

# Comprehensive Annual Financial Report

  
**IRVING**

*Independent School District  
Irving, Texas*

for the  
**Fiscal Year Ended August 31, 2006**

Jack Singley  
Superintendent of Schools

Prepared By Irving ISD Business Office

Debbie Cabrera, CPA  
Assistant Superintendent – Business and Finance

Jan Arrington, CPA  
Director of Business Operations

IRVING INDEPENDENT SCHOOL DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED  
 AUGUST 31, 2006

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CERTIFICATE OF BOARD

Irving Independent School District  
Name of School District

Dallas  
County

057-912  
Co-District Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2006 at a meeting of the board of school trustees of such school district on the 22<sup>nd</sup> day of January, 2007.

  
\_\_\_\_\_  
Board President  
Randy Stipes

  
\_\_\_\_\_  
Board Secretary  
Ken Murray

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving is (are):  
(attach list as necessary).



# IRVING

*Independent School District*

DEBBIE CABRERA, CPA, MBA  
Assistant Superintendent  
Business & Finance

JACK SINGLEY  
Superintendent of Schools

January 22, 2007

Board of Trustees  
Irving Independent School District  
2621 W. Airport Freeway  
Irving, Texas 75062

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of Irving Independent School District ("the District") for the fiscal year ended August 31, 2006 is submitted herewith. The District's Business Office has prepared this report, with responsibility for the accuracy and completeness of the report resting solely with the District. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner to fairly represent the financial position and results of operations of the District and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial affairs have been included. The CAFR for the year ended August 31, 2006, is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

The CAFR is presented in four sections: introductory, financial, and statistical, and federal financial assistance. The Introductory Section includes this transmittal letter, the District's organizational chart, the GFOA and ASBO Certificates, and a list of principal officers. The Financial Section includes the basic financial statements, the combining and individual fund financial statements and schedules, as well as the auditor's report on the basic financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The Federal Financial Assistance Section includes the Single Audit Report.

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

This report provides valuable information for management as well as other users of the financial statements. Copies will be made available to the public libraries, the Texas Education Agency, financial rating services, and other interested parties.



## PROFILE OF THE DISTRICT

The District is one of 1,040 school districts in the State of Texas. It provides a program of public education from pre-kindergarten through grade twelve.

The Irving Independent School District Board of Trustees ("the Board"), a seven-member group has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined in GASB Statement No.14. Also, there are no component units for which the District or the Board are financially accountable.

The District receives funding from local, state and federal funding sources and must comply with the requirements of the entities providing those funds.

### **Major Initiatives and Points of Distinction**

During a five year period from 1999 to 2003, the District earned a Recognized District rating from the Texas Education Agency. The IISD has had an Academically Acceptable rating in 2004, 2005, and 2006 with the implementation of the more rigorous and comprehensive TAKS Assessment.

The United States Department of Education designated MacArthur High School as a National Blue Ribbon School in May 2002 following on the heels of Good Elementary School's National Blue Ribbon School designation in May 2001 and Lamar Middle School's in May of 2000. Good Elementary was also one of 12 schools in the U.S. and the only school in Texas to receive special recognition in technology in 2001.

From more than 1,200 applicants across the United States, MacArthur High School was named one of the two best high schools at the Intel/Scholastic 21<sup>st</sup> Century Schools of Distinction Awards in 2004.

Microsoft Corporation has selected the Irving ISD as the first Microsoft Center of Excellence. With this designation, the IISD is being recognized as an innovator in the use of technology to enhance the teaching and learning process.

Full-day kindergarten classes are available at all 20 elementary schools.

The District has three early childhood schools for pre-kindergarten students that opened in the 1999-2000 school year.

Seniors in the Class of 2006 performed well on the Scholastic Achievement Test (SAT) and increased the Irving ISD average score 15 points. One 1997 Irving High School senior, one 1998 Nimitz High School senior, and one 2002 MacArthur High School senior achieved the perfect score of 1600 on the SAT.

Results of the 2005-2006 National Merit Scholarship competition included: three Scholars, four Finalists, four Semifinalists, and eleven Commended students.

Graduating seniors in the Class of 2006 earned \$39.9 million in scholarship offers.

The District is one of 63 districts in the nation selected by the College Board to participate in its Pacesetter Mathematics Program, one of 46 districts in the pacesetter English Program, and one of 46 districts in the Pacesetter Spanish Program.

The Partnerships in Education Program has more than 200 active alliances with businesses and other organizations with over 1,500 volunteers.

In October of 2001, Irving voters approved a \$249.5 million School Bond Package by a three to one margin, the largest bond issue in the District's history. Divided into three phases, the projects in the bond package include funding for new and renovated facilities, equipment, instructional technology, and land to build new schools. A 19<sup>th</sup> elementary school opened in the fall of 2003. The district's 20<sup>th</sup> elementary school opened in the fall of 2006.

Students have access to computer technology through numerous classroom computers, computer labs and mobile multimedia stations. Beginning in August 2003, all students in grades 9-12 have laptop computers for use at home and school. All teachers receive laptop computers with connections to the IISD network. In October 1997, \$47 million in bond funds were approved that funded a five-year instructional technology plan that included networking schools and other facilities with various software including e-mail and Internet access. In October 2001, \$54.8 million in bond funds were approved to replace aging equipment and to provide equipment for new facilities and new programs.

## **GENERAL EDUCATION SERVICES**

The mission statement of the Irving Independent School District is "The Irving ISD, in partnership with families and the community, resolves to meet the educational needs of students by cultivating the skills of learning, thinking, and communicating".

### **Instruction**

The District, established by the Texas Legislature in 1909, provides a comprehensive curriculum of educational services appropriate for over 30,000 students enrolled in pre-kindergarten through Grade 12, as well as a preparation course for the General Education Development examination. Instructional offerings include a strong core curriculum in language arts, mathematics, science, social studies, performing arts, compensatory education, bilingual and limited English proficient education, gifted and talented education for grades 2-12, career and technological education, special education for the handicapped, athletics and JROTC programs. The District's special programs include a regional school for the deaf, early childhood schools for four year-olds who are limited English proficient and/or economically disadvantaged, an extensive elementary health/safety instruction, and an array of elective courses at the secondary level.

The District's facilities include three early childhood schools (PK), twenty elementary schools (K-5), seven middle schools (6-8), three high schools (9-12), a high school academy (9-12), a career and development center (9-12), two reassignment schools and two learning centers. All campuses are air-conditioned facilities complete with cafeterias and gymnasiums. In addition, the District owns and operates five other facilities, which include an administration building, an instructional media center, a technology center, an athletic stadium and a service center.

The District provides students access to a variety of application oriented computer labs, mobile multimedia stations, and an automated library circulation and research system. Campus libraries are designed to reflect the goal of being the center of learning by providing ample research materials and integrating all segments of learning in innovative ways. The District's librarians and classroom teachers work together so that information and lessons determined by curriculum needs include hands-on experience and reinforcement through library research and classroom assignments.

## ECONOMIC OUTLOOK

The District is located in the heart of the Dallas-Fort Worth metropolitan area (the "Metroplex") in the western portion of Dallas County, Texas, and the third most populous county in the state. The District encompasses 48.55 square miles, which includes the major portion of the City of Irving ("Irving") and portions of the cities of Dallas and Grand Prairie. On a per pupil basis the District ranks in the top 16% of the wealthiest Texas school districts.

