resulting from the implementation of GASB Statement No. 54. The reclassifications had no impact on total governmental funds changes in net assets.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 1. Summary of Significant Accounting Policies – continued

Fund Balance

The District utilizes reserves in the governmental fund financial statements to denote that portion of fund balance that is not appropriable for expenditure or is legally segregated for specific future use. Fund balance reserves are reflected in the caption on the balance sheet. The Board has not authorized any unexpended budgeted projects to carryover into the next fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental fund types. Under Texas law, appropriations, including those in the Capital Projects Fund, lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments.

Data Control Codes

These codes refer to the account code structure prescribed by the TEA in the Resource Guide.

Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is possible that the foundation revenue estimate as of August 31, 2011 will change.

Note 2. Cash and Investments

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

At August 31, 2011, the carrying amount of the District's deposits was \$22,083,881 and the bank balance was \$13,931,228. The book balance includes an overnight investment in a repurchase agreement of \$12,272,204.

The District's entire bank balance on August 31, 2011 was covered by federal depository insurance or by collateral held by the District's agent in the District's name. During the period, the District's deposits were fully secured with FDIC coverage and pledged collateral.

In addition, the District had various petty cash balances held at different locations amounting to \$51,746.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 2. Cash and Investments – continued

Depository information required to be reported to the Texas Education Agency is:

- A. Depository – Bank of America – Dallas
- B. Amount of bond and pledged collateral as of the date of the highest collected balance on deposit was \$21,722,060.
- C. Largest cash balance amounted to \$20,542,059 and occurred on June 8, 2011.
- D. Total amount of FDIC coverage at the time of the highest collected balance was \$20,542,059.

The District’s investment policy contains the following objectives:

- A. Assure the safety of District funds.
- B. Maintain sufficient liquidity to provide adequate and timely working funds.
- C. Match the maturity of investment instruments to the daily cash flow requirements.
- D. Diversify investments as to maturity, instrument, and financial institution, where permitted.

As a means of limiting exposure to fair value losses that could occur from rising interest rates, the District limits the maturities of investments to one year from the time of purchase in all funds except capital projects and debt service.

The District recognizes that investment risks can result from market price changes. Portfolio diversification is employed as a way to control credit risk. Investment officers are expected to display prudence in the selection of securities, as a way to minimize risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio.

At August 31, 2011, the District’s exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized below:

	<u>Rating</u>	Carrying Amount/ <u>Fair Value</u>	Investment Maturities in Months		
			<u>Less than 1</u>	<u>1 to 3</u>	<u>4 to 6</u>
TexPool	AAAm	\$ 224,155,950	\$224,155,950		
Lone Star	AAA	<u>3,527,199</u>	<u>3,527,199</u>	\$ -	\$ -
Total Investments		<u>\$ 227,683,149</u>	<u>\$227,683,149</u>	\$ -	\$ -

An 11 member board of pool members oversees Lone Star. The fair value of the District’s position in Lone Star is the same as the value of the pool shares. Lone Star is operated in a manner consistent with the SEC’s Rule 2A-7 of the investment company Act of 1970.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 2. Cash and Investments - continued

Lone Star's Government Overnight Fund is authorized for the following investments:

Obligations of the United States Government, its agencies or instrumentalities.

Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States Government, or its agencies and instrumentalities.

Fully collateralized repurchase agreements that meet the following criteria: (1) have a defined termination date; (2) are secured by obligations of the United States or its agencies and instrumentalities; (3) require the securities being purchased by the Liquidity Plus Fund to be pledged to the Liquidity Plus Fund, held in the Liquidity Plus Fund's name, and deposited at the time the investment is made with the Liquidity Plus Fund or with a third party selected and approved by the Liquidity Plus Fund; and (4) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state. The market value of repurchase agreement collateral is required to initially be 102 percent of the principal amount of such repurchase agreement. Thereafter, the market value of such collateral will be determined (marked-to-market) daily and reset to 102 percent of the principal amount if it falls below 100 percent.

Lone Star's Government Overnight Fund seeks to maintain a dollar-weighted average maturity of 60 days or fewer.

The Texas Comptroller of Public Accounts oversees TexPool. The fair value of the District's position in TexPool is the same as the value of the pool shares. TexPool is operated in a manner consistent with the SEC's Rule 2A-7 of the investment company Act of 1970.

TexPool is authorized for the following investments:

Obligations of the United States Government, its agencies or instrumentalities with a maximum final maturity of 397 days for fixed rate securities and 24 months for variable rate notes.

Fully collateralized repurchase agreements or reverse repurchase agreements (i) with defined termination dates, (ii) secured obligations of the United States, its agencies or its instrumentalities, including mortgage-backed securities, (iii) that require purchased securities to be pledged to the investing entity or a third party, and (iv) that are placed through primary government securities dealers or a financial institution doing business in the State of Texas. The maximum maturity on repurchase agreements may not exceed 90 days unless the repurchase agreements have a put option that allows TexPool to liquidate the position at par with no more than 7 days notice to the counterparty.

No-load money market mutual funds that (i) are registered with and regulated by the Securities and Exchange Commission, (ii) provide a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, (iii) maintain a dollar weighted average stated maturity of 90 days or less, (iv) included in its investment objectives the maintenance of a stable net asset value of \$1.00, and (v) are rated AAA or equivalent by at least one nationally recognized statistical rating organization ("NRSRO").

Securities lending programs that comply with various limitations.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 2. Cash and Investments - continued

The weighted average maturity of TexPool cannot exceed 60 days.

To manage credit risk, all investments are made in the name of the Garland Independent School District. All investments other than pools are purchased with the delivery versus payment method and are recorded in the District's name on the Federal Reserve's book entry system and confirmed to the District via safekeeping receipt maintained on the books of the depository bank's safekeeping department.

During the period, the District did not hold any investments in commercial paper. The District neither enters into reverse repurchase agreements nor trades in options or future contracts. Additionally, the District does not participate in any Securities Lending Programs.

Note 3. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita programs. Amounts due from federal and state governments as of August 31, 2011, are summarized below and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Total</u>
National Breakfast and Lunch Program	\$ 663,029		\$ 663,029
Federal Special Revenue Fund	8,092,850		8,092,850
State Special Revenue Fund	<u>-</u>	<u>\$6,228,006</u>	<u>6,228,006</u>
Total	<u>\$8,755,879</u>	<u>\$6,228,006</u>	<u>\$14,983,885</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

**Note 4. Capital Assets**

Capital asset activity for the District for the year ended August 31, 2011, was as follows:

Governmental Activities:	Primary Government				
	Beginning Balance				Ending Balance
	9/1/10	Additions	Retirements	Transfers	8/31/11
<b>Non-Depreciable Assets</b>					
Land	\$ 14,077,107				\$ 14,077,107
Construction In Progress	8,212,238	\$ 7,039,767	\$ 368,538	\$ (10,057,814)	4,825,653
Total Capital Assets, not being depreciated	22,289,345	7,039,767	368,538	(10,057,814)	18,902,760
<b>Depreciable Assets</b>					
Land Improvements	31,404,121	27,318		103,779	31,535,218
Building & Building Improvements	610,122,141	151,483	656,000	9,233,807	618,851,431
Furniture & Equipment	67,536,522	17,207,367	2,095,974	720,228	83,368,143
Grand Totals at Historical Cost	709,062,784	17,386,168	2,751,974	10,057,814	733,754,792
<b>Less Accumulated Depreciation for:</b>					
Land Improvements	15,990,201	1,232,570			17,222,771
Building & Building Improvements	199,890,632	14,204,398	532,089		213,562,941
Furniture & Equipment	36,934,113	8,483,961	1,635,242	-	43,782,832
Grand Totals at Historical Cost	252,814,946	23,920,929	2,167,331	-	274,568,544
Governmental Activities-Capital Assets, being depreciated, net	456,247,838	(6,534,761)	584,643	10,057,814	459,186,248
Governmental Activities-Capital Assets, Net	\$ 478,537,183	\$ 505,006	\$ 953,181	-	\$ 478,089,008
<b>Business Type Activities:</b>					
<b>Depreciable Assets</b>					
Furniture & Equipment	\$ 33,574				\$ 33,574
<b>Less Accumulated Depreciation for:</b>					
Furniture & Equipment	11,901	\$ 4,137	-	-	16,038
Business Type-Capital Assets, Net Furniture & Equipment net	\$ 21,673	\$ (4,137)	-	-	\$ 17,536

Total Governmental Activities - Capital Assets include cost of assets held in internal service funds and related accumulated depreciation amounting to \$2,304,435 and \$1,006,443 respectively.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 4. Capital Assets – continued

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 11,496,831
12 Instructional Resources and Media Services	478,520
13 Curriculum Development and Instructional Staff Development	20,793
21 Instructional Leadership	243,947
23 School Leadership	239,579
31 Guidance, Counseling and Evaluation Service	100,917
33 Health Services	86,821
34 Student (Pupil) Transportation	2,097,912
35 Food Services	1,177,063
36 Cocurricular/Extracurricular Activities	1,078,782
41 General Administration	250,417
51 Plant Maintenance and Operations	1,724,343
52 Security and Monitoring Services	258,653
53 Data Processing Services	3,472,219
61 Community Services	868,574
81 Facilities Acquisition and Construction	128,393
Internal Service Fund Depreciation	<u>197,165</u>
	<u>\$ 23,920,929</u>

Depreciation expense of \$4,137 was charged to the Enterprise fund and is included in other operating costs.

As of August 31, 2011, the District had the following major commitment with respect to unfinished major capital projects:

	<u>Project Authorization</u>	<u>Estimated Expended to Date</u>	<u>Remaining Commitment</u>
Padgett Building Renovation	\$ 1,015,665	\$ 1,015,437	\$ 228
TEA/ADA Upgrades	1,685,793	1,607,536	78,257
Technology Fiber Loop Project	1,185,000	1,109,005	75,995
Educational Operations	2,000,000	296,700	1,703,300
Energy Management Control System	1,210,457	735,424	475,033
Webb Fire Damage Repair	3,000,000	2,930,126	69,874
Total	<u>\$10,096,915</u>	<u>\$7,694,228</u>	<u>\$2,402,687</u>

In December 2010, Webb Middle School experienced a fire that damaged several classrooms. Repairs were completed in time for students to utilize the classrooms at the start of the 2011-12 school year. Insurance recoveries are recorded as an extraordinary item. An impairment loss in the amount of \$123,911 was recognized during the fiscal year.



**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 5. Deferred Revenue

Governmental funds deferred revenue at August 31, 2011 consisted of the following:

	General Fund	Debt Service Fund	National Breakfast and Lunch Program	Federal Special Revenue Fund	Total
Net Tax Revenue	\$4,520,930	\$716,605			\$5,237,535
Athletic and Other Local	24,965				24,965
Food Service Meals			\$440,547		440,547
Federal Grant	—	—	—	\$224	224
	<u>\$4,545,895</u>	<u>\$716,605</u>	<u>\$440,547</u>	<u>\$224</u>	<u>\$5,703,271</u>

Note 6. Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended August 31, 2011:

	September 1, 2010 Obligations	New Obligations Incurred	Obligations Retired or Transferred	August 31, 2011 Obligations	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General obligation bonds	\$ 377,478,834	\$ 71,460,000	\$ 34,175,000	\$ 414,763,834	\$ 21,495,000
Accreted interest	6,675,411	1,144,231	-	7,819,642	-
Premium on bond issuance	15,815,481	7,289,673	1,957,682	21,147,472	-
Loss on refunding	(3,746,082)	(205,626)	(546,651)	(3,405,057)	-
Total Bonds and Notes Payable	<u>396,223,644</u>	<u>79,688,278</u>	<u>35,586,031</u>	<u>440,325,891</u>	<u>21,495,000</u>
Other Liabilities:					
Workers compensation self-insurance liability	4,242,143	1,131,018	1,217,370	4,155,791	1,418,877
Vested sick leave	2,913,001	265,608	1,063,074	2,115,535	722,208
Total Other Liabilities	<u>7,155,144</u>	<u>1,396,626</u>	<u>2,280,444</u>	<u>6,271,326</u>	<u>2,141,085</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 403,378,788</u>	<u>\$ 81,084,904</u>	<u>\$ 37,866,475</u>	<u>\$ 446,597,217</u>	<u>\$ 23,636,085</u>

For governmental activities, it is the District's general policy to liquidate claims and judgments and compensated absences by the general fund.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 6. Long-Term Obligations – continued

Bonds payable and contractual obligations at August 31, 2011, are composed of the following individual issues:

Description	Interest Rate	Amounts Original Issue	Amounts Outstanding at September 1, 2010	Issued	Retired/ Refunded	Accumulated Interest Accretion	Amounts Outstanding at August 31, 2011
School Building Bonds - 1997	4% to 7%	\$ 20,000,000	\$ 3,455,000		\$ 3,455,000		\$ -
School Building Bonds - 1997A	4% to 7%	47,625,000	8,505,000		8,505,000		-
School Building Bonds - 2001	3.5% to 5.5%	42,544,997	470,000		470,000		-
Unlimited Tax Refunding Bonds - 2003	1.2% to 5.44%	103,862,866	75,923,834		6,915,000	\$ 7,819,642	76,828,476
Unlimited Tax Refunding Bonds - 2003A	1.62% to 5.0%	38,120,000	2,870,000		2,870,000		-
School Building Bonds - 2004A	2.05% to 5.0%	58,834,994	52,165,000		1,150,000		51,015,000
School Building Bonds - 2004B	Variable (1)	40,000,000	28,300,000		2,500,000		25,800,000
School Building Bonds - 2005	3.0% to 5.0%	155,830,000	142,165,000		6,445,000		135,720,000
School Building and Refunding Bonds - 2009A	4.0% to 5.0%	53,210,000	50,420,000		1,120,000		49,300,000
Qualified School Construction Bonds - 2009B	0.0%	10,185,000	10,135,000				10,135,000
Maintenance Tax Notes Series - 2009	3.50%	3,525,000	3,070,000		470,000		2,600,000
Unlimited Tax Refunding Series - 2010	2.0% to 4.0%	9,845,000		9,845,000	275,000		9,570,000
Unlimited Tax School Building Series - 2011	2.0% to 5.0%	<u>61,615,000</u>	<u>-</u>	<u>61,615,000</u>	<u>-</u>	<u>-</u>	<u>61,615,000</u>
Total		<u>\$ 645,197,857</u>	<u>\$ 377,478,834</u>	<u>\$ 71,460,000</u>	<u>\$ 34,175,000</u>	<u>\$ 7,819,642</u>	422,583,476
Accumulated Interest Accretion							<u>(7,819,642)</u>
Total Principal Outstanding - August 31, 2011							<u>\$ 414,763,834</u>

(1) Resets periodically not to exceed 12 months and the interest rate will be the rate the Remarketing Agent determines under prevailing market conditions on the date of such determination, to be the rate that will result in the market value of the bonds being 100% of the principal amount thereof plus accrued interest.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 6. Long-Term Obligations - continued

These bonds and accreted interest are secured by ad valorem taxes levied against all taxable property and are serviced by the Debt Service Fund with an apportionment of the ad valorem tax levy. Interest rates on the bonds range from 0.00% to 7.0% and are due through 2031. The principal amount of bond indebtedness cannot exceed 10% of the assessed valuation of taxable property in the District according to the last completed and approved ad valorem tax rolls of the District. At August 31, 2011, \$4,532,676 was available in the debt service fund to service these bonds. Arbitrage rebates are paid from interest earnings of the Capital Projects Fund. Public property finance contractual obligations and sick leave are paid from the General Fund.

