

**CEDAR HILL
INDEPENDENT SCHOOL DISTRICT**

Financial Report for the Year Ended

June 30, 2012

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 Annual Financial Report
 For the Year Ended June 30, 2012

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 Annual Financial Report
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CERTIFICATE OF BOARD

Cedar Hill Independent School District	Dallas	057-904
Name of School District	County	Co.- Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and () approved () disapproved for the year ended June 30, 2012, at a meeting of the Board of School Trustees of such school district on the ____ day of _____, 2012.

Signature of Board Secretary	Signature of Board President
------------------------------	------------------------------

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

EVANS, PINGLETON and HOWARD, PLLC

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TEXAS SOCIETY of CPAs

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

Independent Auditor's Report

Board of School Trustees
Cedar Hill Independent School District
P. O. Box 248
Cedar Hill, Texas 75106

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cedar Hill Independent School District, Cedar Hill Texas (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cedar Hill Independent School District as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 and the budgetary comparison information on page 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2012 on our consideration of the 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the T.E.A. required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining and individual non-major fund financial statements and the T.E.A. required schedules have 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.

Evans, Pingleton and Howard, PLLC

October 8, 2012

Management's Discussion and Analysis (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 year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent period by \$(23,221,109). Of this amount, \$17,036,322 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,336,598. Approximately 20 percent of this total amount, \$5,144,952, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,133,039 or 9 percent of the total general fund expenditures.

Overview of the Financial Statements

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

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 cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only 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 no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-13 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 ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-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 adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-17 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There is one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District has *business-type activities* or *enterprise funds* that operate similar to a private business. The District uses the enterprise fund to account for its extended day program activities. The basic proprietary fund financial statements can be found on pages 18-20 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. 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 fund statements can be found on pages 21-22.
- **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 23-42 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 page 44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$(23,221,109).

The District's Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current Assets	\$ 35,972,085	36,236,589
Capital Assets	<u>100,667,809</u>	<u>103,004,854</u>
Total Assets	<u>136,639,894</u>	<u>139,241,443</u>
Current Liabilities	7,424,121	8,147,310
Long-term Liabilities	<u>152,436,882</u>	<u>154,151,175</u>
Total Liabilities	<u>159,861,003</u>	<u>162,298,485</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(51,769,073)	(49,896,830)
Restricted	11,511,642	11,537,739
Unrestricted	<u>17,036,322</u>	<u>15,302,049</u>
Total Net Assets	<u>\$ (23,221,109)</u>	<u>(23,057,042)</u>

Investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$(51,769,073). The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets, \$11,511,642 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$17,036,322 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are more than currently available resources.

Changes in the District's Net Assets

	Fiscal Year June 30, 2012		Fiscal Year June 30, 2011	
Revenues:				
Program Revenues				
Charges for Services	\$ 1,359,321	1.785%	1,847,334	2.322%
Operating Grants and Contributions	10,551,510	13.858%	14,724,167	18.504%
General Revenues				
Property Taxes	36,403,925	47.810%	36,705,737	46.128%
State Grants	26,134,822	34.323%	25,161,055	31.620%
Other	1,693,259	2.224%	1,135,735	1.427%
Total Revenues	76,142,837	100.000%	79,574,028	100.000%
Expenses:				
Instruction	38,673,178	50.806%	41,355,154	52.021%
Instruction Resources and Media Services	877,149	1.152%	1,143,153	1.438%
Curriculum and Staff Development	302,997	0.398%	194,124	0.244%
Instructional Leadership	540,402	0.710%	699,628	0.880%
School Leadership	3,859,006	5.070%	4,263,375	5.363%
Guidance, Counseling and Evaluation Services	2,658,690	3.493%	2,820,799	3.548%
Social Work Services	51,248	0.067%	55,000	0.069%
Health Services	683,437	0.898%	732,502	0.921%
Student Transportation	1,264,858	1.662%	1,105,653	1.391%
Food Services	4,192,239	5.507%	4,178,509	5.256%
Extracurricular Activities	1,938,463	2.547%	2,049,663	2.578%
General Administration	2,341,122	3.076%	2,368,799	2.980%
Facilities Maintenance and Operations	7,795,269	10.241%	8,202,002	10.317%
Security and Monitoring Services	1,094,949	1.438%	1,135,514	1.428%
Data Processing Services	912,090	1.198%	932,482	1.173%
Community Services	155,555	0.204%	163,745	0.206%
Debt Service - Interest on Long Term Debt	8,022,092	10.539%	7,460,061	9.384%
Debt Service - Bond Issuance Cost and Fees	123,041	0.162%	89,589	0.113%
Payments Related to Shared Services Arrangements	105,450	0.139%	-	0.000%
Payments to Juvenile Justice Alt Educ Prg	10,374	0.014%	9,804	0.012%
Payment to Tax Increment Fund	66,387	0.087%	94,320	0.119%
Other Intergovernmental Charges	144,761	0.190%	122,777	0.154%
Enterprise Funds - Locally Defined	306,010	0.402%	321,027	0.404%
Total Expenses	76,118,767	100.000%	79,497,680	100.000%
Increase/(Decrease) in Net Assets	24,070		76,348	
Beginning Net Assets	(23,057,042)		(23,014,416)	
Prior Period Adjustment	(188,137)		(118,974)	
Ending Net Assets	\$ (23,221,109)		(23,057,042)	

Financial Analysis of the District's Funds

As noted earlier, 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 \$26,336,598, a decrease of \$314,649. Approximately 20 percent of this total amount, \$5,144,952, constitutes *unassigned fund balance*. The remainder of fund balance is reserved *non-spendable, restricted, committed, or assigned* to indicate that it is not available for new spending.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,133,039, out of a total fund balance of \$14,997,421. 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 fund expenditures. Unassigned fund balance represents 9 percent of the total general fund expenditures. Total fund balance represents 27 percent of the total general fund expenditures.

The fund balance of the District's general fund decreased by \$333,581 during the current fiscal year.

General Fund Budgetary Highlights

- The actual revenues were below budgetary estimates by \$(341,798). This shortfall in actual revenues was due to a decline in property valuations which lead to decreased tax revenues. Expenditures were less than appropriations by \$196,354, with the most significant functions being instruction and facilities maintenance.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$100,667,809 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

District's Capital Assets (net of depreciation)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Government Activities:		
Land	\$ 7,462,443	7,462,443
Buildings and Improvements	92,066,080	94,615,726
Furniture and Equipment	<u>1,139,286</u>	<u>926,685</u>
Total Historical Cost	<u>\$ 100,667,809</u>	<u>103,004,854</u>

Additional information on the District's capital assets can be found in Note 4.E. on pages 35 - 36 of this report.