Irving offers its residents learning opportunities to last a lifetime. Irving boasts three institutions of higher learning located on 744 rolling acres in the City proper. These three fully accredited institutions of higher learning are the University of Dallas, North Lake College and DeVry University.

Irving represents a diverse and dynamic business environment, well established as a headquarters location for companies, with excellent access to domestic and international air service. Businesses recognize the many advantages offered by Irving's location and quality of life. Irving's proximity to major airports, commercial centers, and recreational and cultural attractions offers the convenience of a major metropolitan area with the comfort and charm of a suburban lifestyle.

Major corporations are drawn to Irving not only because of its accessibility to major transportation systems, availability of affordable land, high quality of life, large skilled work force and host of hotels and conference centers, but also because its commercial properties are designed to hold or increase in value over the long term. These key factors will assist continued business growth in the future.

Major industries in Irving include high technology, manufacturing, transportation, utilities, oil and gas, and tourism. Names like: Microsoft, Exxon, Verizon, Quaker State, Kimberly Clark, Zale Corporation, Boy Scouts of America, Nokia Inc., Citigroup and NCH Corporation have chosen to maintain their headquarters in the District, and they are testaments to the economic potential of the region. Inexpensive land and available office space are major contributing factors for corporate relocation consideration.

## LONG RANGE PLANNING

Much of the District's planning effort is focused on the District's Improvement Plan. The plan demonstrates the commitment to increase student achievement for all students. Campus Improvement Plans, which work in concert with the District's plan address specific needs of students at individual campuses. The District and Campus Improvement Plans include annual goals for improving student achievement and objective evaluation criteria for measuring success.

The Department of Planning and Research starts off the budget development planning cycle when they release the projected student enrollment for the following fall in early January. Staffing charts are updated; and new campus staff additions to accommodate student growth are estimated by the Personnel department using this projection model. The Budget office develops a forecast document that compares the prior year's actual expenditures to the current year budget and projects the financial position of the district for the next three years. The parameters for this forecast model are developed early in the budget cycle by the Finance Committee, which is made up of three members of the Board of Trustees, the Superintendent, the Assistant Superintendent of Support Services, and the Executive Director of Finance. Such things as taxable assessed value growth, optional homestead exemption, employee raises, fund balance levels, and state funding assumptions are determined in February. This allows the District several months of planning for developing budgets for district wide staffing, and non-payroll campus and department needs, before the first budget draft is presented to the Board of Trustees in May, with the final adoption of the Budget in August.

## FINANCIAL INFORMATION

The Comprehensive Annual Financial Report for the year ended August 31, 2006 is prepared in accordance with GAAP and in conformance with standards of financial reporting established by the GASB using guidelines recommended by the GFOA. All funds of the District are covered by this report. Presented funds are organized into three types dictated by the nature of the activities involved.

### Governmental Funds:

- General Fund
- Food Service Fund
- Debt Service Fund
- Capital Projects Fund
- Non Major Funds

### Proprietary Funds:

- Internal Service Funds

### Fiduciary Funds:

- Agency Funds

### Single Audit

As a recipient of Federal financial assistance, the District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to Federal programs, and is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended in 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. As a part of the District's single audit, tests are made to determine the adequacy of internal controls, including that portion related to Federal financial assistance programs, as well as to determine the District's compliance with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2006 provided no conditions that would be considered a material weakness in relation to a Federal financial assistance program, and no material instances of noncompliance with applicable laws and regulations were noted. Information related to this single audit, including the schedule of expenditure of federal awards, findings and recommendations, and independent auditors' reports on internal controls and compliance with applicable laws and regulations, is included in this report.

### Budgetary Controls

The District maintains budgetary controls to ensure compliance with the legal provisions of the Texas Education Code, as well as to provide management with an instrument for planning and controlling operations. Annual budgets are legally adopted for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund at the functional level within each fund. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets. The District maintains an encumbrance accounting system as a method of ascertaining the availability of funds. The encumbrance accounting method provides for recording commitments in the budgetary control accounts. Appropriations are encumbered at the time purchase orders are issued or contracts awarded. Appropriations lapse at fiscal year-end and encumbrances outstanding at that time are generally re-appropriated in the subsequent year's budget.

## **Cash Management**

The District's investments were allocated between local government investment pools (Texpool, and TexStar) and U.S. Government Agencies. All investments made by the District comply with the regulations of the Public Funds Investment Act. The average yield on the portfolio was 4.23% with earnings of \$5,407,772 on all governmental and internal service funds for the year ended August 31, 2006. This may be compared with earnings of \$3,358,190 for the year ending August 31, 2005. The average yield on the portfolio was 2.41% the prior year.

Under Texas law the District's depository bank must have the District's deposits insured by Federal depository insurance or fully secured by instruments pledged in the District's name on file with an independent third party holding administrator. To comply with the reporting requirements set forth in House Bill 2459, quarterly investment reports were prepared and submitted to the Board of Trustees. The reports detailed the District's investment position as of the end of each quarter and reflected the compliance with the District's investment strategy and the investment policies.

## **Risk Management**

The District's administration is charged with the responsibility of supervising the protection of the District's assets by employing various risk management techniques and procedures to reduce, absorb, minimize or transfer risk. The District carries insurance for general liability and auto liability and is self-insured for health, workers' compensation, unemployment insurance, and benefit administration. District property is insured for its replacement value. The administration is also responsible for directing the District's fringe benefits program, which includes the administration of health, life and other benefits for full-time employees.

### Health Insurance

On August 31, 2006, the District recorded health claim liabilities totaling \$1,553,174 in the Health Insurance Internal Service Fund representing claims incurred but not paid and accounts payable of \$142,356 for total liabilities of \$1,695,530. This internal service fund has a deficit of \$2,691,849 as of August 31, 2006.

### Workers' Compensation

Professional Actuarial Services, Inc., actuarial consultants, has established the unpaid losses and loss adjustment expenses (LAE) at the mean level of confidence at \$1,348,194, of which \$703,232 is due within one year. Accounts payable are \$3,326 for total liabilities of \$1,351,520. This internal service fund has net assets of \$3,980,224 as of August 31, 2006.

Various risk control practices have been implemented to minimize accident-related losses, including monthly safety meetings and periodic safety audits performed by safety engineers.

### Unemployment

Unemployment insurance accrued expenses are set at \$8,286. This internal service fund has net assets of \$126,321 as of August 31, 2006.

### Benefit Administration

The Board established a benefit administration internal service fund through a one-dollar-per-month per employee allocation to provide for third party administration of the District's various benefit plans in 2006. This internal fund has net assets of \$222 as of August 31, 2006.

## OTHER INFORMATION

### Independent Audit

State law and District policy require an annual audit by independent certified public accountants. Weaver and Tidwell, LLP was selected to fulfill this requirement. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirement of the federal Single Audit Act of 1984, as amended in 1996, and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The independent auditors' report on the basic financial statements is included in the financial section of this report.

### Awards

The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended August 31, 2005 as reproduced on page 12. In addition, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended August 31, 2005 as reproduced on page 11. In order to be awarded these certificates, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. This is the eighteenth consecutive year that the District has prepared this report and won these prestigious awards.

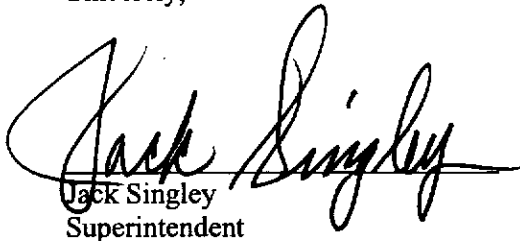
These certificates are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the programs' requirements and we are submitting it to ASBO and GFOA to determine its eligibility for the fiscal year 2006 certificates.