In December 2010, the District issued \$9,845,000 of Unlimited Tax Refunding Bonds, Series 2010. In June 2011, the District issued \$61,615,000 of Unlimited Tax School Building Bonds, Series 2011.

All of the proceeds of the 2010 issue (\$9,845,000) and \$2,000,000 of District Debt Service Fund reserves were used to provide resources to purchase U.S. governmental securities that were placed in an irrevocable trust for the purpose of generating resources for debt service payments of \$12,430,000 of general obligation bonds as of the January 2011 call date. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt resulting in a loss on the refunding of \$205,626. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt which is shorter than the new debt. This current refunding decreased total debt service payments over the next ten years by \$3,114,870 and resulted in an economic gain of \$1,149,207. The issuance cost of \$161,435 and the premium paid of \$958,744 are being amortized over the life of the new debt.

The proceeds of the 2011 issue were used for the construction, renovation, and equipping of school buildings. The 2011 issue bears interest at rates between 2.0% and 5.0%, and matures in 2031.

In 2010, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all debt service as of the call date in January 2011. Of the bonds defeased, none remain outstanding as of August 31, 2011.

The annual requirements to pay principal and interest on the bond obligations outstanding as of August 31, 2011 are as follows:

Year Ended August 31	Principal	Interest (including accreted interest)	Requirements
2012	\$ 21,495,000	\$ 17,983,169	\$ 39,478,169
2013	22,745,000	16,975,159	39,720,159
2014	24,815,000	15,896,696	40,711,696
2015	26,165,000	14,723,509	40,888,509
2016	27,675,000	13,481,408	41,156,408
2017 - 2021	140,116,177	62,521,764	202,637,941
2022 - 2026	105,662,657	29,529,815	135,192,472
2027 - 2031	46,090,000	3,698,375	49,788,375
	<u>\$ 414,763,834</u>	<u>\$ 174,809,895</u>	<u>\$ 589,573,729</u>

As of August 31, 2011, the District has \$12,485,959 of authorized but unissued general obligation bonds. Accreted interest of \$7,819,642 is included in the interest column.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

**Note 7. Compensated Absences**

Employees of the District are granted vacation and sick leave annually. Vacation must be taken within the fiscal year; thus, the District has no liability for unused vacation pay. Sick leave days are accumulated from year to year; however, only qualified employees are paid for sick leave days not taken upon retirement. Qualified employees are employees who have worked for the District for ten or more years and are 55 years of age or older. The payment for sick leave days not taken by qualified employees upon retirement is limited to 20 days. A liability for compensated absences related to qualified employees is approximately \$2,115,535. Of this amount, \$722,208 is recorded in the General Fund in accrued wages for the amount expected to be utilized in the next fiscal year.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

**Note 8. Interfund Receivables, Payables and Transfers**

Interfund balances at August 31, 2011 arose in the normal course of operations and transactions between funds and consisted of the following individual fund receivable and payable balances:

TO	FROM		
General	Capital Projects	\$ 45,058	
General	State Special Revenue Funds	619,045	
General	Enterprise Funds	125,593	
General	Local Special Revenue Funds	625,575	
General	Federal Special Revenue Funds	9,539,557	
General	Agency Funds	103,184	
General	Internal Service Funds	<u>135,990</u>	
Total General			\$ 11,194,002
Debt Service	General	1,060,798	
Debt Service	Local Special Revenue Funds	23	
Debt Service	Agency Funds	<u>119</u>	
Total Debt Service			1,060,940
National Breakfast and Lunch Program	Local Special Revenue Funds	2,772	
National Breakfast and Lunch Program	General	452,483	
National Breakfast and Lunch Program	Agency Funds	562	
National Breakfast and Lunch Program	Internal Service Funds	<u>57</u>	
Total National Breakfast and Lunch Program			455,874
Local Special Revenue Fund	State Special Revenue Fund	1,244	
Local Special Revenue Fund	Enterprise Funds	96	
Local Special Revenue Fund	Internal Service Funds	<u>197</u>	
Total Local Special Revenue Fund			1,537
Internal Service Funds	General	6,237,722	
Internal Service Funds	National Breakfast and Lunch Program	14,189	
Internal Service Funds	Enterprise Funds	340	
Internal Service Funds	State Special Revenue Fund	386	
Internal Service Funds	Local Special Revenue Fund	20,850	
Internal Service Funds	Internal Service Funds	42,680	
Internal Service Funds	Agency Funds	<u>5,907</u>	
Total Internal Service Funds			6,322,074
Agency Funds	Local Special Revenue Fund	25,172	
Agency Funds	Agency Funds	<u>972</u>	
Total Agency Funds			<u>26,144</u>
Total Due From Other Funds			<u>\$ 19,060,571</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 8. Interfund Receivables, Payables and Transfers -- continued

FROM	TO		
General	Debt Service	\$1,060,798	
General	Internal Service Funds	6,237,722	
General	National Breakfast and Lunch Program	<u>452,483</u>	
Total General			\$7,751,003
Capital Projects	General	45,058	45,058
Federal Special Revenue Funds	General	9,539,557	9,539,557
Local Special Revenue Funds	General	625,575	
Local Special Revenue Funds	Debt Service	23	
Local Special Revenue Funds	National Breakfast and Lunch Program	2,772	
Local Special Revenue Funds	Internal Service Funds	20,850	
Local Special Revenue Funds	Agency Funds	<u>25,172</u>	
Total Local Special Revenue Funds			674,392
State Special Revenue Fund	General Fund	619,045	
State Special Revenue Fund	Local Special Revenue Funds	1,244	
State Special Revenue Fund	Internal Service Funds	<u>386</u>	
Total State Special Revenue Funds			620,675
National Breakfast and Lunch Program	Internal Service Funds	14,189	14,189
Enterprise Fund	General	125,593	
Enterprise Fund	Local Special Revenue Funds	96	
Enterprise Fund	Internal Service Funds	<u>340</u>	
Total Enterprise Funds			126,029
Internal Service Funds	Internal Service Funds	42,680	
Internal Service Funds	General	135,990	
Internal Service Funds	National Breakfast and Lunch Program	57	
Internal Service Funds	Local Special Revenue Funds	<u>197</u>	
Total Internal Service Funds			178,924
Agency Funds	General	103,184	
Agency Funds	National Breakfast and Lunch Program	562	
Agency Funds	Debt Service	119	
Agency Funds	Internal Service Funds	5,907	
Agency Funds	Agency Funds	<u>972</u>	
Total Agency Funds			<u>110,744</u>
Total Due To Other Funds			<u>\$ 19,060,571</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 8. Interfund Receivables, Payables and Transfers – continued

All due to/from amounts are generated in the normal course of operations from payroll and accounts payable activity. They are repaid periodically throughout the year.

	General Fund	Internal Service Funds	Transfers Out
General Fund		\$10,000,000	\$10,000,000
Other State Special Revenue Funds	<u>\$1,767</u>	-	<u>1,767</u>
	<u>\$1,767</u>	<u>\$10,000,000</u>	<u>\$10,001,767</u>

In the fund financial statements, \$10,000,000 was transferred out of the General Fund to the Health Insurance Service Fund. Other State Special Revenue Funds transferred \$1,767 to the General Fund to dissolve funds no longer in use.

Note 9. Local Revenues - Governmental Funds

Local revenues are comprised of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	National Breakfast and Lunch Program	Local Special Revenue Fund	Total
Taxes, penalty & interest	\$ 138,780,066	\$ 28,493,203				\$ 167,273,269
Other intermediate	2,246,218			\$ 59,826	\$4,460,511	6,766,555
Food service				9,220,579		9,220,579
Investment earnings	<u>146,626</u>	<u>46,538</u>	<u>\$ 50,252</u>	<u>14,935</u>	<u>154</u>	<u>258,505</u>
Total	<u>\$ 141,172,910</u>	<u>\$ 28,539,741</u>	<u>\$ 50,252</u>	<u>\$ 9,295,340</u>	<u>\$4,460,665</u>	<u>\$ 183,518,908</u>

Note 10. Risk Management

The District manages its workers' compensation risk internally through a Risk Management Department that provides for loss control and loss prevention and sets aside assets for claim settlement in the internal service fund. In April 1992, the District changed from a fully insured plan to a self-insured plan and established the Risk Management Fund. This internal service fund charges interfund "premiums" based on an estimate of the District's ultimate loss. From September 1998 through August 2001, the District was fully insured for workers' compensation claims. Effective September 2001, the District resumed being self-insured for workers' compensation claims. The District has workers' compensation stop-loss coverage through Republic Indemnity Company of America with Bounds Insurance Agency with a \$500,000 deductible per occurrence and no aggregate loss coverage limit for claims incurred while self-insured.

Effective January 1, 1997, the District changed from a premium paid policy and established a self-funded plan for health care benefits. Effective January 1, 1998, HAS, Inc. took on the role of third-party administrator and processor of health claims. In September 2009, TriSurant became Health First. The District's health insurance specific or individual stop-loss coverage had a \$300,000 deductible until January 1, 2011 when it was increased to \$350,000. There is no aggregate loss coverage limit.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 10. Risk Management – continued

During the current year, the District paid \$210 per month per employee toward health care benefits, if the employee had less than 20 years total experience. If the employee had 20 or more years of total experience, the District paid \$260 per month toward health care benefits. The employee, usually through authorized payroll withholdings, paid the balance of the health care premium for employee-only coverage and any dependent coverage.

Effective September 1, 2011, the District discontinued the health self insurance plan (see Note 17).

For workers' compensation, health care, property, and liability insurances, the District has not experienced significant reductions in insurance coverage from that of the prior year. With respect to the risks mentioned below, settlements have not exceeded insurance coverage for the past three fiscal years.

The District reports liabilities based on requirements of Governmental Auditing Standards Board Statement Nos. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. These liabilities for health and workers' compensation self-funded plans, reported at their estimated value on August 31, 2011 were \$5,234,363 and \$4,155,791, respectively, and are recorded as accrued expenditures in the respective internal service fund. Changes in the medical and workers' compensation claims liability amount in the 2011 and 2010 fiscal years were:

<u>Internal Service Fund</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2010 – Health Insurance	\$4,313,755	\$33,320,238	\$(32,926,189)	\$4,707,804
2011 – Health Insurance	4,707,804	37,851,772	(37,325,213)	5,234,363
2010 – Risk Management	4,063,385	1,183,042	(1,004,284)	4,242,143
2011 – Risk Management	4,242,143	1,131,018	(1,217,370)	4,155,791

At August 31, 2011, the District held \$10,743,540 in temporary cash and investments in the health plan and risk management internal service funds designated for payment of workers' compensation and health care claims.

Property and Liability Insurance

The District's buildings are insured through purchased insurance to replacement cost. The deductible is \$100,000 per occurrence except for wind and hail damage, which has a \$250,000 deductible. The District's vehicles are insured through purchased insurance for liability up to \$300,000 per occurrence, which meets the District's tort liability limits. Vehicle physical damage has a \$500 deductible.

The District maintains liability coverage for errors and omissions with a \$1,000,000 limit and a per occurrence deductible of \$100,000. The District also has a crime insurance policy with a \$1,000,000 limit and a \$5,000 deductible. The District maintains a general liability coverage with a \$1,000,000 limit and a per occurrence deductible of \$25,000 and an annual aggregate of \$2,000,000. The District also maintains an Education Leaders coverage with a \$1,000,000 limit and a per occurrence deductible of \$100,000.



**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 10. Risk Management – continued

The Texas Commission on Environmental Quality (“TCEQ”) has required that the District have liability insurance or self-insurance to protect against loss from operating underground fuel storage tanks. The amount of insurance required by the TECQ is \$1,000,000 per incident or \$2,000,000 in the annual aggregate. The Board of Trustees has decided to satisfy this insurance requirement by designating \$2,000,000 of the District’s General Fund Balance as a self-insurance fund.

The City of Garland has required that the District provide proof of liability insurance or self-insurance in the total amount of \$6,000,000 (\$1,000,000 primary and \$5,000,000 self-insurance) in order to use City of Garland right of ways for the District’s WAN/MAN fiber optic communications cables. The purpose of the insurance is to cover any future possible claims of liability arising out of the construction, installation, maintenance, or operation of the District’s WAN/MAN cables in the City of Garland rights of way. The Board of Trustees has decided to satisfy this insurance requirement by designating self insurance of \$6,000,000 of the District’s General Fund Balance as a self-insurance fund.

Note 11. Retirement Plan

Retirement Plan Description

The District’s employees are covered by the Teacher Retirement System of Texas (“TRS”). TRS, a public employee retirement system (“PERS”), is a multiple-employer defined benefit pension plan. It is a cost sharing PERS with one exception: all risks and costs are not shared by the District but are the liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate multiplied by the aggregate annual compensation of all members of the retirement system during that fiscal year. The District’s covered payroll for the year ended August 31, 2011 was \$315,564,945. For members of the retirement system entitled to the State’s statutory minimum salary, the District pays the State’s contribution on the part of the member’s salary that exceeds the statutory minimum.

Types of Employees Covered

All members of public state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under the Texas Government Code are covered by the plan.

Benefit Provisions and Service Requirements

TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of the Texas Constitution Article XVI, Section 67 and the Texas Government Code, Title 8, Subtitle C, Chapter 803 and 805, respectively. Service requirements are as follows:

Normal – Age 65 with 5 or more years of service credit, or at least age 60 and the sum of member’s age and years of credit equals or exceeds 80, with at least five years of service.

Reduced – If a member prior to September 1, 2007, age 55 with 5 or more years of service credit, or any age below 50 with 30 or more years of credited service. If a member on or after September 1, 2007, at least age 55 with five or more years of service credit; age and service credit total 80 but age is less than 60 with at least 5 years of service credit; or 30 years of service credit and age is less than 60.

Members are fully vested after five years of creditable service and are entitled to any benefit for which eligibility requirements have been met.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 11. Retirement Plan - continued

Funding Policy

State law provides for a state contribution rate of 6.58% through December 31, 2009 and 6.644% beginning January 1, 2010 and a member contribution rate of 6.4%. The State of Texas' contribution is a percentage of members' eligible gross earnings, except for those District employees subject to the statutory minimum rules and those employees being paid from and participating in federally funded programs. The statutory minimum requirements are based on the State of Texas minimum teacher schedule and then adjusted based on local tax rates. For employees paid by federal programs, the federal programs are required to contribute the state's portion.

Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state contribution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution of not less than 6% of the member's annual compensation rate and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year, (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular actions, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period exceeds 31 years, the period would be increased by such action.

Retiree Health Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55%. 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. In addition, the State of Texas contributed \$725,795 in 2011 for on-behalf payments for Medicare Part D.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 11. Retirement Plan - continued

Contributions Made

Contributions made by the State, the District and its employees, and the District's covered payroll for the fiscal years 2011, 2010, and 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Covered Payroll	\$315,564,945	\$314,337,675	\$311,326,143
Contributions made by the State	\$19,836,443	\$19,652,676	\$16,405,646
Retirement plan rate*	6.644%	6.58 – 6.644%	6.58%
Retiree health care rate	1.00%	1.00%	1.00%
Medicare Part D	\$725,795	\$781,875	\$697,245
District Required and Actual Contributions to TRS and TRS – Care	\$7,016,842	\$7,077,787	\$5,355,863
Employee Contributions to TRS and TRS - Care	\$22,269,871	\$22,200,656	\$21,777,298

\*Retirement plan rate increased to 6.644% beginning January 1, 2010

The contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statement of the General Fund as both state revenues and payroll expenditures. These contributions are the legal responsibility of the State.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan and TRS-Care. This report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Note 12. Commitments and Contingencies

Litigation – The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of District's management, the potential losses, after insurance coverage, on all claims will not have a material adverse effect on the District's financial statements.