Long-term debt. As of June 30, 2012, the District had total general obligation bonded debt outstanding of \$98,006,246, a decrease of \$(3,905,967) over the prior year. Accretion on capital appreciation bonds was \$2,008,944 for fiscal year 2012, resulting in an ending balance of \$53,986,261. Unamortized bond premium was \$221,222 at June 30, 2012.

The “AAA” long-term rating on the District’s Texas’ bonds reflects the Texas Permanent School Fund guarantee. The “AA-” Standard & Poor’s underlying rating on the District’s unenhanced debt reflects the District’s: (1) participation in the strong and growing Dallas/Fort Worth area economy, (2) strong administrative management, and (3) continued satisfactory financial performance.

Additional information on the District’s long-term debt can be found in Note 4.F. on pages 36-37 of this report.

Economic Factors and Next Year’s Budgets and Rates

During the spring of 2006 the state enacted legislation that allowed the District to lower its 2008 Maintenance and Operations (M&O) tax rate by \$0.33, resulting in a 2012 Maintenance and Operations tax rate of \$1.04. The I&S rate in the 2012-2013 school year is .40, the same as the prior year due to a decrease in Tax Roll Values of .52% from the previous year. Approximately \$2,000,000 from I&S fund balance will be spent in the 2012-2013 school year for a one year spike in I&S payments due to bond refunding in the 2011-2012 school year.

The combined tax rate for 2012-2013 is 1.44. On June 18, 2012 the Board of Trustees called for a \$45,000,000 bond on November 6, 2012. If successful the I&S tax rate in 2013-2014 would be .475.

The 2012 Certified Taxable Value for Cedar Hill ISD is \$2,585,961,326 which represents a 1.42% decrease over prior year values. This decrease was caused by the decline in residential values in Dallas County. The decrease in taxable value will result in a slight increase in state funding for the 2012-2013 school year.

The District’s 2012-2013 average daily attendance is expected to be approximately 7,825, which is 1.62% increase over the prior year. Student enrollment is 8295, a 2% increase over the prior year. This is attributed to a slight increase in grade levels district wide and the implementation of a full day paid pre-k program in the 2012-2013 school year. The average daily attendance is expected to continue to increase in the future 1%-2% per year as in the past.

The District’s underlying bond rating from Standard and Poor’s is AA-.

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 District’s Financial Services Office.

BASIC FINANCIAL STATEMENTS

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CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 21,565,730	\$ 38,759	\$ 21,604,489
1220 Property Taxes Receivable (Delinquent)	1,698,847	-	1,698,847
1230 Allowance for Uncollectible Taxes	(169,884)	-	(169,884)
1240 Due from Other Governments	10,205,596	-	10,205,596
1290 Other Receivables, net	307,348	-	307,348
1410 Deferred Expenses	657,148	-	657,148
1420 Capitalized Bond and Other Debt Issuance Costs	1,668,541	-	1,668,541
Capital Assets:			
1510 Land	7,462,443	-	7,462,443
1520 Buildings, Net	92,066,080	-	92,066,080
1530 Furniture and Equipment, Net	1,139,286	-	1,139,286
1000 Total Assets	<u>136,601,135</u>	<u>38,759</u>	<u>136,639,894</u>
LIABILITIES			
2110 Accounts Payable	385,967	-	385,967
2140 Interest Payable	1,024,897	-	1,024,897
2150 Payroll Deductions & Withholdings	10,109	-	10,109
2160 Accrued Wages Payable	5,343,331	-	5,343,331
2177 Due to Fiduciary Funds	1,300	-	1,300
2300 Deferred Revenues	658,517	-	658,517
Noncurrent Liabilities			
2501 Due Within One Year	9,485,200	-	9,485,200
2502 Due in More Than One Year	142,951,682	-	142,951,682
2000 Total Liabilities	<u>159,861,003</u>	<u>-</u>	<u>159,861,003</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	(51,769,073)	-	(51,769,073)
Restricted for:			
3820 Restricted for Federal and State Programs	400,403	-	400,403
3850 Restricted for Debt Service	11,111,239	-	11,111,239
3900 Unrestricted Net Assets	16,997,563	38,759	17,036,322
3000 Total Net Assets	<u>\$ (23,259,868)</u>	<u>\$ 38,759</u>	<u>\$ (23,221,109)</u>

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 38,673,178	\$ 13,340	\$ 5,007,806
12 Instructional Resources and Media Services	877,149	-	247,111
13 Curriculum and Staff Development	302,997	-	88,156
21 Instructional Leadership	540,402	-	54,033
23 School Leadership	3,859,006	-	267,300
31 Guidance, Counseling and Evaluation Services	2,658,690	-	899,530
32 Social Work Services	51,248	-	2,941
33 Health Services	683,437	-	37,706
34 Student (Pupil) Transportation	1,264,858	-	90,992
35 Food Services	4,192,239	781,226	3,332,696
36 Extracurricular Activities	1,938,463	175,032	43,674
41 General Administration	2,341,122	-	64,100
51 Facilities Maintenance and Operations	7,795,269	63,254	200,565
52 Security and Monitoring Services	1,094,949	-	54,012
53 Data Processing Services	912,090	-	28,933
61 Community Services	155,555	2,745	35,699
72 Debt Service - Interest on Long Term Debt	8,022,092	-	-
73 Debt Service - Bond Issuance Cost and Fees	123,041	-	-
93 Payments related to Shared Services Arrangements	105,450	-	90,450
95 Payments to Juvenile Justice Alternative Ed. Prg.	10,374	-	-
97 Payments to Tax Increment Fund	66,387	-	-
99 Other Intergovernmental Charges	144,761	-	-
[TG] Total Governmental Activities:	<u>75,812,757</u>	<u>1,035,597</u>	<u>10,545,704</u>
BUSINESS-TYPE ACTIVITIES:			
01 Extended Day Program	306,010	323,724	5,806
[TB] Total Business-Type Activities:	<u>306,010</u>	<u>323,724</u>	<u>5,806</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 76,118,767</u>	<u>\$ 1,359,321</u>	<u>\$ 10,551,510</u>