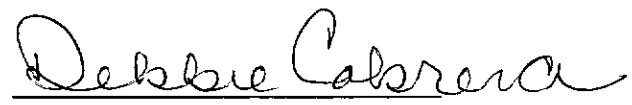
### Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Business Department. We would like to express our appreciation to all members of the Department who assisted and contributed to its preparation, especially Jan Arrington, Janice Green, Helen Wilshire, Ruth Loehr-Moffatt, Winell Inman and Linda McDearmon. Jane Valdez, former Director of Business Operations, coordinated the efforts of the Business Office staff, and is the person primarily responsible for the production of this report.

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

Sincerely,

  
Jack Singley  
Superintendent

  
Debbie Cabrera, CPA  
Assistant Superintendent-Business & Finance

## LIST OF PRINCIPAL OFFICIALS

### BOARD OF TRUSTEES

<u>Name</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Randy Stipes, President	7 years	2009	Sales Representative
Michael Hill, Vice President	5 years	2008	Christian Educator
Ken Murray, Secretary	3 years	2007	Business Owner
Barbara Cardwell, Member	19 years	2008	Civic Leader
Jerry Christian, Member	3 years	2007	Retired
Valerie Jones, Member	1 year	2009	Community Volunteer
Nita Patrick, Member	3 years	2007	Retired

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### ADMINISTRATIVE OFFICIALS

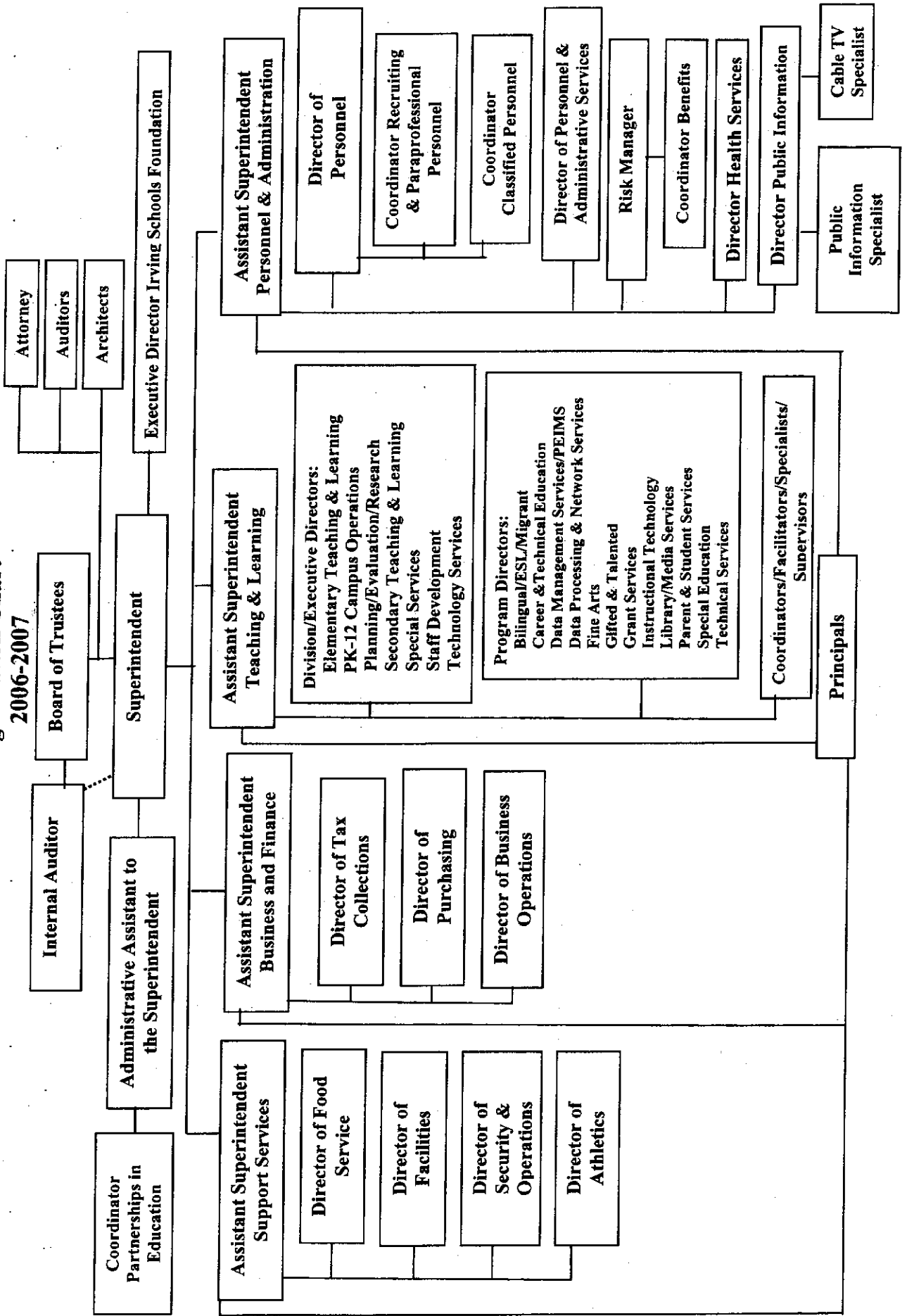
<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Jack Singley	Superintendent	41 years
Marie Morris, Ed.	Assistant Superintendent of Instruction	4 years
Scott Layne	Assistant Superintendent of Support Services	15 years
Neil Dugger	Assistant Superintendent of Personnel and Administration	27 years
Ralph Diaz	Administrative Assistant to the Superintendent	8 years
Debbie Cabrera, CPA	Assistant Superintendent of Business Finance	9 years

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### CONSULTANTS AND ADVISORS

Weaver and Tidwell Dallas, Texas	Independent Auditors
Vinson & Elkins LLP Dallas, Texas	Bond Counsel
Dain Rauscher, Incorporation Dallas, Texas	Financial Advisor
James Deatherage Irving, Texas	General Counsel
Comerica Bank – Irving Irving, Texas	Official Depository

# Irving Independent School District Organization Chart 2006-2007





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Irving Independent School  
District, Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2005

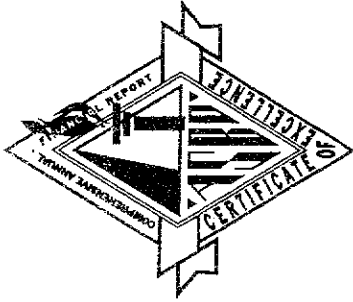
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

*is presented to*

**Irving Independent School District**

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended August 31, 2005

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

*Melody Jorgensen*

President

*John D. Mueser*

Executive Director





**WEAVER  
AND  
TIDWELL**

L. L. P.

CERTIFIED PUBLIC  
ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees  
**IRVING INDEPENDENT SCHOOL DISTRICT**  
Irving, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Irving Independent School District (the "District") as of and for the year ended August 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2006, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2006, on our consideration of the Irving Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

### DALLAS

Three Forest Plaza  
12221 Merit Drive  
Suite 1400  
Dallas, Texas 75251-2280  
972.490.1970  
F 972.702.8321

### FORT WORTH

1600 West Seventh Street  
Suite 300  
Fort Worth, Texas 76102-2506  
817.332.7905  
F 817.429.5936

WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF  
BAKER TILLY  
INTERNATIONAL

**IRVING INDEPENDENT SCHOOL DISTRICT**

Page Two

The accompanying management's discussion and analysis and required supplementary information on pages 15 through 25 and pages 59 through 61, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Irving Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Irving Independent School District. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. This information is the responsibility of the Irving Independent School District's management. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.