Grant Programs – The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the District has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectability of any related receivable at August 31, 2011, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 13. New Accounting Pronouncements

The GASB issued Statement No. 64, Accounting and Financial Reporting for Derivative Instruments, which will be effective for periods beginning after June 15, 2011. The Statement clarifies the existing requirements for the termination of hedge accounting. This statement applies to all state and local governments and amends Statement 53, paragraphs 22d and 82. The District has no derivative instruments. In the future, if there is a situation that applies to this Statement, the District will account for it appropriately.

The GASB issued Statement No. 63, Accounting and Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which will be effective in the fiscal year ending December 15, 2011. The Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which will be effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

Note 14. Operating Lease

The District leases a warehouse under a noncancelable operating lease. Total lease payments made under the warehouse lease were \$100,237 for the year ended August 31, 2011. The future minimum lease payments for the lease are as follows.

Year Ending <u>August 31,</u>	<u>Amount</u>
2012	\$ 90,797
2013	<u>83,231</u>
Total	<u>\$174,028</u>

The District can renew the lease for one, one-year term with no increase in the rental rate.

Note 15. Excess of Expenditures over Appropriations

For the year ended August 31, 2011, expenditures exceeded appropriations in the following funds and functions (the aggregate level of control). Those over expenditures were funded by less than anticipated expenditures in other functions or fund balance in the appropriate fund.

General Fund	<u>Excess of Expenditures over Appropriations</u>
Data Processing Services	\$4,092,651
Payments related to shared services arrangements	<u>362</u>
	<u>\$4,093,013</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2011**

Note 16. Fund Balance Deficits

At August 31, 2011 the following funds had a deficit:

Enterprise Fund	\$ 112,223
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These deficits will be eliminated through rate increases in future periods.

Note 17. Subsequent Events

In November 2011, the District issued \$52,335,608 of Unlimited Tax Refunding Bond, Series 2011A to refund bond series 2003.

As of September 1, 2011, the District discontinued the health self insurance plan. At that time, employees became eligible to purchase health insurance through TRS-ActiveCare which is the statewide health plan for public education employees established by the 77<sup>th</sup> Texas Legislature. It is a fully insured plan administered by Blue Cross and Blue Shield of Texas. The District will contribute \$287 per active participant.

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Required Supplementary Information

GARLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP BASIS)</u>	<u>Variance With Final Budget Positive or (Negative)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 136,987,934	\$ 139,000,000	\$ 141,172,910	\$ 2,172,910
5800 State Program Revenues	235,928,402	261,500,000	244,556,142	(16,943,858)
5900 Federal Program Revenues	250,000	4,700,000	10,308,624	5,608,624
5020 Total Revenues	<u>373,166,336</u>	<u>405,200,000</u>	<u>396,037,676</u>	<u>(9,162,324)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	224,169,599	243,575,000	219,494,313	24,080,687
0012 Instructional Resources and Media Services	7,252,133	8,000,000	7,314,696	685,304
0013 Curriculum and Instructional Staff Development	5,310,483	7,800,000	6,767,723	1,032,277
0021 Instructional Leadership	6,419,767	7,400,000	6,692,653	707,347
0023 School Leadership	26,536,611	27,600,000	26,905,413	694,587
0031 Guidance, Counseling, and Evaluation Services	15,832,736	16,200,000	15,769,640	430,360
0032 Social Work Services	773,902	1,100,000	857,708	242,292
0033 Health Services	5,429,826	5,600,000	5,308,601	291,399
0034 Student (Pupil) Transportation	10,121,868	10,500,000	8,952,408	1,547,592
0035 Food Services	100,157	200,000	50,519	149,481
0036 Cocurricular/Extracurricular Activities	5,535,218	6,500,000	5,352,481	1,147,519
0041 General Administration	11,071,560	11,500,000	10,143,293	1,356,707
0051 Plant Maintenance and Operations	38,955,212	37,600,000	35,356,214	2,243,786
0052 Security and Monitoring Services	3,749,475	4,000,000	3,551,656	448,344
0053 Data Processing Services	10,501,499	11,850,000	15,942,651	(4,092,651)
0061 Community Services	1,965,264	2,350,000	1,872,904	477,096
<b>Debt Service:</b>				
0071 Debt Service-Principal on Long Term Debt	470,000	470,000	470,000	-
0072 Debt Service-Interest on Long Term Debt	99,225	100,000	99,225	775
0073 Debt Service-Bond Issuance Cost and Fees	10,000	10,000	-	10,000
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	200,000	76,061	123,939
<b>Intergovernmental:</b>				
0093 Payments Related to Shared Services Arrangements	-	-	362	(362)
0095 Payments to Juvenile Justice Alternative Ed Program	273,600	100,000	66,234	33,766
0099 Other Intergovernmental Charges	700,201	725,000	700,201	24,799
6030 Total Expenditures	<u>375,278,336</u>	<u>403,380,000</u>	<u>371,744,956</u>	<u>31,635,044</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,112,000)	1,820,000	24,292,720	22,472,720
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	18,712	18,712
7915 Operating Transfers In	-	-	1,767	1,767
8911 Transfers Out	-	(10,000,000)	(10,000,000)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(10,000,000)</u>	<u>(9,979,521)</u>	<u>20,479</u>
1200 Net Change in Fund Balances	(2,112,000)	(8,180,000)	14,313,199	22,493,199
0100 Fund Balance - September 1 (Beginning)	92,052,744	92,052,744	92,052,744	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 89,940,744</u>	<u>\$ 83,872,744</u>	<u>\$ 106,365,943</u>	<u>\$ 22,493,199</u>



GARLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

EXHIBIT G-2

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP BASIS)</u>	<u>Variance With Final Budget Positive or (Negative)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 10,532,936	\$ 9,109,644	\$ 9,295,340	\$ 185,696
5800 State Program Revenues	161,000	153,600	153,600	-
5900 Federal Program Revenues	17,280,000	17,640,398	17,819,642	179,244
5020 Total Revenues	<u>27,973,936</u>	<u>26,903,642</u>	<u>27,268,582</u>	<u>364,940</u>
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	27,179,642	26,000,000	25,539,492	460,508
0051 Plant Maintenance and Operations	504,872	500,000	447,759	52,241
6030 Total Expenditures	<u>27,684,514</u>	<u>26,500,000</u>	<u>25,987,251</u>	<u>512,749</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	289,422	403,642	1,281,331	877,689
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	43,250	53,270	53,272	2
7080 Total Other Financing Sources (Uses)	<u>43,250</u>	<u>53,270</u>	<u>53,272</u>	<u>2</u>
1200 Net Change in Fund Balances	332,672	456,912	1,334,603	877,691
0100 Fund Balance - September 1 (Beginning)	2,237,555	2,237,555	2,237,555	
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,570,227</u>	<u>\$ 2,694,467</u>	<u>\$ 3,572,158</u>	<u>\$ 877,691</u>

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GARLAND INDEPENDENT SCHOOL DISTRICT  
Note to Required Supplemental Information  
Year Ended August 31, 2011

NOTE 1: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District is required by state law to adopt annual budgets for the General Fund, National School Breakfast and Lunch Program, and Debt Service Fund. Special Revenue Funds, other than the Food Service Fund, are required to be budgeted on a project basis. Each budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

The District uses the following procedures in establishing the budgets reflected in the financial statements:

Prior to August 20<sup>th</sup> 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 means of financing them.

A meeting of the Board of School Trustees is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.

Prior to September 1, the budget is legally enacted by the Board of School Trustees.

The officially adopted district budget, as amended, must be filed with TEA through PEIMS (Public Education Information Management System) by the date prescribed in the annual system guidelines. This requirement for filing the amended budget with TEA is satisfied when the school district files its Annual Financial and Compliance Report.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of School Trustees. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of School Trustees. All budget appropriations lapse at year-end.

Over the course of the year, the District recommended, and the Board approved, several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts reserved and designated in the prior year
- Amendments approved shortly after the beginning of the new fiscal year to align the payroll budget with job assignment changes
- Amendments in summer to revise estimates for local and state revenue based on the latest information on student attendance numbers and tax collections

- Amendments throughout the year for transfers to and from other funds and federal indirect cost calculations
- Amendments during the year for changes in programs

Differences between the original and the final amended budget can be briefly summarized as follows:

#### GENERAL FUND

##### Revenues

- \$2,012,066 increase in local revenues to align revenue budget with estimated year end totals.
- \$25,571,598 increase in state program revenues of which approximately \$7,000,000 is to align revenue budget with estimated year end totals and \$18,000,000 is to record textbook donations from TEA. Subsequent to year end, after Board of Trustees adoption of the final amended budget, TEA provided additional information that the donation is to be recorded in 2011-12.
- \$4,450,000 increase in Federal Medicaid program revenues to align revenue budget with estimated year end totals.

##### Expenditures and Transfers Out

- \$19,405,401 increase in instruction expenditures of which approximately \$1,500,000 is to align salary budget with estimated year end totals and \$18,000,000 is to record textbook donations from TEA. Subsequent to year end, after Board of Trustees adoption of the final amended budget, TEA provided additional information that the donation is to be recorded in 2011-12.
- \$2,489,517 increase in instructional staff development expenditures to align salary budget with estimated year end totals.
- \$980,233 increase in instructional leadership expenditures to align salary budget with estimated year end totals.
- \$1,063,389 increase in school leadership expenditures to align salary budget with estimated year end totals.
- \$964,782 increase in extracurricular activities to align salary budget with estimated year end totals.
- \$1,355,212 decrease in plant maintenance and operations to align salary budget with estimated year end totals.
- \$1,348,501 increase in data processing services to align contractor payments and supplies with estimated year end totals.
- \$10,000,000 increase in operating transfers out, of which \$10,000,000 went to the Employee Benefits fund.

After appropriations were amended as described above, actual revenues were \$9,162,324 less than final budgeted amounts due to less state revenue than final budgeted estimates. Actual expenditures were \$31,635,044 less than final budget amounts. Both of these variances are due to the budget amendment related to textbook donations. The actual donations will be recorded in fiscal 2011-12. Additionally, the year end payroll accrual and non payroll were less than estimated at the time the final amended budget was submitted to the Board of Trustees for approval. Year end revenues were greater than expenditures, thus adding to existing fund balance.

For the year ended August 31, 2011, expenditures exceeded appropriations in the following funds and functions (the aggregate level of control). Those over expenditures were funded by less than anticipated expenditures in other functions or fund balance in the appropriate fund.

General Fund	Excess of Expenditures over Appropriations
Data Processing Services	\$4,092,651
Payments Related to Shared Services Arrangements	<u>362</u>
	<u>\$4,093,013</u>

#### NATIONAL BREAKFAST AND LUNCH PROGRAM

##### Revenues

- \$1,423,292 decrease in local and intermediate sources to align revenue budget with estimated year end totals.

##### Expenditures and Transfers Out

- \$1,179,642 decrease in food service expenditures to align food purchases and salary budget with estimated year end totals.

After appropriations were amended as described above, actual revenues were \$364,940 more than final budgeted amounts due to more revenue in all categories than final budgeted estimates. Actual expenditures were \$512,749 less than final budget amounts due to the year end payroll accrual being less than estimated at the time the final amended budget was submitted to the Board of Trustees for approval. Year end revenues were greater than expenditures, thus adding to existing fund balance.

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## Combining Statements

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## INTERNAL SERVICE FUNDS

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

Motor Pool – this fund is used to account for costs associated with certain vehicles utilized to transport students to/from co-curricular and extra curricular activities, and staff.

Print Shop – this fund is used to account for printing services.

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

Copier Pool – this fund is used to account for the cost of copier rental.

Special Events Center – this fund is used to account for the operation of the Special Events Center.

Catering Services – this fund is used to record catering service costs for schools and various organizations within the District.

Health Insurance – this fund is used to account for costs associated with the health insurance self-funded program.

GARLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2011

	<u>751</u> Motor Pool	<u>752</u> Print Shop	<u>753</u> Risk Management
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 193,587		\$ 10,743,540
Due From Other Funds	19,708	\$ 37,299	1,059
Other Receivables			
Deferred Expenses	-	60,901	25,988
Total Current Assets	<u>213,295</u>	<u>98,200</u>	<u>10,770,587</u>
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements			
Furniture and Equipment	334,908	1,471,456	119,851
Accumulated Depreciation-Other Land Improvements			
Accumulated Depreciation-Furniture and Equipment	(303,035)	(523,397)	(107,543)
Total Noncurrent Assets	<u>31,873</u>	<u>948,059</u>	<u>12,308</u>
Total Assets	<u>245,168</u>	<u>1,046,259</u>	<u>10,782,895</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable		1,783	39,973
Accrued Wages Payable		1,628	2,340
Due to Other Funds		113,330	58,023
Claims Liability			1,418,877
Deferred Revenues	-	-	-
Total Current Liabilities	<u>-</u>	<u>116,741</u>	<u>1,519,213</u>
Noncurrent Liabilities:			
Other Long-Term Liabilities	-	-	2,736,914
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>2,736,914</u>
Total Liabilities	<u>-</u>	<u>116,741</u>	<u>4,256,127</u>
<b>NET ASSETS</b>			
Investments in Capital Assets	31,873	948,059	12,308
Unreserved and Undesignated:			
Unrestricted Net Assets	213,295	(18,541)	6,514,460
Total Net Assets	<u>\$ 245,168</u>	<u>\$ 929,518</u>	<u>\$ 6,526,768</u>

756 Copier Pool	757 Special Events Center	758 Catering Services	770 Health Insurance	Total Internal Service Funds
		\$ 54,147		\$ 10,991,274
\$ 329,892	\$ 918,375	335	\$ 5,015,406	6,322,074
67,438	22,138		474,692	564,268
-	1,890	-	-	88,779
<u>397,330</u>	<u>942,403</u>	<u>54,482</u>	<u>5,490,098</u>	<u>17,966,395</u>
	196,078			196,078
	182,142			2,108,357
	(24,510)			(24,510)
-	(47,958)	-	-	(981,933)
<u>-</u>	<u>305,752</u>	<u>-</u>	<u>-</u>	<u>1,297,992</u>
<u>397,330</u>	<u>1,248,155</u>	<u>54,482</u>	<u>5,490,098</u>	<u>19,264,387</u>
159,422	23,024	3		224,205
	9,216			13,184
	5,038	42	2,491	178,924
-	139,571	-	5,234,363	6,653,240
<u>159,422</u>	<u>176,849</u>	<u>45</u>	<u>5,236,854</u>	<u>139,571</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,736,914</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,736,914</u>
<u>159,422</u>	<u>176,849</u>	<u>45</u>	<u>5,236,854</u>	<u>9,946,038</u>
<u>-</u>	<u>305,752</u>	<u>-</u>	<u>-</u>	<u>1,297,992</u>
<u>237,908</u>	<u>765,554</u>	<u>54,437</u>	<u>253,244</u>	<u>8,020,357</u>
<u>\$ 237,908</u>	<u>\$ 1,071,306</u>	<u>\$ 54,437</u>	<u>\$ 253,244</u>	<u>\$ 9,318,349</u>

GARLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2011

	751 Motor Pool	752 Print Shop	753 Risk Management
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>OPERATING REVENUES:</b>			
Local and Intermediate Sources	\$ 51,000	\$ 546,003	\$ 1,443,264
<b>Total Operating Revenues</b>	<u>51,000</u>	<u>546,003</u>	<u>1,443,264</u>
<b>OPERATING EXPENSES:</b>			
Payroll Costs	-	294,243	393,105
Professional and Contracted Services	3,588	128,908	98,768
Supplies and Materials	11,800	241,392	64,713
Other Operating Costs	12,748	149,704	1,147,534
<b>Total Operating Expenses</b>	<u>28,136</u>	<u>814,247</u>	<u>1,704,120</u>
 Operating Income (Loss)	 <u>22,864</u>	 <u>(268,244)</u>	 <u>(260,856)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Earnings from Temporary Deposits & Investments	-	-	6,779
Loss on Sale of Real and Personal Property	-	(2,494)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>-</u>	<u>(2,494)</u>	<u>6,779</u>
Income Before Transfers	22,864	(270,738)	(254,077)
 Transfers In	 <u>-</u>	 <u>-</u>	 <u>-</u>
Change in Net Assets	22,864	(270,738)	(254,077)
Total Net Assets - September 1 (Beginning)	222,304	1,200,256	6,780,845
Total Net Assets - August 31 (Ending)	<u>\$ 245,168</u>	<u>\$ 929,518</u>	<u>\$ 6,526,768</u>

756 Copier Pool	757 Special Events Center	758 Catering Services	770 Health Insurance	Total Internal Service Funds
\$ 1,125,601	\$ 2,091,918	\$ 4,389	\$ 31,128,088	\$ 36,390,263
<u>1,125,601</u>	<u>2,091,918</u>	<u>4,389</u>	<u>31,128,088</u>	<u>36,390,263</u>
-	834,902	-	320,962	1,843,212
966,731	970,442	17	2,969	2,171,423
-	263,887	2,515	33,825	618,132
-	164,783	-	38,004,591	39,479,360
<u>966,731</u>	<u>2,234,014</u>	<u>2,532</u>	<u>38,362,347</u>	<u>44,112,127</u>
<u>158,870</u>	<u>(142,096)</u>	<u>1,857</u>	<u>(7,234,259)</u>	<u>(7,721,864)</u>
-	-	-	210	6,989
-	-	-	-	(2,494)
-	-	-	210	4,495
<u>158,870</u>	<u>(142,096)</u>	<u>1,857</u>	<u>(7,234,049)</u>	<u>(7,717,369)</u>
-	-	-	10,000,000	10,000,000
<u>158,870</u>	<u>(142,096)</u>	<u>1,857</u>	<u>2,765,951</u>	<u>2,282,631</u>
<u>79,038</u>	<u>1,213,402</u>	<u>52,580</u>	<u>(2,512,707)</u>	<u>7,035,718</u>
<u>\$ 237,908</u>	<u>\$ 1,071,306</u>	<u>\$ 54,437</u>	<u>\$ 253,244</u>	<u>\$ 9,318,349</u>

GARLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2011

	751 Motor Pool	752 Print Shop	753 Risk Management
<b>Cash Flows from Operating Activities:</b>			
Cash Received from User Charges			
Cash Received from Assessments - Other Funds	\$ 38,896	\$ 641,705	\$ 1,382,717
Cash Payments to Employees for Services		(295,338)	(393,855)
Cash Payments for Insurance Claims		-	(1,217,370)
Cash Payments for Suppliers	(11,800)	(216,862)	(63,120)
Cash Payments for Other Operating Expenses	-	(597)	(8,122)
Cash Payments for Prof. and Contracted Services	(3,588)	(128,908)	(104,775)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>23,508</b>	<b>-</b>	<b>(404,525)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfer from Other Funds	-	-	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Capital Financing Activities:</b>			
Acquisition of Capital Assets	-	-	(5,525)
<b>Net Cash Used for Capital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(5,525)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest and Dividends on Investments	-	-	6,779
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>23,508</b>	<b>-</b>	<b>(403,271)</b>
Cash and Cash Equivalents at Beginning of the Year:	170,079	-	11,146,811
<b>Cash and Cash Equivalents at the End of the Year:</b>	<b>\$ 193,587</b>	<b>-</b>	<b>\$ 10,743,540</b>
<b>Reconciliation of Operating Income(Loss) to Net Cash</b>			
<b>Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss):	\$ 22,864	\$ (268,244)	\$ (260,856)
<b>Adjustments to Reconcile Operating Income to Net</b>			
<b>Cash Provided by (Used for) Operating Activities:</b>			
Depreciation	12,748	149,107	8,394
<b>Effect of Increases and Decreases in Current</b>			
<b>Assets and Liabilities:</b>			
Decrease in Deferred Revenue			
Increase in Other Receivables			
Increase in Deferred Expenses		25,334	(6,007)
Increase (Decrease) in Accounts Payable		(804)	1,593
Decrease in Accrued Wages Payable		(1,095)	(750)
(Increase) Decrease in Due from Other Funds	(12,104)	9,371	(1,059)
Increase (Decrease) in Due to Other Funds		86,331	(59,488)
Increase (Decrease) in Claims Liability	-	-	(86,352)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 23,508</b>	<b>\$ -</b>	<b>\$ (404,525)</b>

**Noncash Investing, Capital, and Financing Activities:**

During the year, the Print Shop Fund disposed of a Plotter and Press. The undepreciated cost of the equipment was recorded as a loss - \$2,494.

756 Copier Pool	757 Special Events Center	758 Catering Services	770 Health Insurance	Total Internal Service Funds
	\$ 1,431,387		\$ 12,335,110	\$ 13,766,497
\$ 1,021,370	884,185	\$ 3,910	14,633,736	18,606,519
	(840,452)		(322,339)	(1,851,984)
			(37,325,213)	(38,542,583)
	(324,739)	(2,535)	(34,252)	(653,308)
	(137,867)		(12,510)	(159,096)
(1,021,370)	(970,442)	(17)	(2,969)	(2,232,069)
-	42,072	1,358	(10,728,437)	(11,066,024)
-	-	-	10,000,000	10,000,000
-	-	-	10,000,000	10,000,000
-	(42,072)	-	-	(47,597)
-	(42,072)	-	-	(47,597)
-	-	-	210	6,989
-	-	1,358	(728,227)	(1,106,632)
-	-	52,789	728,227	12,097,906
-	-	\$ 54,147	\$ -	\$ 10,991,274
\$ 158,870	\$ (142,096)	\$ 1,857	\$ (7,234,259)	\$ (7,721,864)
	26,916			197,165
	(27,401)			(27,401)
(67,438)	16,870		140,309	89,741
				19,327
12,799	(60,852)	(20)	(427)	(47,711)
	(5,550)		(1,377)	(8,772)
(104,231)	231,727	793	(4,157,226)	(4,032,729)
	2,458	(1,272)	(2,016)	26,013
-	-	-	526,559	440,207
\$ -	\$ 42,072	\$ 1,358	\$ (10,728,437)	\$ (11,066,024)

## AGENCY FUNDS

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

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

Employee Agency accounts for the receipt and disbursement of monies from employee activities, i.e., Cheer Fund.



GARLAND INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT H-4

	Balance September 1, 2011	Additions	Deductions	Balance August 31, 2011
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 412,272	\$ 86,817,757	\$ 86,780,057	\$ 449,972
Due From Other Funds	48,666	865,877	908,446	6,097
Total Assets	460,938	87,683,634	87,688,503	456,069
Liabilities:				
Accounts Payable	3,454	906,908	908,085	2,277
Due to Other Funds	80,237	996,015	1,034,794	41,458
Due to Student Groups	377,247	1,446,028	1,410,941	412,334
Total Liabilities	460,938	3,348,951	3,353,820	456,069
<b>OTHER ACTIVITY FUNDS</b>				
Assets:				
Cash and Temp Investments	793,678	35,503,291	35,486,809	810,160
Due From Other Funds	1,253	942,136	923,342	20,047
Total Assets	794,931	36,445,427	36,410,151	830,207
Liabilities:				
Accounts Payable	5,435	399,831	385,218	20,048
Due to Other Funds	209,999	1,046,810	1,187,523	69,286
Due to Student Groups	579,497	752,978	591,602	740,873
Total Liabilities	794,931	2,199,619	2,164,343	830,207
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temp Investments	1,205,950	122,321,048	122,266,866	1,260,132
Due from Other Funds	49,919	1,808,013	1,831,788	26,144
Total Assets	1,255,869	124,129,061	124,098,654	1,286,276
Liabilities:				
Accounts Payable	8,889	1,306,739	1,293,303	22,325
Due to Other Funds	290,236	2,042,825	2,222,317	110,744
Due to Student Groups	956,744	2,199,006	2,002,543	1,153,207
Total Liabilities	\$ 1,255,869	\$ 5,548,570	\$ 5,518,163	\$ 1,286,276

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## Required TEA Schedules Section

GARLAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2011

Last Ten Years Ended August 31	1		2	3	10
	Tax Rates			Net Assessed/Appraised Value For School	Beginning Balance
	<u>Maintenance</u>	<u>Debt Service</u>		<u>Tax Purposes</u>	<u>9/1/2010</u>
2002 and prior years	various	various		various	\$ 1,570,731
2003	1.2757	0.1829		10,626,340,758	313,792
2004	1.3696	0.1829		11,403,158,115	291,964
2005	1.4102	0.2112		12,002,534,297	361,591
2006	1.4568	0.2133		12,441,076,827	452,827
2007	1.3316	0.2133		13,039,245,056	559,806
2008	1.0400	0.2133		13,594,127,982	641,279
2009	1.0400	0.2133		14,069,484,561	1,105,471
2010	1.0400	0.2133		13,652,343,413	2,381,490
2011	1.0400	0.2133		13,366,036,304	
<b>1000 TOTALS</b>					<u>\$ 7,678,951</u>

## EXHIBIT J-1

<u>20</u> Current Year's <u>Total Levy</u>	<u>31</u> Maintenance Total <u>Collections</u>	<u>32</u> Debt Service Total <u>Collections</u>	<u>40</u> Entire Year's <u>Adjustments</u>	<u>50</u> Ending Balance <u>8/31/2011</u>
	\$ 35,493	\$ 8,753	\$ (1,009)	\$ 1,525,476
	5,553	796	(527)	306,916
	10,647	1,471	(562)	279,284
	16,544	2,477	(1,804)	340,766
	17,165	2,513	(9,599)	423,550
	51,854	8,306	(3,175)	496,471
	119,730	24,556	5,003	501,996
	251,215	51,523	8,049	810,782
	875,794	179,622	(370,713)	955,361
<u>\$ 167,516,533</u>	<u>136,146,621</u>	<u>27,920,727</u>	<u>(1,170,324)</u>	<u>2,278,861</u>
<u>\$ 167,516,533</u>	<u>\$ 137,530,616</u>	<u>\$ 28,200,744</u>	<u>\$ (1,544,661)</u>	<u>\$ 7,919,463</u>

GARLAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT J-2

FUNCTION 41 AND RELATED FUNCTION 53 AND 99 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 1,556	\$ 320,327	\$ 771,959	\$ 4,149,594	\$ 1,390,362	\$ 40,385	\$ 6,674,183
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				(35,976)			(35,976)
	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services			427,603		17,025		444,628
6212	Audit Services				126,269			126,269
6213	Tax Appraisal and Collection		687,159					687,159
6214	Lobbying							-
621X	Other Prof. Services			3,667	91,321	267		95,255
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	1,130			13,505	446		15,081
6240	Contr. Maint. and Repair					478		478
6250	Utilities							-
6260	Rentals		2,390	21,500	127,211	527,500		678,601
6290	Miscellaneous Contr.			2,244	119,882	208,406	342	330,874
6320	Textbooks and Reading	268		601	841	2,523		4,233
6330	Testing Materials							-
63XX	Other Supplies Materials	3,824	10,399	11,364	185,832	474,414		685,833
6410	Travel, Subsistence, Stipends	17,071	6,050	15,422	93,926	18,734		151,203
6420	Ins. and Bonding Costs		175		76,841			77,016
6430	Election Costs							-
6490	Miscellaneous Operating	92,169	7,559	5,109	289,305	413,497	(1,842)	805,797
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 116,018	\$ 1,034,059	\$ 1,259,469	\$ 5,238,551	\$ 3,053,652	\$ 38,885	\$ 10,740,634

Total expenditures/expenses for General and Special Revenue Funds  
 (plus Food Service Enterprise Fund if present) 9 \$ 476,072,201

LESS: Deductions of Unallowable Costs

FISCAL YEAR		
Total Capital Outlay (6600)	10	\$ 13,758,637
Total Debt & Lease (6500)	11	569,225
Plant Maintenance (Function 51, 6100-6400)	12	35,620,534
Food (Function 35, 6341 and 6499)	13	9,323,055
Stipends (6413)	14	
Column 4 (above) - Total Indirect Cost		5,238,551
Subtotal:		\$ 64,510,002
Net Allowed Direct Cost		\$ 411,562,199

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	\$ 287,302,009
Historical Cost of Buildings over 50 years old	16	\$ 6,499,432
Amount of Federal Money in building Cost (Net of #16)	17	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	18	\$ 83,368,144
Historical Cost of Furniture & Equipment over 16 years old	19	\$ 2,278,175
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	\$ 6,056,117

(8) Note A - No amounts in Function 53 expenditures are included in this report on administrative costs.  
 \$700,543 of Function 99 expenditures are included in this report on administrative costs.

GARLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

EXHIBIT J-3

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or Negative
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 27,856,174	\$ 27,700,000	\$ 28,539,741	\$ 839,741
5800 State Program Revenues	9,691,794	9,500,000	9,958,774	458,774
5020 Total Revenues	<u>37,547,968</u>	<u>37,200,000</u>	<u>38,498,515</u>	<u>1,298,515</u>
<b>EXPENDITURES:</b>				
Current:				
Debt Service:				
0071 Debt Service-Principal on Long Term Debt	21,154,109	23,300,000	21,275,000	2,025,000
0072 Debt Service-Interest on Long Term Debt	16,614,740	16,500,000	15,437,732	1,062,268
0073 Debt Service-Bond Issuance Cost and Fees	450,000	1,000,000	597,654	402,346
6030 Total Expenditures	<u>38,218,849</u>	<u>40,800,000</u>	<u>37,310,386</u>	<u>3,489,614</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(670,881)	(3,600,000)	1,188,129	4,788,129
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Bonds)		9,845,000	9,845,000	-
7916 Premium or Discount on Issuance of Bonds		958,000	1,167,643	209,643
7917 Prepaid Interest		29,000	238,982	209,982
8949 Other Uses	-	(10,700,000)	(12,637,102)	(1,937,102)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>132,000</u>	<u>(1,385,477)</u>	<u>(1,517,477)</u>
1200 Net Change in Fund Balances	(670,881)	(3,468,000)	(197,348)	3,270,652
0100 Fund Balance - September 1 (Beginning)	4,730,024	4,730,024	4,730,024	
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,059,143</u>	<u>\$ 1,262,024</u>	<u>\$ 4,532,676</u>	<u>\$ 3,270,652</u>

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## STATISTICAL SECTION

This part of the Garland Independent School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and wellbeing have changed over time.	70 - 83
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	84 - 87
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	88 - 91
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	92 - 93
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	94 - 97

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2002	2003	2004	2005
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 90,942,358	\$ 74,349,137	\$ 80,384,610	\$ 86,903,808
Restricted				
Food Service	2,758,660	3,980,403	3,799,229	4,586,163
Debt Service	9,212,412	8,531,841	6,324,081	5,354,289
Unrestricted	29,974,077	68,979,954	74,401,413	77,053,658
<b>Total governmental activities</b>	<u>132,887,507</u>	<u>155,841,335</u>	<u>164,909,333</u>	<u>173,897,918</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt				
Unrestricted	-	(79,292)	(40,675)	2,743
<b>Total Business-type activities</b>	<u>-</u>	<u>(79,292)</u>	<u>(40,675)</u>	<u>2,743</u>
<b>Total</b>				
Invested in capital assets, net of related debt	90,942,358	74,349,137	80,384,610	86,903,808
Restricted				
Food Service	2,758,660	3,980,403	3,799,229	4,586,163
Debt Service	9,212,412	8,531,841	6,324,081	5,354,289
Unrestricted	29,974,077	68,900,662	74,360,738	77,056,401
<b>Total net assets</b>	<u>\$ 132,887,507</u>	<u>\$ 155,762,043</u>	<u>\$ 164,868,658</u>	<u>\$ 173,900,661</u>

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

		Fiscal Year									
		2006	2007	2008	2009	2010	2011				
\$	87,505,635	\$	98,260,626	\$	111,899,974	\$	115,842,801	\$	119,473,529	\$	135,714,399
	3,974,252		2,417,197		1,406,758		1,032,266		2,237,555		3,572,158
	5,075,415		2,662,244		1,590,931		2,867,279		4,692,604		5,944,130
	94,921,136		107,501,931		89,688,303		95,328,280		99,789,458		118,941,802
	<u>191,476,438</u>		<u>210,841,998</u>		<u>204,585,966</u>		<u>215,070,626</u>		<u>226,193,146</u>		<u>264,172,489</u>
			7,014		31,235		25,810		21,673		17,536
	<u>18,323</u>		<u>14,670</u>		<u>(60,544)</u>		<u>(78,527)</u>		<u>(138,885)</u>		<u>(129,759)</u>
	<u>18,323</u>		<u>21,684</u>		<u>(29,309)</u>		<u>(52,717)</u>		<u>(117,212)</u>		<u>(112,223)</u>
	87,505,635		98,267,640		111,931,209		115,868,611		119,495,202		135,731,935
	3,974,252		2,417,197		1,406,758		1,032,266		2,237,555		3,572,158
	5,075,415		2,662,244		1,590,931		2,867,279		4,692,604		5,944,130
	94,939,459		107,516,601		89,627,759		95,249,753		99,650,573		118,812,043
\$	<u>191,494,761</u>	\$	<u>210,863,682</u>	\$	<u>204,556,657</u>	\$	<u>215,017,909</u>	\$	<u>226,075,934</u>	\$	<u>264,060,266</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE) REVENUE**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Expenses</b>				
<b>Governmental activities</b>				
Instruction	\$ 180,332,022	\$ 197,667,877	\$ 203,818,597	\$ 217,291,193
Instructional resource and media services	5,101,017	5,602,347	5,787,924	7,043,428
Curriculum and staff development services	3,220,228	3,904,421	4,657,262	5,120,004
Instructional leadership	5,246,033	5,886,815	5,710,257	5,510,792
School leadership	18,273,571	19,845,325	20,752,186	21,860,633
Guidance, counseling, and evaluation services	11,127,847	12,323,329	12,837,619	14,070,831
Social work services	696,493	713,377	746,511	743,805
Health services	3,021,514	3,390,742	3,520,894	3,911,639
Student transportation	8,128,074	8,531,909	9,180,190	8,646,476
Food Service	16,095,832	17,029,676	18,243,687	19,685,050
Cocurricular/Extracurricular activities	4,879,961	5,579,973	6,023,332	6,709,675
General administration	7,223,950	7,100,072	7,794,973	8,529,235
Plant maintenance and operations	27,870,712	30,094,386	31,386,935	33,070,369
Security and monitoring services	1,719,432	1,713,558	2,085,174	2,160,511
Data processing services	7,761,070	6,858,106	12,976,329	13,807,050
Community services	2,453,662	2,784,067	2,720,330	3,539,915
Interest on long-term debt	20,370,788	13,667,589	14,165,791	15,455,979
Bond issuance cost and fees		19,032	12,674	31,090
Facilities acquisition/construction	5,154,859	265,808	3,351,184	3,805,552
Payments to Fiscal Agent of Shared Services Arrangement				
Payments to Juvenile Justice Alternative Education Programs	64,861	137,928	162,547	163,138
Intergovernmental Charges				
Total governmental activities expenses	<u>328,741,926</u>	<u>343,116,337</u>	<u>365,934,396</u>	<u>391,156,365</u>
<b>Business-type activities</b>				
Concessions	-	82,438	270,591	258,490
Total business-type activities expenses	<u>-</u>	<u>82,438</u>	<u>270,591</u>	<u>258,490</u>
Total expenses	<u>\$ 328,741,926</u>	<u>\$ 343,198,775</u>	<u>\$ 366,204,987</u>	<u>\$ 391,414,855</u>
<b>Program Revenues</b>				
<b>Governmental activities</b>				
<b>Charges for services</b>				
Instruction	\$ 1,382,460	\$ 375,146	\$ 375,239	\$ 358,003
Instructional resources & media services	89,606	-	-	-
Curriculum and staff development	67,205	-	-	-
School leadership	492,834	-	-	-
Food service	7,029,463	7,607,052	8,515,504	9,215,484
Cocurricular/Extracurricular activities	1,405,805	1,216,447	1,129,594	1,277,211
Plant maintenance and operations	57,403	88,548	182,088	608,436
Security and monitoring services	22,402	58,151	52,486	70,004
Community services	-	46,853	40,790	4,462
Operating grants and contributions	34,009,924	71,336,478	62,319,150	68,714,798
Total governmental entities program revenue	<u>44,557,102</u>	<u>80,728,675</u>	<u>72,614,851</u>	<u>80,248,398</u>
<b>Business-type activities</b>				
<b>Charges for services</b>				
Concessions	-	3,146	309,208	301,908
Total governmental entities business-type revenue	<u>-</u>	<u>3,146</u>	<u>309,208</u>	<u>301,908</u>
Total program revenues	<u>\$ 44,557,102</u>	<u>\$ 80,731,821</u>	<u>\$ 72,924,059</u>	<u>\$ 80,550,306</u>
<b>Net Expense</b>				
Governmental activities	\$ (284,184,824)	\$ (262,387,662)	\$ (293,319,545)	\$ (310,907,967)
Business-type activities	-	(79,292)	38,617	43,418
Total net expenses	<u>\$ (284,184,824)</u>	<u>\$ (262,466,954)</u>	<u>\$ (293,280,928)</u>	<u>\$ (310,864,549)</u>

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

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 229,395,773	\$ 249,442,304	\$ 276,616,196	\$ 283,065,227	\$ 289,725,326	\$ 294,208,920	
6,609,280	6,914,200	7,812,690	8,131,373	8,118,770	8,193,015	
5,138,526	6,732,763	6,634,975	7,796,851	7,146,831	8,581,755	
6,108,914	6,845,017	8,182,808	7,439,610	10,062,924	9,757,848	
23,606,119	24,991,290	27,002,157	26,744,844	27,380,902	27,930,380	
15,380,606	16,640,146	17,823,643	17,956,443	18,728,727	18,429,805	
726,811	865,761	924,492	969,118	929,902	929,097	
4,065,689	4,751,649	6,728,800	5,333,060	5,619,695	5,654,397	
9,663,621	8,981,233	7,033,092	10,101,240	10,499,734	10,811,955	
22,132,097	23,011,684	25,506,613	26,573,977	27,071,935	27,407,886	
6,658,308	6,162,935	7,030,615	6,684,383	6,704,026	7,290,111	
9,122,816	10,118,411	11,363,821	9,765,328	10,668,993	11,255,328	
35,748,963	36,459,999	38,335,676	37,369,496	38,327,826	37,876,948	
2,192,834	2,562,847	7,638,267	3,697,044	3,847,937	3,803,372	
13,544,652	16,493,955	9,569,934	12,164,713	16,879,163	13,777,228	
4,570,218	5,022,107	4,701,421	5,546,340	5,614,407	5,289,947	
19,904,601	19,028,178	18,332,357	16,266,467	16,555,683	15,378,492	
121,093	78,282	108,891	219,929	419,457	437,694	
5,237,028	3,623,119		541,958	1,570,426	2,297,277	
					31,422	
144,126	99,014	47,218	56,304	52,360	66,234	
			677,662	698,644	700,543	
<u>420,072,075</u>	<u>448,824,894</u>	<u>481,393,666</u>	<u>487,101,367</u>	<u>506,623,668</u>	<u>510,109,654</u>	
208,343	254,655	259,104	288,814	287,235	258,978	
<u>208,343</u>	<u>254,655</u>	<u>259,104</u>	<u>288,814</u>	<u>287,235</u>	<u>258,978</u>	
<u>\$ 420,280,418</u>	<u>\$ 449,079,549</u>	<u>\$ 481,652,770</u>	<u>\$ 487,390,181</u>	<u>\$ 506,910,903</u>	<u>\$ 510,368,632</u>	
\$ 404,352	\$ 397,819	\$ 406,338	\$ 482,224	\$ 265,338	\$ 169,918	
9,402,839	9,098,542	9,934,102	10,332,066	9,803,316	9,220,579	
5,017,254	4,966,084	4,896,022	4,782,751	4,667,101	4,900,323	
47,748	144,015	96,296	219,996	193,833	176,730	
<u>69,175,005</u>	<u>73,767,745</u>	<u>77,211,854</u>	<u>84,599,937</u>	<u>105,829,524</u>	<u>132,960,615</u>	
<u>84,047,198</u>	<u>88,374,205</u>	<u>92,544,612</u>	<u>100,416,974</u>	<u>120,759,112</u>	<u>147,428,165</u>	
263,923	272,416	208,111	265,406	222,740	263,967	
<u>263,923</u>	<u>272,416</u>	<u>208,111</u>	<u>265,406</u>	<u>222,740</u>	<u>263,967</u>	
<u>\$ 84,311,121</u>	<u>\$ 88,646,621</u>	<u>\$ 92,752,723</u>	<u>\$ 100,682,380</u>	<u>\$ 120,981,852</u>	<u>\$ 147,692,132</u>	
\$ (336,024,877)	\$ (360,450,689)	\$ (388,849,054)	\$ (386,684,393)	\$ (385,864,556)	\$ (362,681,489)	
55,580	17,761	(50,993)	(23,408)	(64,495)	4,989	
<u>\$ (335,969,297)</u>	<u>\$ (360,432,928)</u>	<u>\$ (388,900,047)</u>	<u>\$ (386,707,801)</u>	<u>\$ (385,929,051)</u>	<u>\$ (362,676,500)</u>	

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net Expense				
Governmental activities	\$ (284,184,825)	\$ (262,387,662)	\$ (293,319,545)	\$ (310,907,967)
Business-type activities		(79,292)	38,617	43,418
Total net expenses	<u>\$ (284,184,825)</u>	<u>\$ (262,466,954)</u>	<u>\$ (293,280,928)</u>	<u>\$ (310,864,549)</u>
General Revenues				
Governmental activities				
Taxes				
Property taxes levied for general purposes	\$ 122,939,002	\$ 136,512,549	\$ 152,532,862	\$ 166,090,850
Property taxes levied for debt service	18,528,582	19,596,834	21,169,873	25,016,884
State Aid Formula Grants	121,859,476	129,590,604	128,000,989	128,054,981
Grants and contributions not restricted	18,465,269	1,262,959	660,147	648,248
Investment earnings	4,198,456	2,960,683	1,857,563	5,333,189
Miscellaneous	2,988,632	510,216	475,338	210,441
Transfers in from business-type activities				
Special Items:				
Termination of lease			(2,309,229)	
Loss on disposal of assets				(5,458,041)
Extraordinary Items:				
Insurance recoveries				
Total governmental general revenues	<u>\$ 288,979,417</u>	<u>\$ 290,433,845</u>	<u>\$ 302,387,543</u>	<u>\$ 319,896,552</u>
Business-type activities				
Transfers out to governmental activities				
Total business-type general revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government general revenues	<u>\$ 288,979,417</u>	<u>\$ 290,433,845</u>	<u>\$ 302,387,543</u>	<u>\$ 319,896,552</u>
Change in Net Assets				
Governmental activities	\$ 4,794,592	\$ 28,046,183	\$ 9,067,998	\$ 8,988,585
Business-type activities	-	(79,292)	38,617	43,418
Total primary government	<u>\$ 4,794,592</u>	<u>\$ 27,966,891</u>	<u>\$ 9,106,615</u>	<u>\$ 9,032,003</u>

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ (336,024,877)	\$ (360,450,689)	\$ (388,849,054)	\$ (386,684,393)	\$ (385,864,556)	\$ (362,681,489)
55,580	17,761	(50,993)	(23,408)	(64,495)	4,989
<u>\$ (335,969,297)</u>	<u>\$ (360,432,928)</u>	<u>\$ (388,900,047)</u>	<u>\$ (386,707,801)</u>	<u>\$ (385,929,051)</u>	<u>\$ (362,676,500)</u>
\$ 178,998,768	\$ 172,127,966	\$ 142,436,130	\$ 146,318,903	\$ 142,764,547	\$ 138,879,794
26,273,933	27,545,122	29,029,310	29,971,347	29,284,421	28,513,656
131,092,684	165,397,418	207,567,446	216,066,364	220,388,265	224,600,836
4,112,521	1,648,225	1,684,092	1,061,717	3,365,788	5,192,762
11,589,329	12,078,415	6,182,740	1,445,428	692,016	250,405
1,496,162	1,004,703	867,111	2,305,294	492,039	947,721
40,000	14,400				
		(5,173,807)			
					2,275,658
<u>\$ 353,603,397</u>	<u>\$ 379,816,249</u>	<u>\$ 382,593,022</u>	<u>\$ 397,169,053</u>	<u>\$ 396,987,076</u>	<u>\$ 400,660,832</u>
(40,000)	(14,400)				
\$ (40,000)	\$ (14,400)	\$ -	\$ -	\$ -	\$ -
<u>\$ 353,563,397</u>	<u>\$ 379,801,849</u>	<u>\$ 382,593,022</u>	<u>\$ 397,169,053</u>	<u>\$ 396,987,076</u>	<u>\$ 400,660,832</u>
\$ 17,578,520	\$ 19,365,560	\$ (6,256,032)	\$ 10,484,660	\$ 11,122,520	\$ 37,979,343
15,580	3,361	(50,993)	(23,408)	(64,495)	4,989
<u>\$ 17,594,100</u>	<u>\$ 19,368,921</u>	<u>\$ (6,307,025)</u>	<u>\$ 10,461,252</u>	<u>\$ 11,058,025</u>	<u>\$ 37,984,332</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Reserved	\$ 2,514,166	\$ 1,858,053	\$ 2,406,404	\$ 2,848,368
Designated				384,211
Unreserved	47,482,961	52,536,572	56,938,461	58,953,963
Total general fund	<u>49,997,127</u>	<u>54,394,625</u>	<u>59,344,865</u>	<u>62,186,542</u>
All Other Governmental Funds				
Reserved				
Capital Projects fund	39,803,418	85,146,331	31,470,128	144,070,011
Other governmental funds	1,752,949	687,348	24,831	-
Debt Service Fund	9,212,412	8,531,841	6,324,081	5,354,289
Food Service	2,758,660	3,174,544	3,799,229	4,586,163
Unreserved				
Reported in Federal Special Revenue Fund				
Reported in State Special Revenue Fund				
Reported in Local Special Revenue Fund		5,706,455	8,504,661	6,235,030
Total all other governmental funds	<u>\$ 53,527,439</u>	<u>\$ 103,246,519</u>	<u>\$ 50,122,930</u>	<u>\$ 160,245,493</u>