Data	General Revenues:
Control	Taxes:
Codes	MT Property Taxes, Levied for General Purposes
	DT Property Taxes, Levied for Debt Service
	SF State Aid - Formula Grants
	GC Grants and Contributions not Restricted
	IE Investment Earnings
	MI Miscellaneous Local and Intermediate Revenue
	TR Total General Revenues
CN	Change in Net Assets
NB	Net Assets--Beginning
PA	Prior Period Adjustment
NE	Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (33,652,032)	\$ -	\$ (33,652,032)
(630,038)	-	(630,038)
(214,841)	-	(214,841)
(486,369)	-	(486,369)
(3,591,706)	-	(3,591,706)
(1,759,160)	-	(1,759,160)
(48,307)	-	(48,307)
(645,731)	-	(645,731)
(1,173,866)	-	(1,173,866)
(78,317)	-	(78,317)
(1,719,757)	-	(1,719,757)
(2,277,022)	-	(2,277,022)
(7,531,450)	-	(7,531,450)
(1,040,937)	-	(1,040,937)
(883,157)	-	(883,157)
(117,111)	-	(117,111)
(8,022,092)	-	(8,022,092)
(123,041)	-	(123,041)
(15,000)	-	(15,000)
(10,374)	-	(10,374)
(66,387)	-	(66,387)
(144,761)	-	(144,761)
<u>(64,231,456)</u>	<u>-</u>	<u>(64,231,456)</u>
-	23,520	23,520
<u>-</u>	<u>23,520</u>	<u>23,520</u>
<u>(64,231,456)</u>	<u>23,520</u>	<u>(64,207,936)</u>
26,286,635	-	26,286,635
10,117,290	-	10,117,290
26,134,822	-	26,134,822
456,278	-	456,278
47,654	-	47,654
1,189,327	-	1,189,327
<u>64,232,006</u>	<u>-</u>	<u>64,232,006</u>
550	23,520	24,070
(23,072,281)	15,239	(23,057,042)
(188,137)	-	(188,137)
<u>\$ (23,259,868)</u>	<u>\$ 38,759</u>	<u>\$ (23,221,109)</u>

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 9,786,715	\$ 11,352,569	\$ 426,446	\$ 21,565,730
1220 Property Taxes - Delinquent	1,246,473	452,374	-	1,698,847
1230 Allowance for Uncollectible Taxes (Credit)	(124,647)	(45,237)	-	(169,884)
1240 Receivables from Other Governments	9,825,799	-	379,797	10,205,596
1290 Other Receivables	227,237	-	80,111	307,348
1410 Deferred Expenditures	657,148	-	-	657,148
1000 Total Assets	<u>\$ 21,618,725</u>	<u>\$ 11,759,706</u>	<u>\$ 886,354</u>	<u>\$ 34,264,785</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 385,967	\$ -	\$ -	\$ 385,967
2150 Payroll Deductions and Withholdings Payable	10,109	-	-	10,109
2160 Accrued Wages Payable	5,102,102	-	241,229	5,343,331
2170 Due to Other Funds	1,300	-	-	1,300
2300 Deferred Revenues	1,121,826	1,055,604	10,050	2,187,480
2000 Total Liabilities	<u>6,621,304</u>	<u>1,055,604</u>	<u>251,279</u>	<u>7,928,187</u>
Fund Balances:				
Nonspendable Fund Balance:				
3430 Prepaid Items	657,148	-	-	657,148
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	400,403	400,403
3470 Capital Acquisition and Contractual Obligation	207,234	-	-	207,234
3480 Retirement of Long-Term Debt	-	10,704,102	-	10,704,102
Committed Fund Balance:				
3510 Construction	4,000,000	-	-	4,000,000
3545 Other Committed Fund Balance	5,000,000	-	-	5,000,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	222,759	222,759
3600 Unassigned Fund Balance	5,133,039	-	11,913	5,144,952
3000 Total Fund Balances	<u>14,997,421</u>	<u>10,704,102</u>	<u>635,075</u>	<u>26,336,598</u>
4000 Total Liabilities and Fund Balances	<u>\$ 21,618,725</u>	<u>\$ 11,759,706</u>	<u>\$ 886,354</u>	<u>\$ 34,264,785</u>

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total Fund Balances - Governmental Funds	\$ 26,336,598
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$137,745,927 and the accumulated depreciation was \$34,741,073. In addition, long-term liabilities, including bonds payable of \$101,912,213, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	1,092,641
2 Current year capital outlays of \$543,493 and long-term debt principal payments of \$3,903,795 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.	4,447,288
3 Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net assets.	(1,024,897)
4 Accreted interest on capital appreciation bonds has not been included on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accreted interest is to decrease net assets.	(53,986,261)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(2,880,538)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	2,755,301
19 Net Assets of Governmental Activities	<u>\$ (23,259,868)</u>

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 27,267,979	\$ 10,235,631	\$ 1,196,306	\$ 38,699,916
5800 State Program Revenues	28,105,682	339,135	1,291,970	29,736,787
5900 Federal Program Revenues	456,278	-	6,943,739	7,400,017
5020 Total Revenues	<u>55,829,939</u>	<u>10,574,766</u>	<u>9,432,015</u>	<u>75,836,720</u>
EXPENDITURES:				
Current:				
0011 Instruction	33,270,076	-	3,843,278	37,113,354
0012 Instructional Resources and Media Services	576,510	-	240,107	816,617
0013 Curriculum and Instructional Staff Development	216,114	-	86,883	302,997
0021 Instructional Leadership	532,064	-	8,338	540,402
0023 School Leadership	3,754,875	-	74,361	3,829,236
0031 Guidance, Counseling and Evaluation Services	1,869,068	-	789,622	2,658,690
0032 Social Work Services	51,248	-	-	51,248
0033 Health Services	693,501	-	4,536	698,037
0034 Student (Pupil) Transportation	1,096,372	-	87,276	1,183,648
0035 Food Services	-	-	4,100,702	4,100,702
0036 Extracurricular Activities	1,628,446	-	-	1,628,446
0041 General Administration	2,187,416	-	-	2,187,416
0051 Facilities Maintenance and Operations	7,718,168	-	-	7,718,168
0052 Security and Monitoring Services	1,121,460	-	-	1,121,460
0053 Data Processing Services	897,631	-	-	897,631
0061 Community Services	125,912	-	29,643	155,555
Debt Service:				
0071 Principal on Long Term Debt	-	3,903,795	-	3,903,795
0072 Interest on Long Term Debt	-	6,729,470	-	6,729,470
0073 Bond Issuance Cost and Fees	-	542,091	-	542,091
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	15,000	-	90,450	105,450
0095 Payments to Juvenile Justice Alternative Ed. Prg.	10,374	-	-	10,374
0097 Payments to Tax Increment Fund	66,387	-	-	66,387
0099 Other Intergovernmental Charges	144,761	-	-	144,761
6030 Total Expenditures	<u>55,975,383</u>	<u>11,175,356</u>	<u>9,355,196</u>	<u>76,505,935</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(145,444)</u>	<u>(600,590)</u>	<u>76,819</u>	<u>(669,215)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	33,692,065	-	33,692,065
7916 Premium or Discount on Issuance of Bonds	-	4,925,818	-	4,925,818
8949 Other (Uses)	-	(38,075,180)	-	(38,075,180)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>542,703</u>	<u>-</u>	<u>542,703</u>
1200 Net Change in Fund Balances	(145,444)	(57,887)	76,819	(126,512)
0100 Fund Balance - July 1 (Beginning)	15,331,002	10,761,989	558,256	26,651,247
1300 Prior Period Adjustments	(188,137)	-	-	(188,137)
3000 Fund Balance - June 30 (Ending)	<u>\$ 14,997,421</u>	<u>\$ 10,704,102</u>	<u>\$ 635,075</u>	<u>\$ 26,336,598</u>