**WEAVER AND TIDWELL, L.L.P.**

Dallas, Texas  
December 19, 2006

**Irving Independent School District  
Management's Discussion and Analysis  
Year Ended August 31, 2006  
(Unaudited)**

As management of the Irving Independent School District (the "District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 to 8 of this report.

**FINANCIAL HIGHLIGHTS**

- General revenues accounted for \$230,879,935, or 85.3% of all fiscal year 2006 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$39,709,535, or 14.7 % of total fiscal year 2006 revenues.
- The District had \$260,242,856 in expenses related to governmental activities. \$39,709,535 of these expenses were offset by program-specific charges for services or grants and contributions. General revenues of \$230,879,935 were adequate to provide for the remaining costs of these programs, resulting in a \$10,346,614 increase in net assets.
- Among major funds, the General Fund had \$198,242,442 in fiscal year 2006 revenues, which primarily consisted of state aid and property taxes, and \$183,767,694 in expenditures. The General Fund's fund balance increased \$15,420,822, from \$38,035,235 as of August 31, 2005 to \$53,456,057 as of August 31, 2006.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and 3) notes to the financial statements and required supplementary information. 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. These statements include the statement of net assets and the statement of activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters.

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 showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unpaid salary).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

**Fund financial statements.** The *fund financial statements* report the District's operations in more detail than the government-wide statements by providing information about the District's major funds, as opposed to the District as a whole as presented in the government-wide financial statements. The District's major funds are the general fund, food service fund, debt service fund, and capital projects fund. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District and how the sales revenues covered the expenses of the goods or services. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. 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.

**Notes to the basic financial statements.** The notes provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

**Other information.** The combining and individual fund statements contain even more information about the District's individual funds. The section labeled compliance schedules contains data used by monitoring or regulatory agencies, such as TEA, for assurance that the District is using funds supplied in compliance with the terms of grants.

The combining and individual fund statements referred to earlier are presented immediately following the general fund and food service fund budgetary comparison.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$29,814,103 as of August 31, 2006. This is an increase of \$10,346,614 over the prior year, indicating an overall positive position for the District.

A portion of the District's net assets represents resources subject to external restrictions on how they may be used. As of August 31, 2006, the District's restricted net assets for food service were \$4,910,165 and restricted net assets for future debt service payments were \$3,546,649. Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. As of August 31, 2006, the District's unrestricted net assets were \$5,874,439.

Net assets invested in capital assets net of related debt is \$15,482,850. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



The following table presents a summary of the District's net assets for the fiscal years ended August 31, 2006 and August 31, 2005.

**Table I**  
**Net Assets**

	Governmental Activities		
	2006	2005	Difference
Current and other assets	\$ 115,603,149	\$ 119,146,722	\$ (3,543,573)
Capital assets (net)	<u>379,891,277</u>	<u>369,156,639</u>	<u>10,734,638</u>
Total assets	<u>495,494,426</u>	<u>488,303,361</u>	<u>7,191,065</u>
Current liabilities	43,319,593	43,559,425	(239,832)
Long-term liabilities	<u>422,360,730</u>	<u>425,276,447</u>	<u>(2,915,717)</u>
Total liabilities	<u>465,680,323</u>	<u>468,835,872</u>	<u>(3,155,549)</u>
Invested in capital assets, Net of related debt	15,482,850	20,925,351	(5,442,501)
Restricted	8,456,814	3,058,853	5,397,961
Unrestricted	<u>5,874,439</u>	<u>(4,516,715)</u>	<u>10,391,154</u>
Total net assets	<u>\$ 29,814,103</u>	<u>\$ 19,467,489</u>	<u>\$ 10,346,614</u>

The following are significant current-year transactions that have had an impact on the statement of net assets:

- The District invested \$33.7 million in capital assets through school improvements and equipment acquisitions and recognized \$22.1 million in depreciation expense.
- The District issued \$50.1 million in Refunding Bonds, refunding outstanding debt totaling \$40.1 million and issuing \$10 million in new money bonds.
- The District recognized \$9.5 million in accreted interest during the year.

The District's total revenues for the fiscal year ended August 31, 2006 were \$270,589,470. The total cost of all programs and services was \$260,242,856. The following table presents a summary of the changes in net assets for the fiscal years ended August 31, 2006 and August 31, 2005.

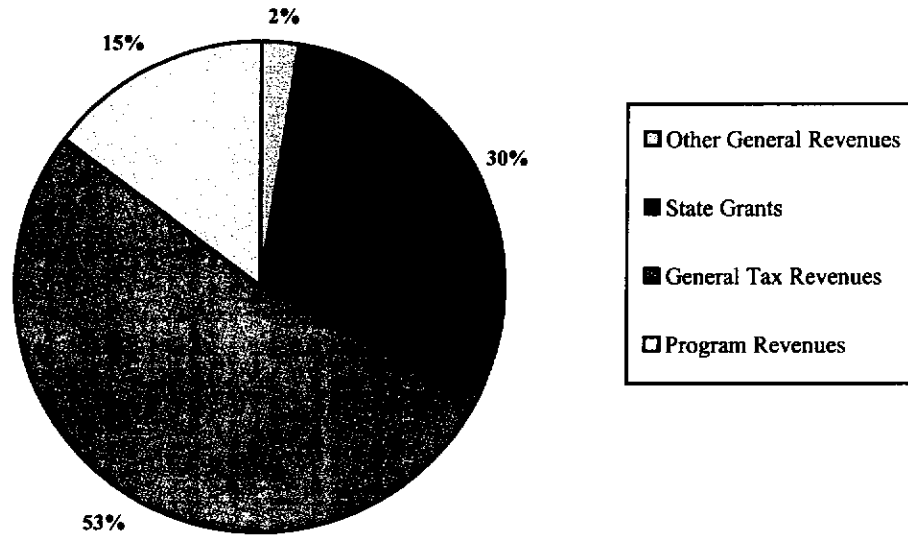
**Table II**  
**Change in Net Assets**

	Governmental Activities		
	2006	2005	Difference
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 6,278,756	\$ 6,225,683	\$ 53,073
Operating grants and contributions	33,430,779	30,492,545	2,938,234
General revenues:			
Maintenance and operations taxes	118,995,866	114,765,808	4,230,058
Debt service taxes	24,870,366	25,730,326	(859,960)
State grants	80,428,670	72,033,002	8,395,668
Investment earnings	5,407,773	3,358,191	2,049,582
Miscellaneous	<u>1,177,260</u>	<u>970,508</u>	<u>206,752</u>
Total revenue	<u>270,589,470</u>	<u>253,576,063</u>	<u>17,013,407</u>
<b>Expenses:</b>			
Instruction, curriculum, and media services	158,904,329	155,103,193	3,801,136
Instructional and school leadership	19,657,788	18,657,904	999,884
Student support services, child nutrition co-curricular activities	30,428,435	29,165,592	1,262,843
General administration	6,533,431	6,253,171	280,260
Plant maintenance, security, and data Processing	23,654,485	22,568,243	1,086,242
Community services	738,404	801,428	(63,024)
Interest and fiscal charges	20,163,981	21,928,409	(1,764,428)
Intergovernmental charges	<u>162,003</u>	<u>98,414</u>	<u>63,589</u>
Total expenses	<u>260,242,856</u>	<u>254,576,354</u>	<u>5,666,502</u>
Change in net assets	10,346,614	(1,000,291)	11,346,905
Beginning Net Assets	<u>19,467,489</u>	<u>20,467,780</u>	<u>(1,000,291)</u>
Ending Net Assets	<u>\$ 29,814,103</u>	<u>\$ 19,467,489</u>	<u>\$ 10,346,614</u>

Net assets of the District's governmental activities increased from \$19,467,489 to \$29,814,103, or \$10,346,614.