Fund Balance Categories as Required by GASB Statement No. 54

Reserved	<u>2011</u>
Non-Spendable - Inventories	\$ 3,392,920
Non-Spendable - Prepaid Items	828,738
Restricted - Grant Funds	7,652,679
Restricted - Capital Acquisitions and Contractual Obligations	79,399,452
Restricted - Retirement of Long-term Debt	4,532,676
Committed - Capital Expenditures for Equipment	1,963,746
Committed - Self-Insurance	8,000,000
Committed - Local Special Revenue Funds	2,308,830
Assigned - Construction and Capital Expenditures	10,085,494
Unassigned	94,109,829
	<u>\$ 212,274,364</u>

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



Fiscal Year				
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,944,047	\$ 2,616,046	\$ 2,888,963	\$ 2,124,945	\$ 2,096,956
8,384,211	9,092,630	9,364,540	9,693,854	9,963,746
<u>64,979,308</u>	<u>69,108,105</u>	<u>59,511,619</u>	<u>67,782,406</u>	<u>79,992,042</u>
75,307,566	80,816,781	71,765,122	79,601,205	92,052,744
80,944,482	28,863,213	16,314,804	39,433,222	23,485,325
	1,702,220	1,182,723	2,183,286	1,925,909
5,075,415	2,662,244	1,590,931	2,932,753	4,730,024
3,974,252	714,977	224,035	(972,195)	311,646
		33,862	177,477	338,061
		2,897,965	925,300	253,868
<u>9,248,511</u>	<u>15,413,864</u>	<u>8,055,692</u>	<u>7,483,279</u>	<u>9,923,244</u>
<u>\$ 99,242,660</u>	<u>\$ 49,356,518</u>	<u>\$ 30,300,012</u>	<u>\$ 52,163,122</u>	<u>\$ 40,968,077</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS REVENUES**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Local sources:				
Property taxes	\$ 140,676,369	\$ 154,993,811	\$ 174,657,638	\$ 190,896,394
Earnings on Investments	4,049,951	2,216,277	1,848,179	5,304,028
Other local sources	14,044,086	15,260,988	13,528,799	16,221,532
Total local sources	<u>158,770,406</u>	<u>172,471,076</u>	<u>190,034,616</u>	<u>212,421,954</u>
State sources:				
Per Capita	11,277,616	17,816,064	16,598,374	10,089,929
Foundation School Program	105,034,744	115,378,383	104,271,529	108,965,052
On-behalf Payments	11,209,549	11,953,878	13,067,059	12,941,367
Other State Sources	25,467,146	29,078,373	29,139,727	30,610,769
Total state sources	<u>152,989,055</u>	<u>174,226,698</u>	<u>163,076,689</u>	<u>162,607,117</u>
Federal sources:	21,345,614	22,486,634	24,868,930	30,171,982
Total revenues	<u>\$ 333,105,075</u>	<u>\$ 369,184,408</u>	<u>\$ 377,980,235</u>	<u>\$ 405,201,053</u>

Source: The Statement of Revenues, Expenditures, and Changes in Fund Balance for the Garland Independent School District

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 204,522,281	\$ 199,545,024	\$ 172,372,176	\$ 176,569,986	\$ 172,139,992	\$ 167,273,269
11,543,102	12,397,819	6,433,449	1,525,021	707,159	258,505
17,614,107	16,168,053	16,901,934	18,385,341	15,980,072	15,987,134
<u>233,679,490</u>	<u>228,110,896</u>	<u>195,707,559</u>	<u>196,480,348</u>	<u>188,827,223</u>	<u>183,518,908</u>
15,954,268	20,818,371	14,874,076	13,743,144	5,823,420	17,945,835
115,138,416	144,579,047	197,188,087	206,872,320	214,724,391	206,655,001
14,477,809	16,066,710	15,865,735	16,405,646	19,652,675	19,836,443
20,635,646	21,435,300	16,848,372	16,615,806	15,958,239	22,808,914
<u>166,206,139</u>	<u>202,899,428</u>	<u>244,776,270</u>	<u>253,636,916</u>	<u>256,158,725</u>	<u>267,246,193</u>
36,700,563	36,642,349	40,436,333	47,497,219	72,967,099	95,044,989
<u>\$ 436,586,192</u>	<u>\$ 467,652,673</u>	<u>\$ 480,920,162</u>	<u>\$ 497,614,483</u>	<u>\$ 517,953,047</u>	<u>\$ 545,810,090</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenditures					
Governmental funds					
11 Instruction	\$ 171,207,839	\$ 191,188,163	\$ 196,298,204	\$ 208,851,384	\$ 219,374,143
12 Instructional resources and media services	4,707,687	5,264,473	5,449,684	6,653,686	6,136,673
13 Curriculum and staff development services	3,141,304	3,797,807	4,642,083	5,101,828	5,174,366
Total function 10	<u>179,056,830</u>	<u>200,250,443</u>	<u>206,389,971</u>	<u>220,606,898</u>	<u>230,685,182</u>
21 Instructional leadership	5,205,900	5,838,573	5,551,918	5,394,857	6,247,112
23 School leadership	17,746,814	19,569,583	20,497,663	21,562,806	23,284,518
Total function 20	<u>22,952,714</u>	<u>25,408,156</u>	<u>26,049,581</u>	<u>26,957,663</u>	<u>29,531,630</u>
31 Guidance, counseling, and evaluation services	10,868,624	12,204,674	12,726,580	13,942,142	15,259,733
32 Social work services	696,493	709,776	743,928	740,764	724,197
33 Health services	2,928,880	3,321,971	3,454,080	3,833,632	3,974,639
34 Student transportation	8,271,515	9,023,388	9,770,704	9,419,538	10,124,583
35 Food service	14,778,166	16,023,348	17,248,414	18,384,615	20,779,943
36 Extracurricular activities	4,573,388	5,258,958	5,418,437	6,318,824	6,155,952
Total function 30	<u>42,117,066</u>	<u>46,542,115</u>	<u>49,362,143</u>	<u>52,639,515</u>	<u>57,019,047</u>
41 General administration	6,965,381	6,859,569	7,764,977	8,036,023	8,852,286
Total function 40	<u>6,965,381</u>	<u>6,859,569</u>	<u>7,764,977</u>	<u>8,036,023</u>	<u>8,852,286</u>
51 Plant maintenance and operations	26,200,008	29,052,358	30,009,847	31,608,710	35,369,801
52 Security and monitoring services	1,722,212	1,720,579	2,089,560	2,175,905	2,179,230
53 Data processing services	6,207,698	6,360,684	14,256,942	20,820,675	22,258,805
Total function 50	<u>34,129,918</u>	<u>37,133,621</u>	<u>46,356,349</u>	<u>54,605,290</u>	<u>59,807,836</u>
61 Community service	2,406,061	2,764,756	2,702,986	3,094,665	3,690,488
Total function 60	<u>2,406,061</u>	<u>2,764,756</u>	<u>2,702,986</u>	<u>3,094,665</u>	<u>3,690,488</u>
71 Debt service					
Principal on long-term debt	20,684,351	21,815,107	20,866,856	20,305,851	18,528,311
Interest on long-term debt	17,352,405	15,753,915	18,779,868	19,575,268	22,798,556
Bond issuance costs and fees		904,486	312,865	1,988,844	121,093
Total function 70	<u>38,036,756</u>	<u>38,473,508</u>	<u>39,959,589</u>	<u>41,869,963</u>	<u>41,447,960</u>
81 Facilities acquisition/construction	36,020,715	30,753,557	45,435,796	82,004,420	50,716,481
Total function 80	<u>36,020,715</u>	<u>30,753,557</u>	<u>45,435,796</u>	<u>82,004,420</u>	<u>50,716,481</u>
93 Payments related to Shared Services Arrangements					
95 Payments to Juvenile Justice Alternative	64,861	137,928	162,547	163,138	144,126
99 Other Intergovernmental Charges					
Total function 90	<u>64,861</u>	<u>137,928</u>	<u>162,547</u>	<u>163,138</u>	<u>144,126</u>
Total expenditures	<u>\$ 361,750,302</u>	<u>\$ 388,323,653</u>	<u>\$ 424,183,939</u>	<u>\$ 489,977,575</u>	<u>\$ 481,895,036</u>
Debt service as a percentage of noncapital expenditures	11.7%	10.8%	10.6%	10.3%	9.6%

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 242,950,503	\$ 265,646,555	\$ 274,554,083	\$ 277,736,342	\$ 286,385,667
6,838,200	7,209,018	7,683,187	7,550,087	7,606,662
6,734,791	6,678,169	7,829,424	7,085,074	8,436,124
<u>256,523,494</u>	<u>279,533,742</u>	<u>290,066,694</u>	<u>292,371,503</u>	<u>302,428,453</u>
6,636,002	8,218,111	7,317,361	10,051,751	9,757,128
24,841,538	26,834,758	26,613,132	26,802,850	27,214,873
<u>31,477,540</u>	<u>35,052,869</u>	<u>33,930,493</u>	<u>36,854,601</u>	<u>36,972,001</u>
16,638,259	17,827,951	17,888,859	18,443,795	18,188,436
863,828	928,221	971,385	919,581	916,259
4,699,752	4,979,712	5,259,870	5,469,179	5,481,977
9,550,651	11,708,937	11,657,475	8,330,801	8,958,596
22,176,948	24,533,327	25,601,394	25,457,357	25,590,165
5,670,446	6,298,194	5,946,729	5,722,934	6,194,537
<u>59,599,884</u>	<u>66,276,342</u>	<u>67,325,712</u>	<u>64,343,647</u>	<u>65,329,970</u>
9,898,251	9,890,459	9,645,633	10,088,727	10,143,293
<u>9,898,251</u>	<u>9,890,459</u>	<u>9,645,633</u>	<u>10,088,727</u>	<u>10,143,293</u>
35,270,590	38,853,474	35,974,175	36,352,005	35,809,238
2,540,258	2,966,480	3,431,654	3,557,014	3,551,656
16,964,593	11,953,596	11,961,227	16,369,064	18,896,247
<u>54,775,441</u>	<u>53,773,550</u>	<u>51,367,056</u>	<u>56,278,083</u>	<u>58,257,141</u>
3,992,523	4,094,617	4,676,956	4,680,266	4,366,739
<u>3,992,523</u>	<u>4,094,617</u>	<u>4,676,956</u>	<u>4,680,266</u>	<u>4,366,739</u>
21,565,040	24,471,922	21,144,985	20,565,000	21,745,000
21,871,202	18,579,782	17,752,528	16,383,178	15,536,957
78,283	108,891	1,004,521	419,457	1,164,685
<u>43,514,525</u>	<u>43,160,595</u>	<u>39,902,034</u>	<u>37,367,635</u>	<u>38,446,642</u>
52,232,367	17,282,121	4,724,520	11,013,287	8,513,304
<u>52,232,367</u>	<u>17,282,121</u>	<u>4,724,520</u>	<u>11,013,287</u>	<u>8,513,304</u>
99,014	47,218	56,304	52,360	31,423
		677,662	698,644	66,234
<u>99,014</u>	<u>47,218</u>	<u>733,966</u>	<u>751,004</u>	<u>700,543</u>
<u>\$ 512,113,039</u>	<u>\$ 509,111,513</u>	<u>\$ 502,373,064</u>	<u>\$ 513,748,753</u>	<u>\$ 525,255,743</u>
9.5%	8.8%	8.0%	7.4%	7.4%

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Excess of revenues over (under) expenditures	\$ (28,645,227)	\$ (19,139,245)	\$ (46,203,704)	\$ (84,776,522)
Other Financing Sources (Uses)				
Capital related debt issued (Bonds)		103,862,866	38,120,000	269,147,425
Sale of real or personal property	304,745	64,837	140,250	136,443
Non-Current Loan Proceeds				
Transfers in	2,786,900	6,560,003	7,903,599	5,521,141
Premium or Discount on Issuance of Bonds		4,952,471	1,699,234	
Prepaid Interest				
Other Resources			83,717	
Transfers out	(5,693,655)	(9,000,000)	(10,397,404)	(7,959,618)
Payments to escrow agents		(33,184,354)	(39,519,042)	(69,104,629)
Total other financing sources (uses)	<u>(2,602,010)</u>	<u>73,255,823</u>	<u>(1,969,646)</u>	<u>197,740,762</u>
Extraordinary Item - Insurance Recovery				
Net change in fund balances	<u>\$ (31,247,237)</u>	<u>\$ 54,116,578</u>	<u>\$ (48,173,350)</u>	<u>\$ 112,964,240</u>

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

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (45,308,844)	\$ (44,460,366)	\$ (28,191,351)	\$ (4,758,581)	\$ 4,204,294	\$ 20,554,347
			63,395,000		71,460,000
92,210	69,039	83,186	232,155	52,200	71,984
			3,525,000		
8,658,078	10,014,400	2,788	1,292,791	3,887,810	1,767
			3,666,822		7,289,674
					238,982
(11,323,253)	(10,000,000)	(2,788)	(1,292,791)	(6,887,810)	(10,001,767)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,361,203)</u>	<u>-</u>	<u>(12,637,102)</u>
<u>(2,572,965)</u>	<u>83,439</u>	<u>83,186</u>	<u>34,457,774</u>	<u>(2,947,800)</u>	<u>56,423,538</u>
					2,275,658
<u>\$ (47,881,809)</u>	<u>\$ (44,376,927)</u>	<u>\$ (28,108,165)</u>	<u>\$ 29,699,193</u>	<u>\$ 1,256,494</u>	<u>\$ 79,253,543</u>

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**APPRAISED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Exhibit S-8

<u>Fiscal Year</u>	<u>Appraised Value</u>				<u>Total Direct Rate(1)</u>
	<u>Residential or Real Property</u>	<u>Personal Property</u>	<u>Less: Exemptions</u>	<u>Total Estimated Taxable Value</u>	
2002	9,712,837,310	1,591,586,520	1,559,238,239	9,745,185,591	1.4717
2003	10,919,174,030	1,714,814,050	2,007,647,322	10,626,340,758	1.4586
2004	11,529,692,430	1,597,727,490	1,724,261,805	11,403,158,115	1.5585
2005	12,146,142,430	1,527,906,130	1,671,514,263	12,002,534,297	1.6214
2006	12,774,717,330	1,558,779,310	1,892,419,813	12,441,076,827	1.6701
2007	13,458,752,730	1,570,168,560	1,989,676,234	13,039,245,056	1.5449
2008	14,344,899,870	1,777,817,820	2,528,589,708	13,594,127,982	1.2533
2009	14,740,677,510	2,002,138,070	2,673,331,019	14,069,484,561	1.2533
2010	14,552,729,200	1,981,784,350	2,882,170,137	13,652,343,413	1.2533
2011	14,074,300,780	1,874,995,440	2,583,259,916	13,366,036,304	1.2533

Source: Appraised Value - Dallas Central Appraisal District  
 Total Direct Rate - District Information

Notes:

- \* The District performs its own tax collection activities.
- \* Property is appraised at full market value. Properties are reappraised at least once every three years.
- \* Represents total appraised value before exemptions.

(1) Per \$1,000 of assessed value.