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

CEDAR HILL 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 JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	(126,512)
Current year capital outlays of \$543,493 and long-term debt principal payments of \$3,903,795 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net assets.		4,447,288
Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The net effect of including the accrued interest payable is to increase net assets.		354,177
Accreted interest on capital appreciation bonds has not been included on the fund financial statements, but is shown on the government-wide financial statements. The effect of including accreted interest is to decrease net assets.		(2,008,944)
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.		(2,880,538)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		215,079
Change in Net Assets of Governmental Activities	\$	550

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 38,759
Total Assets	<u>38,759</u>
NET ASSETS	
Unrestricted Net Assets	<u>38,759</u>
Total Net Assets	<u><u>\$ 38,759</u></u>

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 323,724
State Program Revenues	5,806
Total Operating Revenues	<u>329,530</u>
OPERATING EXPENSES:	
Payroll Costs	295,171
Professional and Contracted Services	1,774
Supplies and Materials	8,205
Other Operating Costs	860
Total Operating Expenses	<u>306,010</u>
Operating Income	23,520
Total Net Assets - July 1 (Beginning)	<u>15,239</u>
Total Net Assets - June 30 (Ending)	<u><u>\$ 38,759</u></u>

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 323,724
Cash Received from Quasi-External Transactions	5,741
Cash Payments to Employees for Services	(295,171)
Cash Payments for Insurance Claims	(9,979)
Cash Payments for Other Operating Expenses	(860)
Net Cash Provided by Operating Activities	<u>23,455</u>
Net Increase in Cash and Cash Equivalents	23,455
Cash and Cash Equivalents at Beginning of Year	<u>15,304</u>
Cash and Cash Equivalents at End of Year	<u>\$ 38,759</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 23,520
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in due to other funds	<u>(65)</u>
Net Cash Provided by Operating Activities	<u>\$ 23,455</u>

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBITE-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 27,702	\$ 376,041
Due from Other Funds	-	1,300
Total Assets	27,702	\$ 377,341
LIABILITIES		
Due to Student Groups	-	\$ 377,341
Total Liabilities	-	\$ 377,341
NET ASSETS		
Restricted for Scholarships	27,702	
Total Net Assets	\$ 27,702	

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 63
Total Additions	<u>63</u>
Change in Net Assets	63
Total Net Assets - July 1 (Beginning)	<u>27,639</u>
Total Net Assets - June 30 (Ending)	<u><u>\$ 27,702</u></u>

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cedar Hill Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatu-
red interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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 have been 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 amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. 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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The District reports the following major governmental funds:

1. **General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

2. **Enterprise Fund** - The District accounts for activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities in an enterprise fund. The District's enterprise fund provides extended day services for students at the Elementary campuses.

Fiduciary Funds:

3. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that the income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is for a scholarship fund.
4. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is for student groups.

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2012
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

2. Due From (To) Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	15
Vehicles	7
Office equipment	5
Computer equipment	5

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2012
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

4. Vacation and Sick Leave

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

5. Long-term Obligations

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

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

6. Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Fund Equity (continued)

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the Board of Trustees delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

As of June 30, 2012, fund balances are composed of the following:

	General <u>Fund</u>	Debt Service <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:				
Prepaid Items	\$ 657,148			657,148
Restricted:				
Federal Grants			400,403	400,403
Debt Service		10,704,102		10,704,102
Other Capital Projects	207,234			207,234
Committed:				
Capital Projects	4,000,000			4,000,000
State Funding Deficits	3,000,000			3,000,000
Cash Flow Needs	2,000,000			2,000,000
Assigned:				
Student Activities			222,759	222,759
Unassigned:	5,133,039		11,913	5,144,952
Total Fund Balances	<u>\$ 14,997,421</u>	<u>10,704,102</u>	<u>635,075</u>	<u>26,336,598</u>

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
at and for the
Year Ended June 30, 2012
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

7. Data Control Codes

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

8. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$2,755,301 adjustment are as follows:

Long-term Debt:	
Premium and Issuance Costs on Bonds	\$ 1,447,319
Deferred Gain on Refunding Bonds	(223,153)
Issuance of Refunding Bonds	2,172
	<u>1,226,338</u>
Deferred Revenue:	
To remove the current period uncollected tax levy from deferred revenue	703,140
To remove prior year collectible delinquent tax levy receivable from deferred revenue	825,823
	<u>1,528,963</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	<u>\$ 2,755,301</u>

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$215,079 adjustment are as follows:

Long-term Debt:

Amortization of premium and issuance costs on bonds	\$ (112,594)
Amortization of deferred gain on refunding bonds	351,084
Issuance of Refunding Bonds	2,172
Current Period Issuance Costs on Bonds	542,705
Current Period Gain on Refunding Bonds	<u>(544,875)</u>
	<u>238,492</u>

Taxes:

To move the current period uncollected tax levy to revenue	703,140
To remove the prior year tax collection from current period revenue	<u>(726,553)</u>
	<u>(23,413)</u>

Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	<u>\$ 215,079</u>
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NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit F-1 and the other two reports are in Exhibit H-3 and H-4.

The following procedures were followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20, the District prepared a budget for the next succeeding fiscal year beginning July 1. The operating budget included proposed expenditures and the means of financing them.
2. A meeting of the Board was then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2012
-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data (continued)

3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end. The budget was properly amended throughout the period by the Board of Trustees.