The District's reliance upon tax revenues is demonstrated by the graph below, which indicates that 53% of total revenues for governmental activities come from local taxes.

### Revenues



The cost of all governmental activities this year was \$260,242,856. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through district taxes was \$143,866,232 because some of the costs were paid by those who directly benefited from the programs (\$6,278,756), by other governments and organizations that subsidized certain programs with grants and contributions (\$33,430,779), or by state aid (\$80,428,670), investment income (\$5,407,773), and other miscellaneous income (\$1,177,260).

The following table presents the total cost of the District's major functional activities and the net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs):

	<b><u>Total Expenses</u></b>	<b><u>Net Expenses</u></b>
Instruction, curriculum, and media services	\$ 158,904,329	\$ 137,507,460
Instructional and school leadership	19,657,788	18,458,170
Student support services, child nutrition and co-curricular activities	30,428,435	14,503,465
General administration	6,533,431	6,477,047
Plant maintenance, security, and data processing	23,654,485	23,115,080
Community services	738,404	146,115
Interest and Fiscal Charges	20,163,981	20,163,981
Intergovernmental Charges	<u>162,003</u>	<u>162,003</u>
<b>Total Expenses</b>	<b><u>\$ 260,242,856</u></b>	<b><u>\$ 220,533,321</u></b>

#### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$89,560,619, which is a decrease of \$3,633,883 from the prior year.

The schedule below indicates the fund balance by fund type as of August 31, 2006 and August 31, 2005.

	<b><u>Fund Balance August 31, 2006</u></b>	<b><u>Fund Balance August 31, 2005</u></b>	<b><u>Change in Fund Balance</u></b>
General Fund	\$ 53,456,057	\$ 38,035,235	\$ 15,420,822
Food Service	4,910,165	3,379,086	1,531,079
Debt Service	12,084,774	10,454,626	1,630,148
Capital Projects	<u>19,109,623</u>	<u>41,325,555</u>	<u>(22,215,932)</u>
<b>Total</b>	<b><u>\$ 89,560,619</u></b>	<b><u>\$ 93,194,502</u></b>	<b><u>\$ (3,633,883)</u></b>

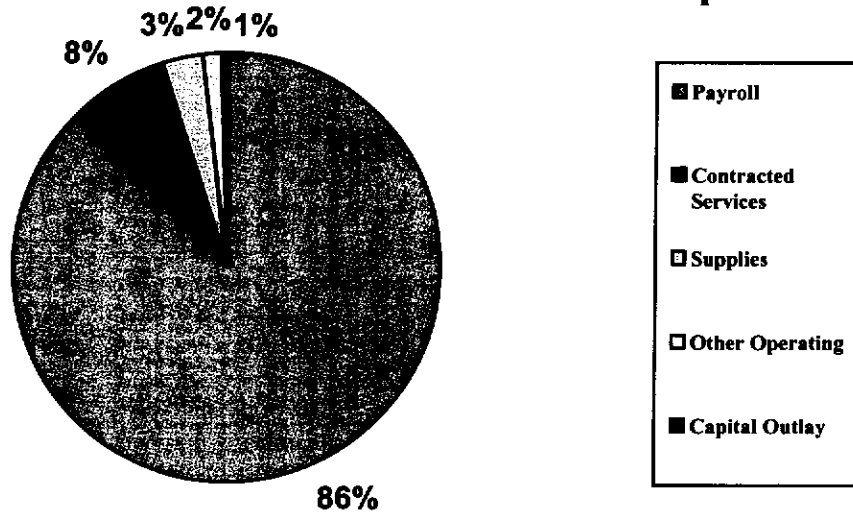
*General Fund*

The fund balance of the General Fund increased \$15,420,822 from the prior year. \$3.2 million more local revenue from property tax collections was realized than originally expected mainly due to unexpected positive supplemental value changes for the year. Investment earnings increased \$1.9 million more than originally anticipated due to the continued growth in the economy and as interest rates were increased several times during the fiscal year. \$4.3 million in additional state aid was received by the District due to increases in free and reduced lunch participants, greater student average daily attendance and successful prior year value audits not anticipated in the original budget. The District was able to sell their old administration building for just under \$1 million. General Fund expenditures were \$4.8 million less than originally budgeted with the majority of the savings realized as average salaries for the year decreased due to an increase in the number of resignations/retirements of higher paid teachers the previous summer.

The District is a service entity; therefore, the largest portions of the General Fund expenditures are related to payroll and contracted services such as utilities, as illustrated below.

<b>Expenditures By Object</b>	<b>August 31, 2006 Amounts</b>	<b>August 31, 2005 Amounts</b>	<b>Increase(Decrease) from Prior Year</b>
Payroll	\$160,244,190	\$157,826,555	2,417,635
Contracted Services	14,339,812	12,540,205	1,799,607
Supplies	5,374,099	5,052,100	321,999
Other Operating	2,875,475	2,773,373	102,102
Capital Outlay	<u>934,118</u>	<u>1,868,054</u>	<u>(933,936)</u>
<b>Total</b>	<b><u>\$183,767,694</u></b>	<b><u>\$180,060,287</u></b>	<b><u>\$3,707,407</u></b>

**General Fund Expenditures**



### *Food Service Fund*

The fund balance of the Food Service fund increased \$1,531,079 from the prior year. The majority of this increase can be attributed to the increase in the District's free and reduced qualified students from the prior year and greater overall participation by paying students. This generated slightly more than \$1 million in additional federal reimbursements for the National School Lunch and Breakfast program and almost \$300,000 from cash sales.

### *Debt Service Fund*

The Debt Service fund balance increased \$1,630,148. \$752,000 more local revenue from property tax collections was realized than originally expected due to unexpected positive property value changes during the year and investment earnings increased \$309,000 due to increased interest rates. State reimbursements for existing debt were \$351,000 more than expected after an audit was completed and accepted by TEA for the 2004 property values that had declined after the Comptroller's property value study was complete the prior year.

### *Capital Projects Fund*

The Capital Projects fund balance decreased \$22,215,932 from the prior year due to the completion of construction projects during the year. Although these and other capital expenditures reduce available fund balances as projects are completed, they create new assets for the District as reported in the statement of net assets and as discussed in Note 5 in the financial statements.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, budget amendments are necessary to realign funds. Realignment of funds will increase and/or decrease various function levels and object series within the budget. All necessary budget amendments, which change the function level for appropriations and object series for revenues, are formally approved by the School Board and recorded in the board minutes each month. The difference between the original budget and the final amended budget were necessary amendments for changes in situations and estimates. The major components of the \$9,013,657 change in revenues and the \$943,535 change in appropriations, reflected on Exhibit G-1 can be summarized as follows:

\$2,165,094 increase to local revenue for current year tax collections due to an unexpected supplemental increase in property values

\$520,000 increase to local revenue for tax penalties and interest

\$1,714,000 increase to local revenue for investment earnings

\$4,306,836 increase to state revenue due to an increase in free and reduced lunch students, greater than expected student daily attendance, and the audit of 2004 property values

\$915,377 increase to other sources due to sale of old administration building

\$1,098,607 increase to plant maintenance and operations due to price increase in utilities, mainly electric and water

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of August 31, 2006, the District had invested \$379,891,277 in capital assets (net of accumulated depreciation of \$183,092,855), including land and improvements, facilities, and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents an increase in capitalized cost of \$27,813,342 from last year. The increase is primarily due to completing various construction projects and equipment acquisitions.