**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Exhibit S-9

Fiscal Year	Garland Independent School District			Overlapping Rates					
	Maintenance and Operations	Debt Service	Total	City of Garland	Dallas County	City of Rowlett	City of Sachse	City of Dallas	City of Mesquite
2002	1.2770	0.1947	1.4717	0.6411	0.5155	0.6400	0.5888	0.6675	0.5415
2003	1.2757	0.1829	1.4586	0.6411	0.5155	0.6400	0.5754	0.6998	0.5415
2004	1.3693	0.1892	1.5585	0.6411	0.5412	0.6400	0.5601	0.6998	0.5415
2005	1.4102	0.2112	1.6214	0.6411	0.5437	0.6769	0.5583	0.7197	0.5815
2006	1.4568	0.2133	1.6701	0.6661	0.5548	0.7472	0.5583	0.7417	0.6015
2007	1.3316	0.2133	1.5449	0.6786	0.5539	0.7472	0.5534	0.7292	0.6200
2008	1.0400	0.2133	1.2533	0.6886	0.5672	0.7472	0.5534	0.7479	0.6400
2009	1.0400	0.2133	1.2533	0.6996	0.5764	0.7472	0.6100	0.7479	0.6400
2010	1.0400	0.2133	1.2533	0.7046	0.6022	0.7472	0.7058	0.7479	0.6400
2011	1.0400	0.2133	1.2533	0.7046	0.6233	0.7472	0.7058	0.7970	0.6400

Source: Appropriate government entities' tax departments.

Note: Tax rates are per \$1,000 of assessed value.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)**

Exhibit S-10

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Walmart	\$ 128,081,410	1	0.96%	\$ 46,112,460	7	0.41%
Simon Property Group	111,342,320	2	0.83%			
Verizon/GTE	77,305,750	3	0.58%	82,913,840	2	0.73%
Kraft Foods/ U S Foods	71,470,039	4	0.53%	50,559,940	6	0.45%
Plastipak Packaging	62,820,144	5	0.47%			
Oncor	61,824,160	6	0.46%			
Sears Roebuck Co.	47,455,722	7	0.36%	128,136,670	1	1.13%
Engineered Polymer	43,917,878	8	0.33%	43,437,380	8	0.38%
S S T Truck	39,461,658	9	0.30%			
Target Corp/Dayton	35,997,750	10	0.27%			
Eckerd Corp.				77,045,590	3	0.69%
Texas Utilities Co.				69,808,260	4	0.62%
Simpson Finance				50,575,270	5	0.45%
Albertsons				37,436,900	9	0.33%
Raytheon E Systems				35,530,620	10	0.31%
Total	<u>\$ 679,676,831</u>		<u>5.09%</u>	<u>\$ 621,556,930</u>		<u>5.50%</u>

Source: Dallas Central Appraisal District.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Exhibit S-11

Fiscal Year Ending	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy			Total Collections to Date for the Fiscal Year	
		Amount (1)	Percentage of Levy	Delinquent Taxes	Amount (2)	Percentage of Levy
2002	140,289,131	138,225,731	98.53%	1,015,081	139,240,812	99.25%
2003	154,741,155	151,540,060	97.93%	1,914,570	153,454,630	99.17%
2004	172,624,543	169,742,514	98.33%	3,134,760	172,877,274	100.15%
2005	187,863,912	185,477,481	98.71%	2,966,920	188,444,401	100.31%
2006	200,898,664	199,008,663	99.06%	2,792,914	201,801,577	100.45%
2007	195,980,635	194,382,179	99.18%	2,898,066	197,280,245	100.66%
2008	170,375,206	167,691,108	98.42%	2,710,548	170,401,656	100.02%
2009	176,332,850	172,938,357	98.07%	2,039,003	174,977,360	99.23%
2010	171,104,820	168,743,825	98.62%	1,413,147	170,156,972	99.45%
2011	167,516,533	164,067,348	97.94%	1,664,012	165,731,360	98.93%

Source: Dallas Central Appraisal District and District records.

Notes:

- (1) The Garland ISD Tax Office is the collecting agent for the District
- (2) Total cash collections is total cash net of interest and penalty collections and other judgments

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Exhibit S-12

Fiscal Year Ending	Governmental Activities			Total Primary Government	Ratio of Debt to Assessed Value	Per Student
	General Obligation Bonds	Contractual Obligations	Notes Payable			
2002	280,543,324	1,400,000		281,943,324	2.49%	5,382
2003	321,449,547	820,000		322,269,547	2.62%	5,967
2004	296,213,930	420,000		296,633,930	2.26%	5,382
2005	460,734,754	-		460,734,754	3.37%	8,193
2006	440,188,162	-	\$ 55,000	440,243,162	3.07%	7,666
2007	416,973,066	-	-	416,973,066	2.77%	7,321
2008	393,222,811	-	-	393,222,811	2.43%	6,878
2009	400,108,073	-	3,525,000	403,633,073	2.41%	7,132
2010	381,084,245	-	3,070,000	384,154,245	2.29%	6,639
2011	419,983,476		2,600,000	422,583,476	2.65%	7,307

Source: Dallas Central Appraisal District and District records.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF AUGUST 31, 2011 (UNAUDITED)**

Exhibit S-13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Direct:			
Garland Independent School District	\$ 422,583,476	100.00%	\$ 422,583,476
Overlapping:			
City of Garland	175,708,475	90.00%	158,137,628
City of Rowlett	73,253,512	85.46%	62,602,451
Dallas County	129,817,389	8.62%	11,190,259
City of Sachse	40,198,341	67.35%	27,073,583
Dallas County Community College District	396,140,000	8.62%	34,147,268
City of Dallas	<u>1,660,259,302</u>	48.00%	<u>796,924,465</u>
Total Overlapping Debt	<u>2,475,377,019</u>		<u>1,090,075,653</u>
Total Direct and Overlapping Debt	<u>\$2,897,960,495</u>		<u>\$1,512,659,129</u>
Taxable Assessed Valuation			13,366,036,304
Ratio of Direct and Overlapping Debt to taxable assessed valuation			11.32%
Direct and Overlapping Debt per Capita			\$ 4,853

Source: Debt outstanding and estimated percentage applicable for taxing entities other than the District was obtained from the Municipal Advisory Council of Texas.

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 974,518,559	\$ 1,062,634,076	\$ 1,140,315,812	\$ 1,200,253,430
Total net debt applicable to limit	<u>272,730,912</u>	<u>307,101,858</u>	<u>290,309,849</u>	<u>455,380,465</u>
Legal debt margin	<u>\$ 701,787,647</u>	<u>\$ 755,532,218</u>	<u>\$ 850,005,963</u>	<u>\$ 744,872,965</u>
Total net debt applicable to the limit as a percentage of debt limit	27.99%	28.90%	25.46%	37.94%

Source: Calculation from taxable assessed valuation, total bonded debt and debt service reservation data.

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,202,913,981	\$ 1,303,924,506	\$ 1,359,412,798	\$ 1,406,948,456	\$ 1,365,234,341	\$ 1,336,603,630
435,112,747	416,973,066	393,222,811	400,700,320	379,424,221	418,050,800
\$ 767,801,234	\$ 886,951,440	\$ 966,189,987	\$ 1,006,248,136	\$ 985,810,120	\$ 918,552,830
36.17%	31.98%	28.93%	28.48%	27.79%	31.28%

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN CALENDAR YEARS (UNAUDITED)**

Exhibit S-15

<u>Period Ending</u>	<u>Population</u>	<u>Personal Income (hundreds of dollars)</u>	<u>Per Capita Personal Income (dollars)</u>	<u>Unemployment Rate</u>
2002	281,613	130,919,073	46,489	5.9%
2003	289,250	134,012,042	46,331	6.0%
2004	294,524	142,205,909	48,283	5.1%
2005	299,699	152,866,381	51,007	5.0%
2006	303,186	(1)	(1)	5.0%
2007	305,465	(1)	(1)	4.0%
2008	310,107	(1)	(1)	5.1%
2009	310,171	(1)	(1)	8.5%
2010	311,075	(1)	(1)	7.9%
2011	311,697	(1)	(1)	8.3%

Source:

Population: District estimate

Personal Income (thousands of dollars): U. S. Bureau of Economic Analysis - Dallas-Plano-Irving, TX Metropolitan Division

Per Capita Personal Income (dollars): U. S. Bureau of Economic Analysis - Dallas-Plano-Irving, TX Metropolitan Division

Unemployment Rate: U.S. Department of Labor - Bureau of Labor Statistics

Note: (1) Data not available



**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND THREE YEARS AGO (UNAUDITED)**

Exhibit S-16

Employer	2008			2011		
	Employees	Rank	Percentage of Employment	Employees	Rank	Percentage of Employment
Garland ISD	7,254	1	35.21%	7,300	1	37.98%
Raytheon	3,500	2	16.99%	3,500	2	18.21%
City of Garland	2,500	3	12.13%	2,500	3	13.01%
Walmart Super Centers (3)	1,750	4	8.49%	1,250	4	6.50%
Baylor Medical Center Garland	1,200	6	5.82%	1,200	5	6.24%
International/SST Truck	700	9	3.40%	1,200	6	6.24%
Lake Pointe Medical Center	700	10	3.40%	800	7	4.16%
Kingsley Tools			0.00%	550	8	2.86%
US Food Service			0.00%	500	9	2.60%
Atlas Copco	700	8	3.40%	420	10	2.19%
Sears Logistic Services	1,300	5	6.31%			
Ecolab	1,000	7	4.85%			
<b>Total</b>	<b>20,604</b>		<b>100.00%</b>	<b>19,220</b>		<b>100.00%</b>

Source: Cities of Garland, Rowlett, and Sachse

Note: Data not available prior to 2008

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**FULL TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE**  
**LAST NINE FISCAL YEARS (UNAUDITED)**

EXHIBIT S-17

	Full Time Equivalent Employees								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Teachers	3,406.2	3,509.4	3,607.9	3,692.2	3,773.7	3,806.0	3,785.2	3,720.4	3,710.9
Professional Support									
Psychological Associate	7.0	8.0	8.0	8.0	1.0	1.0	1.0	-	-
Audiologist	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Counselor	121.1	121.9	127.0	126.8	127.8	135.6	135.5	133.0	136.0
Educational Diagnostician	33.6	35.6	38.6	51.6	77.4	71.4	69.8	61.5	54.7
Librarian	72.9	74.0	77.5	78.5	75.0	77.5	77.5	80.0	79.0
Occupational Therapist	12.5	13.8	14.0	13.0	13.0	14.0	13.0	12.6	11.4
Corrective Therapist	-	-	-	-	0.5	1.0	1.0	-	-
Orientation/Mobility Instructor	1.0	1.0	-	-	1.0	1.0	2.0	2.0	2.0
Physical Therapist	9.0	9.0	7.0	7.0	8.0	7.0	5.0	7.0	6.0
School Nurse	69.1	72.1	71.0	73.6	75.0	77.0	77.4	79.4	79.0
LSSP/Psychologist	-	-	-	-	8.0	8.0	8.0	8.0	8.0
Social Worker	11.0	10.4	12.5	13.8	16.8	15.5	18.2	19.3	20.8
Speech Therapist/Speech-Language Pathologist	51.9	48.8	50.0	52.8	53.7	58.5	59.2	56.9	54.2
Visiting Teacher	6.0	6.0	6.0	5.0	6.0	5.0	5.0	5.0	5.0
Work-Based Learning Site Coordinator	-	2.0	2.0	2.0	-	-	-	10.1	6.0
Teacher Facilitator	10.5	20.0	1.0	2.0	48.0	46.0	55.7	90.0	110.4
Athletic Trainer	-	-	-	-	-	-	-	8.6	2.0
Campus Professional Personnel	18.0	15.0	16.0	16.0	8.5	25.5	25.5	25.4	32.0
Non-Campus Professional Personnel	85.5	87.5	90.4	96.5	116.2	133.7	149.0	149.3	156.1
Total Professional Support	512.1	528.1	524.0	549.6	638.9	680.7	705.8	751.1	765.6
Campus Administration									
Assistant Principal	97.5	99.4	103.5	110.5	112.0	115.0	113.9	114.0	113.0
Principal	67.0	66.0	67.0	70.0	70.0	72.0	72.0	72.0	73.0
Vocational Education Coordinator	2.0	-	-	-	-	-	-	-	-
Teacher Supervisor	-	3.0	24.0	33.0	0.5	4.0	7.0	4.1	-
Registrar	-	8.0	8.0	9.0	-	-	-	8.0	8.0
Total Campus Administration	166.5	176.4	202.5	222.5	182.5	191.0	192.9	198.1	194.0
Central Administration									
Assistant Superintendent	4.3	4.3	4.5	4.5	4.3	4.5	4.5	4.5	4.5
Instructional Officer	12.0	14.0	14.0	14.0	13.0	12.4	12.4	-	-
District Instructional Program Director	-	-	-	-	-	-	-	17.0	17.0
Superintendent	1.0	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0
Teacher Supervisor	27.5	30.5	38.0	39.0	32.5	43.0	60.8	41.3	29.5
Athletic Director	2.5	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0
Business Manager	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax Assessor and/or Collector	1.0	1.0	1.0	-	1.0	1.0	1.0	1.0	1.0
Director of Personnel/HR	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Registrar	-	1.0	1.0	1.0	-	-	-	-	-
Total Central Administration	52.3	58.3	67.0	66.5	58.7	68.9	86.7	71.8	60.0
Educational Aides	297.5	468.9	476.2	510.8	279.1	373.1	374.3	455.5	432.1
Auxiliary Staff	1,682.2	1,566.9	1,757.9	1,813.6	2,176.6	2,134.1	2,242.9	2,197.4	2,182.5
Total All Full Time Equivalent Employees	6,116.8	6,308.0	6,635.5	6,855.2	7,109.5	7,253.8	7,387.8	7,394.3	7,345.1

Source: District records for the fall PEIMS submission

Note: Data not available prior to 2003

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**OPERATING STATISTICS**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Exhibit S-18

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>
2002	52,391	251,359,921	4,798	3.12%	3,238	16.2	34.2%
2003	54,007	271,525,863	5,028	8.02%	3,406	15.9	38.0%
2004	55,114	287,074,068	5,209	5.73%	3,509	15.7	40.0%
2005	56,236	302,086,192	5,372	5.23%	3,608	15.6	42.0%
2006	57,425	318,278,707	5,543	5.36%	3,692	15.6	44.6%
2007	56,955	350,129,255	6,147	10.01%	3,774	15.1	47.7%
2008	57,169	383,553,961	6,709	9.55%	3,806	15.0	46.0%
2009	57,510	380,113,001	6,610	-0.90%	3,785	15.2	46.1%
2010	57,861	370,578,596	6,405	-2.51%	3,720	15.6	51.4%
2011	57,833	371,744,956	6,428	0.31%	3,712	15.6	52.9%