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

<u>June 30, 2012 Fund Balance</u>	
Appropriated budget funds - Food Service Special Revenue Fund	\$ 400,403
Non-appropriated budget funds	<u>234,672</u>
All Special Revenue Funds	<u>\$ 635,075</u>

B. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year end.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

At June 30, 2012, the carrying amount of the District's cash, savings, and time deposits was \$702,520. The bank balance was \$1,965,892. The District's combined deposits at June 30, 2012, and during the year ending June 30, 2012, were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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

- a. Name of bank, Prosperity Bank, Cedar Hill, Texas.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$5,207,564.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$2,159,056 and occurred during the month of March.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio

investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings account; (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Fund; (8) Investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall

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CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- a. Custodial Credit Risk - Deposits: (continued)
not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool ("TexPool"), and the Logic Investment Pool ("Logic"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of Logic is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAm by Standard & Poor's. The credit quality rating for Logic at year end was Aaa by Moody's Investor Service.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

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CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

The District's temporary investments at June 30, 2012, were as follows:

<u>Investment Type:</u>	<u>Fair Value</u>
Logic investment pool	\$ 21,144,560
TexPool investment pool	<u>161,151</u>
Total	\$ <u>21,305,711</u>

B. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2010, upon which the levy for the 2011-12 fiscal year was based, was \$2,549,024,963. The roll was subsequently decreased to a period end assessed value of \$2,539,173,667. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the year ended June 30, 2012, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.40 per \$100 valuation, respectively, for the total of \$1.44 per \$100 valuation.

Total tax collections for the year ended June 30, 2012 were 99.6% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,121,826 and \$407,137 for the General and Debt Service Funds, respectively.

C. 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 June 30, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

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CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

C. Due From Other Governments (continued)

<u>Fund</u>	<u>Local</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 60,790	9,765,009		9,825,799
Special Revenue		2,625	377,172	379,797
Total	<u>\$ 60,790</u>	<u>9,767,634</u>	<u>377,172</u>	<u>10,205,596</u>

D. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2012, were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Agency Fund		1,300
Agency Fund:		
General Fund	\$ 1,300	
Total	<u>\$ 1,300</u>	<u>1,300</u>

E. Capital Assets

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

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Government Activities:				
Land	\$ 7,462,443			7,462,443
Buildings and Improvements	126,280,299			126,280,299
Furniture and Equipment	4,003,185	543,493		4,546,678
Total Historical Cost	<u>137,745,927</u>	<u>543,493</u>	<u>-</u>	<u>138,289,420</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(31,664,573)	(2,549,646)		(34,214,219)
Furniture and Equipment	(3,076,500)	(330,892)		(3,407,392)
Total Accumulated Depreciation	<u>(34,741,073)</u>	<u>(2,880,538)</u>	<u>-</u>	<u>(37,621,611)</u>
Governmental Activities Capital Assets Net	<u>\$ 103,004,854</u>	<u>(2,337,045)</u>	<u>-</u>	<u>100,667,809</u>

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CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,853,516
Instructional Resources and Media	60,533
School Leadership	29,770
Student Transportation	81,210
Food Services	242,290
Extracurricular Activities	310,017
General Administration	153,706
Plant Maintenance and Operations	110,404
Security and Monitoring	385
Data Processing Services	<u>38,707</u>
 Total Depreciation Expense	 <u><u>\$ 2,880,538</u></u>

F. Bonds Payable

Bonds payable activity for the year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
2002 School Bldg & Refunding	6.00%	\$ 34,298,816	13,374,837		(8,125,000)	5,249,837	1,970,000
2004 School Building	5.47%	38,899,833	38,889,833		(27,404,833)	11,485,000	185,000
2005 School Bldg & Refunding	5.42%	31,742,827	30,719,869		(960,248)	29,759,621	746,250
2006 School Refunding	3.95%	6,980,085	2,883,871		(866,617)	2,017,254	695,538
2007 School Refunding	4.00%	11,468,762	10,986,881		(74,716)	10,912,165	50,295
2009 School Refunding	4.50%	5,203,810	5,056,922		(122,125)	4,934,797	92,224
2011 School Refunding	3.50%	8,744,384	-	8,744,384	(44,494)	8,699,890	-
2012 School Refunding	3.15%	6,229,999	-	6,229,999	-	6,229,999	2,420,000
2012A School Refunding	3.15%	18,717,683	-	18,717,683	-	18,717,683	-
Total Bonded Indebtedness			<u>101,912,213</u>	<u>33,692,066</u>	<u>(37,598,033)</u>	<u>98,006,246</u>	<u>6,159,307</u>
Bond Premium			232,283		(11,061)	221,222	
Deferred (loss) on refunding bonds			29,362	544,875	(351,084)	223,153	
Accreted Interest			51,977,317	5,737,899	(3,728,955)	53,986,261	3,325,893
Total Bonds Payable			<u>154,151,175</u>	<u>39,974,840</u>	<u>(41,689,133)</u>	<u>152,436,882</u>	<u>9,485,200</u>

General obligation bonds consist of 2004 School Building Bonds bearing interest at 3.00 - 6.19% per annum, and 2002, 2005, 2006, 2007, 2009, 2011, and 2012 Refunding Bonds bearing interest at 2.00 - 6.79% per annum. Interest expense for the year on all bonded indebtedness was \$6,729,470.

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

F. Bonds Payable (continued)

Debt service requirements for the general obligation bonds are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 6,159,307	6,547,614	12,706,921
2014	2,286,644	7,907,087	10,193,731
2015	1,947,663	7,533,630	9,481,293
2016	437,350	4,041,868	4,479,218
2017	2,279,418	8,721,351	11,000,769
2018-2022	10,212,206	46,924,938	57,137,144
2023-2027	25,462,389	35,197,271	60,659,660
2028-2032	24,592,036	39,092,164	63,684,200
2033-2037	<u>24,629,233</u>	<u>7,843,355</u>	<u>32,472,588</u>
Total	<u>\$ 98,006,246</u>	<u>163,809,278</u>	<u>261,815,524</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2012.

G. Defeasance of Debt

On December 1, 2011, the District issued general obligation bonds (Series 2011 refunding bonds) of \$8,744,384 (par value) with an effective interest rate of 4.00 percent to advance refund a portion of the Unlimited Tax School Building Bonds, Series 2004 (refunded bonds), with an effective interest rate of 5.47 percent and par value of \$8,746,490. The refunding bonds were issued at par and, after paying issuance costs of \$103,500 and underwriter's discount of \$66,379, and receiving a premium of \$1,244,389 the net proceeds were \$9,818,895. The net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

As a result of the advance refunding, the District decreased its total debt service requirements by \$1,761,816, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,241,589. The District issued the refunding bonds in order to restructure the District's debt service payments.

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CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Defeasance of Debt (continued)

On April 15, 2012, the District issued general obligation bonds (Series 2012 refunding bonds) of \$6,229,999 (par value) with an effective interest rate of 2.00 percent to advance refund a portion of the Unlimited Tax School Building and Refunding Bonds Series 2002 (refunded bonds), with an effective interest rate of 6.00 percent and par value of \$6,230,000. The refunding bonds were issued at par and, after paying issuance costs and underwriter's discount of \$101,457, and receiving a premium of \$251,133, the net proceeds were \$6,379,675. The net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

As a result of the advance refunding, the District decreased its total debt service requirements by \$224,935, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$324,032. The District issued the refunding bonds in order to restructure the District's debt service payments.