The total depreciation expense for the year was \$22,098,029.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended August 31, 2006:

Land and Improvements	\$ 31,965,754
Furniture and Equipment	20,446,195
Buildings and Improvements	326,998,502
Construction in Progress	<u>480,826</u>
Total	<u>\$379,891,277</u>

More detailed information about the District's capital assets is presented in Note 5 in the financial statements.

### Debt

As of August 31, 2006, the District had \$421,579,071 in general obligation bonds payable, \$644,961 in claims payable, and \$136,697 in arbitrage payable in outstanding long term debt, and \$24,948,872 in bonds payable and \$703,232 in claims payable that are due within one year.

The District continues to have favorable general obligation bond ratings indicated by Aaa and AAA rating from Moody's Investors Service and Standard & Poor's Ratings Group, respectively.

State statutes currently limit the amount of general obligation debt a District may issue to 10% of its total assessed valuation. The current debt limitation for the District is \$823,949,358, which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 7 in the financial statements.

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

The District's elected and appointed officials considered many factors when setting the 2006-2007 budget and 2006 tax rates. One of those factors was the economy. Going into the 2006 tax year the District experienced a 7.6% increase in property values. This is the third year of an increase in property values after several years of declining values which caused the gradual elimination of the district's 20% optional homestead exemption.

With 59% of the District's tax base in commercial and business personal property this was the first year since the tragic events of September 11, 2001 that the district experienced a significant increase

in its values in this category. The residential property values for the 2006 fiscal year also continued to increase with 5.1% additional value.

The increase in the property values and additional revenue from House Bill 1 as approved by the Texas State Legislature allowed the Board of Trustees to increase the 2006-2007 operating budget \$17,815,605 and to provide for an average 4% employee pay raise which cost the district \$11,981,459 of this overall budget increase. A gain of fund balance reserves of \$1,427,689 was also part of the adopted 2006-2007 budget.

The maintenance and operating tax rate was reduced by 17 cents as part of House Bill 1's tax rate compression package. The bill also provided the funds to the District from the loss in tax revenues from the rate reduction as well as a hold harmless guarantee for future years that provides the district with the same funds per weighted pupil as the current year. In addition to the hold harmless, new revenues include a high school allotment from the state, teacher incentive funds to qualifying campuses, and access to 4 cents of enrichment tax rate.

The District will continue to review its priorities to maintain the level of service to its children and taxpayers for future budget years, and anxiously await the results of the 80<sup>th</sup> legislative session in hopes of continued additional funds from the State.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office at Irving Independent School District, 2621 W. Airport Freeway, Irving, Texas, 75062.





# BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

IRVING INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2006

EXHIBIT A-1

DATA CONTROL CODES	ASSETS	<u>GOVERNMENTAL ACTIVITIES</u>
1110	Cash & Cash Equivalents	\$54,333,318
1120	Investments	\$39,859,427
1220	Delinquent Taxes Receivable - Net of Estimated Uncollectible Taxes	5,869,967
1240	Due from Other Governments	9,339,562
1250	Accrued Interest	427,025
1290	Other Receivables	1,389,980
1310	Inventories	1,221,555
1410	Deferred Expenses	3,136,851
1490	Other Assets	25,464
1510	Land	18,072,851
1515	Land Improvements	17,110,833
1520	Buildings and Improvements	462,439,405
1580	Construction in Progress	480,826
1530	Furniture and Equipment	64,880,217
1570	Accumulated Depreciation	<u>(183,092,855)</u>
1000	TOTAL ASSETS	<u>495,494,426</u>
	LIABILITIES	
2110	Accounts Payable and Claims Liabilities	7,349,529
2150	Payroll Deductions and Withholdings	326,709
2160	Accrued Wages Payable	4,697,402
2140	Interest Payable	3,686,436
2180	Due to Other Governments	595,345
2300	Unearned Revenue	1,012,068
	Noncurrent Liabilities:	
	Due Within One Year:	
2121	Bonds Payable	24,948,872
2123	Claims Payable	703,232
	Due in More than One Year:	
2590	Arbitrage Payable	136,697
2800	Claims Payable	644,962
2510	Bonds Payable	<u>421,579,071</u>
2000	TOTAL LIABILITIES	<u>465,680,323</u>
	NET ASSETS (LIABILITIES)	
3800	Invested in Capital Assets, Net of Related Debt	15,482,850
3840	Restricted for Food Service	4,910,165
3850	Restricted for Debt Service	3,546,649
3430	Unrestricted Net Assets	<u>5,874,439</u>
3000	TOTAL NET ASSETS	<u>\$29,814,103</u>

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

IRVING INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT B-1

Data Control Codes	1	2		3	Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			Total
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities
<b>Governmental Activities:</b>					
11	Instruction	\$151,485,746	\$1,703,590	\$18,267,289	(\$131,514,887)
12	Instructional Resources and Media Services	4,305,056	-	91,415	(4,213,641)
13	Curriculum Development and Instructional Staff Development	3,113,527	-	1,334,595	(1,778,932)
21	Instructional Leadership	4,285,657	-	732,272	(3,553,385)
23	School Leadership	15,372,131	-	467,346	(14,904,785)
31	Guidance, Counseling, and Evaluation Services	9,622,840	-	724,883	(8,898,157)
32	Social Work Services	386,673	-	4,291	(382,382)
33	Health Services	1,911,962	-	49,077	(1,862,885)
34	Student (Pupil) Transportation	2,818,312	-	650,984	(2,167,328)
35	Food Services	11,868,793	3,063,206	9,669,757	864,170
36	Co-Curricular/Extracurricular Activities	3,819,855	1,333,011	36,494	(2,450,350)
41	General Administration	6,533,431	-	56,384	(6,477,047)
51	Plant Maintenance and Operations	19,046,590	178,949	523,205	(18,344,436)
52	Security and Monitoring Services	1,557,058	-	7,082	(1,549,976)
53	Data Processing Services	3,050,837	-	223,636	(2,827,201)
61	Community Services	738,404	-	592,289	(146,115)
71	Debt Service - Interest and Fiscal Charges	20,163,981	-	-	(20,163,981)
95	Payments to Juvenile Justice Alternative Education Program	162,003	-	-	(162,003)
	<b>Total Governmental Activities</b>	<b>\$260,242,856</b>	<b>\$6,278,756</b>	<b>\$33,430,779</b>	<b>(220,533,321)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
MT	M & O Property Taxes				118,995,866
DT	Debt Service Property Taxes				24,870,366
SF	State Aid - Not Restricted to Specific Programs				80,428,670
IE	Investment Income				5,407,773
MI	Miscellaneous				1,177,260
TG	Total General Revenues and Direct Allocation				<u>230,879,935</u>
CN	Change in Net Assets				10,346,614
NB	Net Assets - Beginning, as Restated				<u>19,467,489</u>
NE	Net Assets - Ending				<u>\$29,814,103</u>