Source: District records

**GARLAND INDEPENDENT SCHOOL DISTRICT  
OPERATING INDICATORS  
LAST EIGHT FISCAL YEARS (UNAUDITED)**

EXHIBIT S-19

	<u>2003</u>	<u>2004</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Teachers By Highest Degree Held</b>								
No Degree	1.4%	1.5%	0.3%	0.6%	0.7%	0.4%	1.0%	0.2%
Bachelors	74.8%	75.0%	74.8%	74.1%	73.9%	73.7%	72.7%	72.1%
Masters	22.9%	22.5%	23.8%	24.3%	24.6%	24.8%	26.1%	26.7%
Doctorate	0.8%	0.9%	1.0%	1.0%	0.9%	1.1%	1.0%	1.0%
<b>Teachers By Years of Experience</b>								
Beginning Teachers	9.4%	7.6%	8.6%	12.4%	6.8%	5.9%	3.1%	3.8%
1 - 5 Years of Experience	33.3%	33.7%	33.6%	29.6%	34.5%	34.3%	33.6%	30.2%
6 - 10 Years of Experience	20.0%	20.5%	20.2%	20.2%	20.9%	21.7%	23.3%	24.8%
11 - 20 Years of Experience	19.4%	20.0%	20.1%	20.5%	20.3%	21.2%	23.1%	24.7%
Over 20 Years of Experience	17.9%	18.2%	17.4%	17.3%	17.5%	16.9%	16.9%	16.4%
<b>Average Teacher Salaries by Years of Experience</b>								
Beginning Teachers	\$ 35,776	\$ 36,816	\$ 38,585	\$ 47,321	\$ 43,836	\$ 45,508	\$ 47,308	\$ 46,839
1 - 5 Years of Experience	37,345	37,535	39,983	44,228	44,673	46,237	47,319	47,493
6 - 10 Years of Experience	39,077	39,010	41,016	45,302	46,002	47,563	48,585	48,801
11 - 20 Years of Experience	43,765	43,127	44,509	48,417	48,649	49,968	50,858	50,914
Over 20 Years of Experience	52,070	51,859	53,810	56,456	57,546	58,875	59,806	59,899
Student Teacher Ratio	15.9	15.7	15.6	15.1	15.0	15.2	15.6	15.6

Source: District records for the fall PEIMS submission

Note: Data not available prior to 2003 or for 2005

**GARLAND INDEPENDENT SCHOOL DISTRICT**  
**SCHOOL BUILDING INFORMATION**  
**LAST NINE FISCAL YEARS (UNAUDITED)**

EXHIBIT S-20

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Schools:</b>									
<b>Elementary</b>									
Buildings	43	44	45	45	47	47	47	47	47
Enrollment	25,929	26,673	27,028	26,382	26,066	25,901	25,938	26,395	26,330
<b>Middle</b>									
Buildings	12	12	12	12	12	12	12	12	12
Enrollment	12,251	12,533	12,500	12,519	12,453	12,473	12,568	12,742	12,842
<b>High</b>									
Buildings	7	7	7	7	7	7	7	7	7
Enrollment	14,919	15,189	15,702	16,351	16,113	16,248	16,269	16,441	17,123
<b>Pre-K</b>									
Buildings	-	-	-	2	2	2	2	2	2
Enrollment	-	-	-	1,191	1,308	1,390	1,520	1,427	1,395
<b>Other</b>									
Buildings	3	3	3	3	3	3	3	3	3
Enrollment	444	516	522	492	503	572	635	637	143
<b>Student Services</b>									
<b>Buildings:</b>									
Enrollment Center	1	1	1	1	1	1	1	1	1
Transportation	1	1	1	1	1	1	1	1	1
Infant Center	1	1	1	1	1	1	1	1	1
<b>Other</b>									
<b>Buildings:</b>									
Administration	1	1	1	1	1	1	1	1	1
Tax Office	1	1	1	1	1	1	1	1	1
Technology	1	1	1	1	1	1	1	1	1
Professional Development Center	1	1	1	1	1	1	1	1	1
Special Events Center	1	1	1	1	1	1	1	1	1
Facility Services	1	1	1	1	1	1	1	1	1
<b>Athletics</b>									
Stadiums (includes Athletic Office)	2	2	2	2	2	2	2	2	2
Running Tracks	7	7	7	7	7	7	7	7	7
Tennis Courts	7	7	7	7	7	7	7	7	7
Softball Fields	7	7	7	7	7	7	7	7	7
Baseball Fields	7	7	7	7	7	7	7	7	7

Source: District Records  
Information not available prior to 2003

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## Federal Awards Section

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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**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Garland Independent School District, Texas (the District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 a 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (item 11-01). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-02.

We noted certain matters that we reported to management of the District in a separate letter dated January 17, 2012.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, District 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 17, 2012





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

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

Compliance

We have audited Garland Independent School District's (the District's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 11-03.



Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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.

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

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-03 to be a significant deficiency.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the District's Trustees, others within the entity, 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
January 17, 2012





GARLAND INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(3)	(4)	(5)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OF CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	INDIRECT COSTS
Direct Programs				
Worksource Dallas County/Child Care Group Child Care Management Services 288	93.575		42,202	
Total Direct Programs			42,202	
US Department of Education				
Passed Through the Texas Department of Assistive and Rehabilitative Services Division of Early Childhood Intervention Services				
Grants for Infants and Families with Disabilities IDEA, Part C ARRA	84.181	H181A090102	147,851	1,718
Total Early Intervention Services (IDEA) Cluster	84.393	H393A090102	25,507	296
			173,358	2,014
Special Education - Grant to States	84.027		40,570	471
Medical Title XIX, ARRA	93.778		50,720	589
Total Passed Through the Texas Department of Assistive and Rehabilitative Services Division of Early Childhood Intervention Services			264,648	3,074
Passed Through State Department of Education				
ESEA Title I Part A - Improving Basic Programs	84.010A	10610101057909	71,080	760
ESEA Title I Part A - Improving Basic Programs	84.010A	11610101057909	15,368,255	141,540
ESEA Title I Part A - Improving Basic Programs	84.010A	12610101057909	8,516	19
ESEA Title I Part A - ARRA/Stimulus	84.369A	10551001057909	5,269,550	51,521
Total Title I Part A Cluster			20,717,401	193,840
IDEA - Part B, Formula	84.027A	106600010579096600	6,344	21
IDEA - Part B, Formula	84.027A	116600010579096600	8,312,661	95,412
IDEA - Part B, Formula	84.027A	126600010579096600	587,202	7,048
IDEA - Part B, Formula - ARRA - LEA	84.391A	10554001057909	6,592,449	73,198
IDEA - Part B, Preschool	84.173A	116610010579096610	180,978	1,793
IDEA - Part B, Preschool	84.173A	126610010579096610	7,106	78
IDEA - Part B, Preschool - ARRA - LEA	84.392A	10555001057909	46,861	389
Total Special Education Cluster (IDEA)			15,733,601	177,939
Vocation Education - Basic Grant	84.048A	11420006057909	667,090	7,624
Vocation Education - Basic Grant	84.048A	12420006057909	39,491	464
Total CFDA Number 84.048A			706,581	8,088
ARRA TTL XIV SFSF	84.394A	10557001057909	24,675,228	
ESEA Title IV Safe and Drug-Free Schools	84.186A	11691001057909	50,774	594
ESEA Title II, Part D - Enhancing Education Through Technology	84.318X	10630001057909	22,459	228
ESEA Title II, Part D - ARRA/Stimulus	84.386A	10553001057909	142,733	1,614
Total Educational Technology State Grants Cluster			165,192	1,842
ESEA Title III, Part A, English Language Acquisitions and Language Enhancement	84.365A	11671001057909	1,039,055	12,284
ESEA Title III, Part A, English Language Acquisitions and Language Enhancement	84.365A	12671001057909	129,657	1,525
Total CFDA Number 84.365A			1,168,712	13,809
ESEA Title II, Part A, Teacher & Principal Training	84.367A	10694501057909	27,050	315
ESEA Title II, Part A, Teacher & Principal Training	84.367A	11694501057909	1,885,387	21,819
ESEA Title II, Part A, Teacher & Principal Training	84.367A	12694501057909	74,858	880
Total CFDA Number 84.367A			1,987,295	23,014
Summer School LEP-RD 16	84.369A	69551102	77,355	
Statewide Longitudinal Data Systems	84.372A	10635002057909	47,255	
Total Passed Through State Department of Education			65,329,394	419,126
Total US Department of Education			65,594,042	422,200

US Department of Health & Human Services

Passed Through State Department of Education

Medical Assistance Program	93,778	<u>92,352</u>	
Total Passed Through State Department of Education		<u>92,352</u>	

Passed Through the Texas Department of Assistive and Rehabilitative Services Division of Early Childhood Intervention Services

Temporary Assistance for Needy Families	93,558	939	11
Title XIX Medicaid DRS	93,778	<u>388,135</u>	<u>4,510</u>
Total Passed Through the Texas Department of Assistive and Rehabilitative Services Division of Early Childhood Intervention Services		<u>389,074</u>	<u>4,521</u>
Total Department of Health and Human Services		481,426	4,521

US Department of Agriculture

Passed Through State Department of Agriculture

School Breakfast Program - Cash Assistance	10,553	71401001	3,081,171
School Breakfast Program - Non Cash Assistance	10,553		300,145
National School Lunch Program - Cash Assistance	10,555	71301001	12,972,909
National School Lunch Program - Non Cash Assistance	10,555		<u>1,465,416</u>
Total Child Nutrition Cluster			<u>17,819,641</u>
Total Passed Through US Department of Agriculture			<u>17,819,641</u>
Total US Department of Agriculture			<u>17,819,641</u>

Total Expenditures of Federal Awards			<u>83,937,311</u>	<u>426,721</u>	<u>84,364,032</u>
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See Notes to Schedule of Expenditures of Federal Awards

## GARLAND INDEPENDENT SCHOOL DISTRICT

### NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2011

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

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

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

The Schedule of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is used for the Governmental Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H: Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at August 31, 2011, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.
5. Funds were received by the District for the following: School Health and Related Services reimbursements (\$4,637,009); state revenue from a federal program (\$930,484) which includes \$121,261 reported in the Schedule of Federal Expenditures; and Federal E-Rate reimbursements (\$5,234,725).

**GARLAND INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2011**

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**I. Summary of Auditors' Results:**

**Financial Statements**

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?

yes  no

• Significant Deficiency(ies) identified that are not considered to be material weaknesses?

yes  none reported

Noncompliance material to financial statements noted?

yes  no

**Federal Awards**

Internal control over major programs:

• Material weakness(es) identified?

yes  no

• Significant Deficiency(ies) identified that are not considered to be material weaknesses?

yes  none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes  no

**Identification of major programs:**

Title XIV State Fiscal Stabilization Fund - ARRA

CFDA 84.394A

Title I, Part A Cluster

CFDA 84.010A and 84.389A

Special Education Cluster (IDEA)

CFDA 84.027A, 84.391A, 84.173A,  
and 84.392A

Child Nutrition Cluster

CFDA 10.553 and 10.555

Dollar threshold used to distinguish between type A and type B programs:

\$ 2,530,921

Auditee qualified as low-risk auditee?

yes  no

**II. Findings Related to the Financial Statements:**

**Finding 11-01 Reporting of Stop-Loss Receivables**

**TYPE OF FINDING:** Significant Deficiency

**QUESTIONED COST:** Not Applicable

**CRITERIA OR SPECIFIC REQUIREMENT:** Generally accepted accounting principles require that proprietary fund revenues be recognized in the accounting period in which they are earned and measurable.

**CONDITION:** Revenues related to reimbursements of insurance claims above the stop-loss limit were not properly recorded within the internal services funds as of year-end.

**CAUSE:** Information obtained by management in the process of preparing the financial statements was not sufficient enough to reveal the existence of these revenues.

**EFFECT:** The District's Health Insurance Internal Service Fund revenues and receivables were understated by \$470,000.

**RECOMMENDATIONS:** The District should implement additional review procedures (including obtaining supporting documentation) to ensure that all amounts are properly being reported in the financial statements.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:** Agree with finding. Planned corrective actions are detailed following Part III of this schedule.

**Finding 11-02 Excess of Expenditures over Appropriations**

**TYPE OF FINDING:** Compliance

**QUESTIONED COST:** Not Applicable

**CRITERIA OR SPECIFIC REQUIREMENT:** Texas Education Code Section 44.006(a) states that “Public funds of the school district may not be spent in any manner other than as provided for in the budget adopted by the board of trustees, but the board may amend a budget or adopt a supplementary emergency budget to cover necessary unforeseen expenses.”

**CONDITION:** Necessary budget amendments were not made to cover unforeseen expenditures.

**CAUSE:** The budget process requires assumptions on the part of management – these assumptions excluded the impact of non-cash expenditures related to a capital project funded primarily by federal E-Rate reimbursements. Additionally, the recording of these non-cash expenditures was not completed until after the Fiscal Year 2010-2011 budget process had been completed.

**EFFECT:** The District’s expenditures exceeded appropriations by \$4,092,651 within the Data Processing Services Function of the General Fund.

**RECOMMENDATIONS:** The District should continue to improve their budget procedures, including incorporating non-cash expenditures into assumptions used. The District should also implement review procedures to ensure that any non-cash expenditures are recorded timely to allow for any budget amendments, if necessary.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:** Agree with finding. Planned corrective actions are detailed following Part III of this schedule.

**III. Findings and Questioned Costs Related to the Federal Awards:**

**Finding 11-03 Employee Time and Effort Documentation**

**MAJOR PROGRAM:** Child Nutrition Cluster

**CFDA NUMBERS:** 10.553 and 10.555

**TYPE OF FINDING:** Compliance and Significant Deficiency

**QUESTIONED COST:** Undeterminable (see "EFFECT" below for explanation)

**CRITERIA OR SPECIFIC REQUIREMENT:** OMB Circular A-87 (the source of governing requirements for compliance with OMB A-133 Allowable Cost principles) states "where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee." (OMB Circular A-87 Section 8h(3)).

**CONDITION:** Certifications were not prepared for employees working solely on the Child Nutrition Cluster.

**CAUSE:** The requirements to provide such certifications were not known by the individuals involved in supervising the program nor the management of the District. Additionally, guidance provided to the District from their third-party service provider covering this matter was not obtained until after Fiscal Year 2010-2011 had ended.

**EFFECT:** The District's revenues related to the National Breakfast and Lunch Program (the Program) include those received through the Child Nutrition Cluster of Federal Awards and those received locally. Because expenditures, including payroll-related, cannot be directly assigned to the Federal or local revenues, the employees whose services relate solely to the Federal Award cannot be determined.

**RECOMMENDATIONS:** The District should continue to improve their knowledge of Federal Award Compliance Requirements. The District should also implement procedures to ensure that certifications are prepared and signed at least semi-annually by all employees working solely on a single Federal award.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:** Agree with finding. Planned corrective actions are detailed following Part III of this schedule.

**GARLAND INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN  
YEAR ENDED AUGUST 31, 2011**

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**Finding 11-01 Reporting of Stop-Loss Receivables**

The District will implement additional review procedures (including obtaining supporting documentation) to ensure that all amounts are properly being reported in the financial statements.

Completion Date: August 2012

Contact: David Pate  
Director of Finance  
972-487-3102

**Finding 11-02 Excess of Expenditures over Appropriations**

The District will continue to improve budgetary procedures; including incorporating non-cash transactions into assumptions, to ensure that amounts budgeted at the legal level of control are not exceeded.

Completion Date: August 2012

Contacts: David Pate  
Director of Finance  
972-487-3102

**Finding 11-03 Employee Time and Effort Documentation**

The District will obtain semi-annual certifications from Child Nutrition Cluster personnel. The District will continue to stress the importance of obtaining and reviewing semi-annual certifications in accordance with OMB Circular A-87.

Completion Date: December 16, 2011

Contact: Glenda Lewis  
Director of Food Service  
972-494-8322



**GARLAND INDEPENDENT SCHOOL DISTRICT**

**STATUS OF PRIOR-YEAR FINDINGS  
YEAR ENDED AUGUST 31, 2011**

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There were no prior-year findings.