On April 15, 2012, the District issued general obligation bonds (Series 2012A refunding bonds) of \$18,717,683 (par value) with an effective interest rate of 2.00 percent to advance refund a portion of the Unlimited Tax School Building Bonds, Series 2004 and 2005 (refunded bonds), with an effective interest rate of 5.47 and 5.42 percent respectively and par value of \$18,568,343 and \$149,405 respectively. The refunding bonds were issued at par and, after paying issuance costs of and underwriter's discount of \$271,368 and receiving a premium of \$3,430,297, the net proceeds were \$21,876,612. The net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

As a result of the advance refunding, the District decreased its total debt service requirements by \$3,318,331 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,740,903. The District issued the refunding bonds in order to restructure the District's debt service payments.

In prior years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2012, \$42,613,217 of bonds outstanding are considered defeased.

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CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2012, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

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

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

C. Revenues from Local and Intermediate Sources

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Enterprise <u>Fund</u>	Fiduciary <u>Fund</u>	<u>Total</u>
Property Taxes	\$ 26,312,059		10,116,009			36,428,068
Food Sales		781,226				781,226
Investment Income	26,275	2	21,377		63	47,717
Penalties, Interest and Other						-
Tax Related Income	261,975		98,245			360,220
Co-curricular Student Activities	175,032	385,178				560,210
Other	492,638	29,900		323,724		846,262
Total	<u>27,267,979</u>	<u>1,196,306</u>	<u>10,235,631</u>	<u>323,724</u>	<u>63</u>	<u>39,023,703</u>

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 5 OTHER INFORMATION (continued)

D. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 1,121,826		407,137	1,528,963
Advanced Placement		6,300		6,300
State Text Book		3,750		3,750
State Revenue			648,467	648,467
Total	\$ 1,121,826	10,050	1,055,604	2,187,480

E. Health Care Coverage

For the year ended June 30, 2012, employees of the District were covered by the TRS active care insurance plan (the plan). The District paid premiums of \$225, per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2012 and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2011, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

F. Pension Plan Obligations

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2012

-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2010, 2011, and 2012 and a state contribution rate of 6.644% for calendar year 2010 and 2011 and 7.644% for calendar year 2012. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2010, 2011 and 2012 were \$2,404,156, \$2,731,739, and \$2,221,248, respectively. The District paid additional state contributions for the years ended June 30, 2010, 2011 and 2012 in the amount of \$595,623, \$548,046, and \$459,610, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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

-continued-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2012
-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Retiree Health Plan (continued)

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 public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2011, and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2010, 2011, and 2012, the State's contributions to TRS-Care were \$456,459, \$462,765, and \$428,351, respectively, the active member contributions were \$296,702, \$300,563, and \$278,432, respectively, and the school district's contributions were \$251,053, \$254,522, and \$235,593, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2012 is estimated by TRS at \$98,022.

H. Restatement of Beginning Fund Balance/Net Assets

Fund Balance in the General Fund and net assets in the Governmental Activities have been restated as of June 30, 2011 by \$(188,137) to reflect prior year costs of the ESEA, Title I, Part A - ARRA program that were originally approved but subsequently disallowed by the Texas Education Agency.

NOTE 6 EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 8, 2012, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 27,345,000	\$ 27,345,000	\$ 27,267,979	\$ (77,021)
5800 State Program Revenues	28,405,737	28,405,737	28,105,682	(300,055)
5900 Federal Program Revenues	421,000	421,000	456,278	35,278
5020 Total Revenues	<u>56,171,737</u>	<u>56,171,737</u>	<u>55,829,939</u>	<u>(341,798)</u>
EXPENDITURES:				
Current:				
0011 Instruction	31,537,736	33,337,736	33,270,076	67,660
0012 Instructional Resources and Media Services	855,408	605,408	576,510	28,898
0013 Curriculum and Instructional Staff Development	345,562	220,562	216,114	4,448
0021 Instructional Leadership	540,347	540,347	532,064	8,283
0023 School Leadership	3,613,624	3,763,624	3,754,875	8,749
0031 Guidance, Counseling and Evaluation Services	2,325,763	1,875,763	1,869,068	6,695
0032 Social Work Services	65,000	65,000	51,248	13,752
0033 Health Services	645,981	695,981	693,501	2,480
0034 Student (Pupil) Transportation	1,409,427	1,184,427	1,096,372	88,055
0036 Extracurricular Activities	1,880,652	1,630,652	1,628,446	2,206
0041 General Administration	2,196,428	2,196,428	2,187,416	9,012
0051 Facilities Maintenance and Operations	8,240,669	7,595,669	7,718,168	(122,499)
0052 Security and Monitoring Services	998,434	1,123,434	1,121,460	1,974
0053 Data Processing Services	906,476	906,476	897,631	8,845
0061 Community Services	162,230	162,230	125,912	36,318
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	15,000	15,000	15,000	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	150,000	20,000	10,374	9,626
0097 Payments to Tax Increment Fund	123,000	73,000	66,387	6,613
0099 Other Intergovernmental Charges	160,000	160,000	144,761	15,239
6030 Total Expenditures	<u>56,171,737</u>	<u>56,171,737</u>	<u>55,975,383</u>	<u>196,354</u>
1200 Net Change in Fund Balances	-	-	(145,444)	(145,444)
0100 Fund Balance - July 1 (Beginning)	15,331,002	15,331,002	15,331,002	-
1300 Prior Period Adjustments	-	-	(188,137)	(188,137)
3000 Fund Balance - June 30 (Ending)	<u>\$ 15,331,002</u>	<u>\$ 15,331,002</u>	<u>\$ 14,997,421</u>	<u>\$ (333,581)</u>

COMBINING STATEMENTS

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (5,099)	\$ (19,825)	\$ (109)	\$ 281,374
1240	Receivables from Other Governments	140,680	114,398	3,279	46,190
1290	Other Receivables	-	-	-	80,111
1000	Total Assets	<u>\$ 135,581</u>	<u>\$ 94,573</u>	<u>\$ 3,170</u>	<u>\$ 407,675</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 135,581	\$ 94,573	\$ 3,170	\$ 7,272
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>135,581</u>	<u>94,573</u>	<u>3,170</u>	<u>7,272</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	400,403
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,403</u>
4000	Total Liabilities and Fund Balances	<u>\$ 135,581</u>	<u>\$ 94,573</u>	<u>\$ 3,170</u>	<u>\$ 407,675</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	289 Other Federal Special Revenue Funds
\$ (4,918)	\$ (47,993)	\$ (19,081)	\$ -	\$ -	\$ -	\$ -	\$ -
4,918	48,626	19,081	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	633	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