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

FUND FINANCIAL  
STATEMENTS



IRVING INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2006

DATA CONTROL CODES	MAJOR				
	GENERAL	FOOD SERVICE	DEBT SERVICE	CAPITAL PROJECTS	
<b>ASSETS</b>					
Current Assets:					
1110	Cash & Cash Equivalents	\$14,020,444	\$4,601,566	\$12,518,989	\$17,083,093
1120	Investments	33,884,027	-	-	5,975,400
Receivables:					
1220	Property Taxes - Delinquent	7,069,479	-	1,487,388	-
1230	Allowance for Uncollectible Taxes	(2,150,876)	-	(536,024)	-
1240	Due from Other Governments	5,873,737	353,381	-	-
1250	Accrued Interest	368,025	-	-	59,000
1260	Due from Other Funds	3,686,962	-	99,627	-
1290	Other Receivables	1,284,446	-	104,268	-
1310	Inventories, at cost	1,078,757	57,597	-	80,426
1410	Deferred Expenditures - Prepaid Items	124,469	-	-	-
1490	Other Current Assets	22,940	-	-	-
1000	<b>TOTAL ASSETS</b>	<b><u>\$65,262,410</u></b>	<b><u>\$5,012,544</u></b>	<b><u>\$13,674,248</u></b>	<b><u>\$23,197,919</u></b>
<b>LIABILITIES</b>					
Current Liabilities:					
2110	Accounts Payable	\$1,358,087	\$44,782	\$ -	\$4,088,296
2140	Interest Payable	-	-	57,965	-
2150	Payroll Deductions and Withholdings	326,709	-	-	-
2160	Accrued Wages Payable	4,689,717	-	-	-
2170	Due to Other Funds	99,627	-	-	-
2180	Due to Other Governments	1,561	-	580,145	-
2300	Deferred Revenue	5,330,652	57,597	951,364	-
2000	<b>TOTAL LIABILITIES</b>	<b><u>11,806,353</u></b>	<b><u>102,379</u></b>	<b><u>1,589,474</u></b>	<b><u>4,088,296</u></b>
<b>FUND BALANCE</b>					
Reserved Fund Balances:					
3410	Investments in Inventory	1,078,757	-	-	80,426
3420	Retirement of Long-Term Debt	-	-	12,084,774	-
3430	Prepaid Items	124,469	-	-	-
3440	Outstanding Encumbrances	415,025	111,641	-	1,417,102
3450	Food Service	-	4,798,524	-	-
Unreserved, Designated Fund Balances:					
3530	Capital Expenditures	-	-	-	17,612,095
3540	Self Insurance	3,209,273	-	-	-
3590	Campus and Other Activities	1,831,412	-	-	-
Unreserved, Undesignated Fund Balance:					
3600	Reported in the General Fund	46,797,121	-	-	-
3000	<b>TOTAL FUND BALANCE</b>	<b><u>53,456,057</u></b>	<b><u>4,910,165</u></b>	<b><u>12,084,774</u></b>	<b><u>19,109,623</u></b>
4000	<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$65,262,410</u></b>	<b><u>\$5,012,544</u></b>	<b><u>\$13,674,248</u></b>	<b><u>\$23,197,919</u></b>

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



EXHIBIT C-1

<u>NONMAJOR OTHER FUNDS</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
\$422,726	\$48,646,818
-	39,859,427
-	8,556,867
-	(2,686,900)
3,112,444	9,339,562
-	427,025
-	3,786,589
1,266	1,389,980
-	1,216,780
-	124,469
-	22,940
<u>\$3,536,436</u>	<u>\$110,683,557</u>
\$282,047	\$5,773,212
-	57,965
-	326,709
7,685	4,697,402
2,690,643	2,790,270
13,639	595,345
542,422	6,882,035
<u>3,536,436</u>	<u>21,122,938</u>
-	1,159,183
-	12,084,774
-	124,469
-	1,943,768
-	4,798,524
-	17,612,095
-	3,209,273
-	1,831,412
-	46,797,121
-	89,560,619
<u>\$3,536,436</u>	<u>\$110,683,557</u>



IRVING INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2006

EXHIBIT C-1R

Total Fund Balances - Governmental Funds \$89,560,619

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$562,984,132, and the accumulated depreciation is \$183,092,855. 379,891,277

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds. 5,869,967

Internal Service Funds are used by the district's management to charge the cost of health insurance, workers compensation, unemployment, and benefits administration to the funds. The assets and liabilities of the internal service funds are included with governmental activities. 1,636,272

Bonds payable are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Bonds payable and related accounts at year-end consist of:

Bonds Payable	(\$446,066,092)	
Premium on Bonds Payable	(7,470,146)	
Discount on Bonds Payable	1,982,341	
Deferred Loss on Refunding Bonds	5,025,954	
Interest Payable	(3,628,471)	
Bond Issuance Costs	<u>3,012,382</u>	<u>(447,144,032)</u>

Net Assets - Governmental Activities \$29,814,103

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

IRVING INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR FISCAL YEAR ENDED AUGUST 31, 2006

DATA CONTROL CODES		MAJOR			
		GENERAL	FOOD SERVICE	DEBT SERVICE	CAPITAL PROJECTS
	<b>REVENUES</b>				
5700	Local and Intermediate Sources	\$125,755,395	\$3,223,491	\$25,414,527	\$1,200,876
5800	State Program Revenues	72,002,213	104,521	8,426,457	-
5900	Federal Program Revenues	484,834	9,837,963	-	-
5020	<b>Total Revenues</b>	<b>198,242,442</b>	<b>13,165,975</b>	<b>33,840,984</b>	<b>1,200,876</b>
	<b>EXPENDITURES</b>				
	Current:				
0011	Instruction	116,341,433	-	-	6,356,331
0012	Instructional Resources and Media Services	3,732,215	-	-	373,158
0013	Curriculum Development and Instructional Staff Developme	1,789,422	-	-	-
0021	Instructional Leadership	3,304,508	-	-	4,662
0023	School Leadership	14,304,338	-	-	7,835
0031	Guidance, Counseling, and Evaluation Services	8,494,077	-	-	-
0032	Social Work Services	384,130	-	-	-
0033	Health Services	1,753,100	-	-	1,424
0034	Student (Pupil) Transportation	1,924,018	-	-	216,139
0035	Food Services	241,985	11,213,331	-	-
0036	Co-Curricular/Extracurricular Activities	3,471,839	-	-	-
0041	General Administration	5,715,803	-	-	128,458
0051	Plant Maintenance and Operations	18,381,446	393,467	-	39,122
0052	Security and Monitoring Services	1,556,125	-	-	-
0053	Data Processing Services	2,088,105	-	-	1,515,825
0061	Community Services	143,147	-	-	-
	Debt Service:				
0071	Principal on Long-Term Debt	-	-	13,460,943	-
0072	Interest and Charges on Long-Term Debt	-	-	18,698,016	-
0073	Bond Issuance Costs and Fees	-	-	810,321	-
0081	Facilities Acquisition and Construction	-	28,098	-	24,773,854
0095	Payments to Juvenile Justice Alternative Education Program	162,003	-	-	-
6030	<b>Total Expenditures</b>	<b>183,767,694</b>	<b>11,634,896</b>	<b>32,969,280</b>	<b>33,416,808</b>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	14,474,748	1,531,079	871,704	(32,215,932)
	<b>OTHER FINANCING SOURCES (USES)</b>				
7912	Proceeds from Sale of Capital Assets	946,074	-	-	-
7901	Issuance of Refunding Bonds	-	-	56,292,787	-
7911	Issuance of Bonds	-	-	-	10,000,000
7916	Discount on Issuance of Debt	-	-	(83,842)	-
8940	Payment to Refunded Bond Escrow Agent	-	-	(55,450,501)	-
7080	<b>Total Other Financing Sources and (Uses)</b>	<b>946,074</b>	<b>-</b>	<b>758,444</b>	<b>10,000,000</b>
1200	<b>Net Change in Fund Balances</b>	<b>15,420,822</b>	<b>1,531,079</b>	<b>1,630,148</b>	<b>(22,215,932)</b>
0100	Fund Balance - September 1 (Beginning) - as Restated	38,035,235	3,379,086	10,454,626	41,325,555
3000	Fund Balance - August 31 (Ending)	\$53,456,057	\$4,910,165	\$12,084,774	\$19,109,623