Data Control Codes	379 Other Federal SSA Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund	415 Kindergarten and Pre-K Grants	
ASSETS					
1110	Cash and Cash Equivalents	\$ (2,625)	\$ 6,300	\$ 3,750	\$ 371
1240	Receivables from Other Governments	2,625	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 6,300</u>	<u>\$ 3,750</u>	<u>\$ 371</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
2300	Deferred Revenues	-	6,300	3,750	-
2000	Total Liabilities	<u>-</u>	<u>6,300</u>	<u>3,750</u>	<u>-</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	371
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>371</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 6,300</u>	<u>\$ 3,750</u>	<u>\$ 371</u>

429 Other State Special Revenue Funds	459 Other SSA Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 11,478	\$ 222,759	\$ 64	\$ 426,446
-	-	-	-	379,797
-	-	-	-	80,111
<u>\$ -</u>	<u>\$ 11,478</u>	<u>\$ 222,759</u>	<u>\$ 64</u>	<u>\$ 886,354</u>
\$ -	\$ -	\$ -	\$ -	\$ 241,229
-	-	-	-	10,050
-	-	-	-	251,279
-	-	-	-	400,403
-	-	222,759	-	222,759
-	11,478	-	64	11,913
-	11,478	222,759	64	635,075
<u>\$ -</u>	<u>\$ 11,478</u>	<u>\$ 222,759</u>	<u>\$ 64</u>	<u>\$ 886,354</u>

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 798,288
5800 State Program Revenues	-	-	-	26,079
5900 Federal Program Revenues	890,059	1,145,829	20,400	3,306,617
5020 Total Revenues	<u>890,059</u>	<u>1,145,829</u>	<u>20,400</u>	<u>4,130,984</u>
EXPENDITURES:				
Current:				
0011 Instruction	776,997	846,184	20,400	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	86,561	-	-	-
0021 Instructional Leadership	370	-	-	-
0023 School Leadership	1,996	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	121,919	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	87,276	-	-
0035 Food Services	-	-	-	4,100,702
0061 Community Services	24,135	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	90,450	-	-
6030 Total Expenditures	<u>890,059</u>	<u>1,145,829</u>	<u>20,400</u>	<u>4,100,702</u>
1200 Net Change in Fund Balance	-	-	-	30,282
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,121</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,403</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
71,807	125,995	32,528	-	-	-	1,348,284	2,220
<u>71,807</u>	<u>125,995</u>	<u>32,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,348,284</u>	<u>2,220</u>
71,807	93,435	31,936	(2,354)	(7,665)	-	481,759	2,220
-	-	-	-	-	-	209,409	-
-	-	322	-	-	-	-	-
-	6,205	-	18	1,876	-	-	-
-	26,355	-	115	-	-	-	-
-	-	-	60	5,789	-	657,116	-
-	-	-	2,161	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	270	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>71,807</u>	<u>125,995</u>	<u>32,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,348,284</u>	<u>2,220</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	379 Other Federal SSA Special Revenue Funds	397 Advanced Placement Incentives	410 State Textbook Fund	415 Kindergarten and Pre-K Grants
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	5,238	-	799,644	135
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>5,238</u>	<u>-</u>	<u>799,644</u>	<u>135</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	-	799,644	(105)
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	(131)
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0061 Community Services	5,238	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>5,238</u>	<u>-</u>	<u>799,644</u>	<u>(236)</u>
1200 Net Change in Fund Balance	-	-	-	371
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371</u>

429 Other State Special Revenue Funds	459 Other SSA Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 12,840	\$ 385,178	\$ -	\$ 1,196,306
460,747	63	-	64	1,291,970
-	-	-	-	6,943,739
<u>460,747</u>	<u>12,903</u>	<u>385,178</u>	<u>64</u>	<u>9,432,015</u>
405,372	1,425	322,223	-	3,843,278
2,371	-	28,327	-	240,107
-	-	-	-	86,883
-	-	-	-	8,338
45,895	-	-	-	74,361
4,738	-	-	-	789,622
2,371	-	4	-	4,536
-	-	-	-	87,276
-	-	-	-	4,100,702
-	-	-	-	29,643
-	-	-	-	90,450
<u>460,747</u>	<u>1,425</u>	<u>350,554</u>	<u>-</u>	<u>9,355,196</u>
-	11,478	34,624	64	76,819
-	-	188,135	-	558,256
<u>\$ -</u>	<u>\$ 11,478</u>	<u>\$ 222,759</u>	<u>\$ 64</u>	<u>\$ 635,075</u>

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REQUIRED T.E.A. STATEMENTS

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2012

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.500000	0.201600	1,925,942,466
2005	1.500000	0.241300	2,128,604,261
2006	1.500000	0.348430	2,340,991,436
2007	1.370000	0.373300	2,560,483,910
2008	1.040000	0.360000	2,829,331,571
2009	1.040000	0.460000	2,902,967,662
2010	1.040000	0.360000	2,722,945,214
2011	1.040000	0.400000	2,582,617,083
2012 (School year under audit)	1.040000	0.400000	2,549,024,931
1000 TOTALS			
9000	Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code		\$ <u>6,383,416</u>

(10) Beginning Balance 7/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2012
\$ 110,272	\$ -	\$ 205	\$ 64	\$ (10,760)	\$ 99,243
22,394	-	-	-	(5,219)	17,175
40,093	-	2,157	347	(9,686)	27,903
53,477	-	5,647	1,312	(3,839)	42,679
90,356	-	11,466	3,125	(22,351)	53,414
89,626	-	13,921	4,819	(11,962)	58,924
194,083	-	40,885	18,083	131	135,246
307,780	-	83,964	29,065	(9,926)	184,825
816,781	-	310,155	119,290	(89,165)	298,171
-	36,705,959	25,843,156	9,939,677	(141,859)	781,267
<u>\$ 1,724,862</u>	<u>\$ 36,705,959</u>	<u>\$ 26,311,556</u>	<u>\$ 10,115,782</u>	<u>\$ (304,636)</u>	<u>\$ 1,698,847</u>
\$ -	\$ 66,387	\$ 66,387	\$ -	\$ -	\$ -

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 356,835	\$ 1,056,440	\$ -	\$ -	\$ 1,413,275
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	251,682	-	-	-	251,682
6212	Audit Services	-	-	-	26,200	-	-	26,200
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	32,786	-	-	-	-	32,786
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	13,500	-	43,570	23,085	-	-	80,155
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	17,213	2,653	-	-	19,866
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	10,311	-	-	10,311
6290	Miscellaneous Contr.	1,368	-	8,323	3,659	-	-	13,350
6320	Textbooks and Reading	-	-	-	2,380	-	-	2,380
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	3,800	-	1,979	57,229	-	-	63,008
6410	Travel, Subsistence, Stipends	13,278	-	18,772	20,036	-	-	52,086
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	52,465	-	-	-	-	-	52,465
6490	Miscellaneous Operating	27,603	-	103,295	35,101	-	-	165,999
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 112,014	\$ 32,786	\$ 801,669	\$ 1,237,094	\$ -	\$ -	\$ 2,183,563

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 65,333,852

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 521,689
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	7,683,545
Food (Function 35, 6341 and 6499)	(13)	-
Stipends (6413)	(14)	4,500
Column 4 (above) - Total Indirect Cost		<u>1,237,094</u>

SubTotal: 9,446,827

Net Allowed Direct Cost \$ 55,887,024

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 126,280,299
Historical Cost of Building over 50 years old	(16)	\$ 1,067,762
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 4,546,678
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 646,956
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 319,961

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.
 No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 964,937	\$ 964,937	\$ 798,288	\$ (166,649)
5800 State Program Revenues	28,500	28,500	26,079	(2,421)
5900 Federal Program Revenues	3,106,563	3,106,563	3,306,617	200,054
5020 Total Revenues	4,100,000	4,100,000	4,130,984	30,984
EXPENDITURES:				
0035 Food Services	4,100,000	4,100,000	4,100,702	(702)
6030 Total Expenditures	4,100,000	4,100,000	4,100,702	(702)
1200 Net Change in Fund Balances	-	-	30,282	30,282
0100 Fund Balance - July 1 (Beginning)	370,121	370,121	370,121	-
3000 Fund Balance - June 30 (Ending)	\$ 370,121	\$ 370,121	\$ 400,403	\$ 30,282

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 10,400,000	\$ 10,400,000	\$ 10,235,631	\$ (164,369)
5800 State Program Revenues	200,000	240,000	339,135	99,135
5020 Total Revenues	10,600,000	10,640,000	10,574,766	(65,234)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	4,170,571	4,210,571	3,903,795	306,776
0072 Interest on Long Term Debt	6,429,429	6,429,429	6,729,470	(300,041)
0073 Bond Issuance Cost and Fees	-	542,704	542,091	613
6030 Total Expenditures	10,600,000	11,182,704	11,175,356	7,348
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(542,704)	(600,590)	(57,886)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	33,692,065	33,692,065	-
7916 Premium or Discount on Issuance of Bonds	-	4,925,818	4,925,818	-
8949 Other (Uses)	-	(38,075,180)	(38,075,180)	-
7080 Total Other Financing Sources (Uses)	-	542,704	542,703	(1)
1200 Net Change in Fund Balances	-	-	(57,887)	(57,887)
0100 Fund Balance - July 1 (Beginning)	10,761,989	10,761,989	10,761,989	-
3000 Fund Balance - June 30 (Ending)	\$ 10,761,989	\$ 10,761,988	\$ 10,704,102	\$ (57,886)

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

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Cedar Hill Independent School District
PO Box 248
Cedar Hill, Texas 75106

Members of the Board:

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 Cedar Hill Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the Cedar Hill Independent School District's basic financial statements and have issued our report thereon dated September 15, 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 Cedar Hill Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar Hill Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar Hill Independent School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Hill Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* shown as item 12-1, on the accompanying Schedule of Findings and Questioned Costs.

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

Evans, Pingleton and Howard, PLLC

October 8, 2012

EVANS, PINGLETON and HOWARD, PLLC

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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

Board of School Trustees
Cedar Hill Independent School District
PO Box 248
Cedar Hill, Texas 75106

Members of the Board:

Compliance

We have audited the Cedar Hill Independent School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Cedar Hill Independent School 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 Cedar Hill Independent School District's management. Our responsibility is to express an opinion on the Cedar Hill Independent School 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 Cedar Hill Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Cedar Hill Independent School District's compliance with those requirements.

In our opinion the Cedar Hill Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The administration of Cedar Hill Independent School 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 Cedar Hill Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cedar Hill Independent School District's internal control over compliance.

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

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

This report is intended for the information of management, 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.

Evans, Pingleton and Howard, PLLC

October 8, 2012

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For Year Ended June 30, 2012

<u>Program</u>	<u>Description</u>	
Type of Report on Financial Statements	Unqualified	
Control Deficiencies	12-1: The District exceeded its budget in one function in the General Fund.	
Material Weaknesses Involving Control Deficiencies	None	
Noncompliance Material to the Financial Statements	None	
Type of Report on Compliance with Major Programs	Unqualified Opinion	
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None	
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000	
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.	
Major Federal Program	National School Breakfast and Lunch Programs	10.555
	ESEA, Title I, Part A	84.010
	IDEA, Part B, Formula	84.027
	Education Jobs Fund	84.410
Pass-through Entity	Texas Education Agency	

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

Schedule of Corrective Action Plan

For Year Ended June 30, 2012

<u>Program</u>	<u>District Response</u>
12-1 Budget	Function 51 was over budget as a result of changing electricity vendors. The District will monitor these changes more closely in the future.

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
For Year Ended June 30, 2012

Program	Status of Prior Year's Finding/ Noncompliance
---------	--

-NONE-

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101057904	\$ 890,059
*IDEA - Part B, Formula	84.027	12660001057904	1,145,829
*IDEA - Part B, Preschool	84.173	12661001057904	20,400
Career and Technical - Basic Grant	84.048	12420006057904	71,807
Title III, Part A - English Language Acquisition	84.365A	12671001057904	32,528
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501057904	125,995
Summer School LEP	84.369A	12955050257904	2,220
Education Jobs Fund- ARRA	84.410	12550101057904	1,348,284
Total Passed Through State Department of Education			<u>\$ 3,637,122</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 3,637,122</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Department of Human Services</u>			
Donated Commodities	10.550		\$ 261,371
Total Passed Through Texas Department of Human Services			<u>\$ 261,371</u>
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program	10.555		\$ 3,045,246
Total Passed Through the State Department of Agriculture			<u>\$ 3,045,246</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 3,306,617</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 6,943,739</u></u>

Note 1: School Health and Related Services reimbursements of \$362,627 and Junior Officer Training reimbursements of \$93,651 are recorded as federal program revenue in the general fund, but are not considered federal awards for the purpose of this schedule.

CEDAR HILL INDEPENDENT SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2012

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

The modified accrual basis of accounting is used for the Governmental Fund types. 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.

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 expenditures 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 extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
4. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, in any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012, 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 provisions have been recorded in the accompanying financial statements for such contingencies.