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

EXHIBIT C-2

<u>NONMAJOR OTHER FUNDS</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
\$125,114	\$155,719,403
5,334,744	85,867,935
<u>18,028,437</u>	<u>28,351,234</u>
<u>23,488,295</u>	<u>269,938,572</u>
18,267,269	140,965,033
91,415	4,196,788
1,334,585	3,104,017
732,272	4,041,442
467,346	14,779,519
724,683	9,218,760
4,291	388,421
49,077	1,803,601
650,984	2,791,141
120,740	11,576,056
36,494	3,508,333
56,384	5,900,645
129,738	18,943,773
7,082	1,563,207
223,636	3,827,586
592,289	735,436
-	13,460,943
-	18,698,016
-	810,321
-	24,801,952
-	162,003
<u>23,488,295</u>	<u>285,276,973</u>
-	<u>(15,338,401)</u>
-	946,074
-	56,292,787
-	10,000,000
-	(83,842)
-	<u>(55,450,501)</u>
-	<u>11,704,518</u>
-	(3,633,883)
-	93,194,502
<u>\$ -</u>	<u>\$89,560,819</u>

IRVING INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 FOR FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT C-3

Total Net Change in Fund Balances - Governmental Funds (\$3,633,883)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized outlays (\$33,750,875) exceeded depreciation (\$22,098,029) in the current period. 11,652,846

The disposal of capital assets is not recognized in the governmental funds. (918,208)

Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues, net of bad debt, increased by this amount this year. 380,059

Internal Service Funds are used by the district's management to charge the cost of health insurance, workers compensation, unemployment, and benefits administration to the funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 818,947

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 13,460,943

Bond issuances and refundings and related costs are shown as "Other Sources" and "Other Uses" in the governmental funds, but are shown on the statement of net assets with related costs amortized over the life of the bonds. Differences consist of the following:

Bond Proceeds	\$ (66,292,787)	
Discount on Bonds Issued	83,842	
Bond Issue Costs	755,160	
Refunded Bonds	53,756,140	
Deferred Loss on Refunding	1,694,361	
Amortization of Issue Costs	(157,829)	
Amortization of Refunding Loss	(303,338)	
Amortization of Bond Premium/Discount	505,651	(9,958,800)

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

Change in Accrued Interest	\$ 1,532,664	
Interest Accretion	(9,488,184)	
Accretion Retirement	6,500,230	(1,455,290)

Change in Net Assets - Governmental Activities \$10,346,614

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

IRVING INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2006

EXHIBIT D-1

Data Control Codes		<u>Governmental Activities - Internal Service Funds</u>
<b>ASSETS</b>		
	Current Assets:	
1110	Cash and Temporary Investments	\$5,686,500
1310	Inventories, at cost	4,775
1490	Other Current Assets	<u>2,524</u>
	Total Current Assets	<u>5,693,799</u>
1000	Total Assets	<u>5,693,799</u>
<b>LIABILITIES</b>		
	Current Liabilities:	
2110	Accounts Payable and Claims Liabilities	1,713,014
2170	Due to Other Funds	<u>996,319</u>
	Total Current Liabilities	<u>2,709,333</u>
	Long-Term Liabilities:	
2800	Long-Term Claim Reserve	<u>1,348,194</u>
	Total Long-Term Liabilities	<u>1,348,194</u>
2000	Total Liabilities	<u>4,057,527</u>
<b>NET ASSETS</b>		
3900	Unrestricted Net Assets	<u>1,636,272</u>
3000	Total Net Assets	<u><u>\$1,636,272</u></u>

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

IRVING INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT D-2

Data Control Codes	<u>Governmental Activities - Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
5700 Charges for Services	<u>\$17,960,167</u>
5020 Total Operating Revenues	<u>17,960,167</u>
<b>OPERATING EXPENSES</b>	
6100 Payroll Costs	203,643
6200 Professional/Contracted Services	19,352
6300 Supplies and Materials	229,053
6400 Claims, Administration, and Other Expenses	<u>16,781,705</u>
6030 Total Operating Expenses	<u>17,233,753</u>
Operating Income	726,414
<b>NON-OPERATING REVENUES</b>	
5742 Interest Revenue	<u>92,533</u>
Change in Net Assets	818,947
Total Net Assets - September 1 (Beginning)	<u>817,325</u>
Total Net Assets - August 31 (Ending)	<u><u>1,636,272</u></u>

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



IRVING INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT D-3

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash Received for Premiums and Services	\$ 17,961,432
Cash Paid for Claims and Administration	<u>(17,617,406)</u>
Net Cash Provided by Operating Activities	<u>344,026</u>
Cash Flows from Investing Activities:	
Interest Received	<u>92,533</u>
Net Cash Provided by Investing Activities	<u>92,533</u>
Net Increase in Cash and Cash Equivalents	436,559
Cash and Cash Equivalents at Beginning of the Year	<u>5,249,941</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 5,686,500</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 726,414</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Change in Current Assets and Liabilities:	
(Increase) Decrease in Other Receivables	53,480
(Increase) Decrease in Inventories	1,265
Increase (Decrease) in Accounts Payable	(218,614)
Increase (Decrease) in Due to Other Funds	996,319
Increase in Long-term Claims Reserve	<u>(1,214,838)</u>
Total Adjustments	<u>(382,388)</u>
Net Cash Provided by Operating Activities	<u>\$ 344,026</u>

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

IRVING INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AUGUST 31, 2006

EXHIBIT E-1

	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash and Temporary Investments	<u>\$572,482</u>
Total Assets	<u><u>\$572,482</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$187,493
Due to Student Groups	<u>384,989</u>
Total Liabilities	<u><u>\$572,482</u></u>

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

IRVING INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
AUGUST 31, 2006

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Irving Independent School District's (the "District") basic financial statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### A. REPORTING ENTITY

The Board of Trustees, a seven-member group, has financial accountability for all activities related to public elementary and secondary education within the jurisdiction of the District. Because members of the board are elected by the public, they have the authority to make decisions and to appoint administrators and managers. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. In addition, there are no component units which meet the financial accountability criteria as defined in Governmental Accounting Standards Board Statement No. 14 which are included in the District's reporting entity.

The District receives funding from local, state and federal government sources and is required to comply with the requirements of these funding source entities.

### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. An exception to this general rule would be amounts that are reasonable equivalent in value to the interfund services provided. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes 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.

The District reports the following Major Funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

IRVING INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
AUGUST 31, 2006

**B. GOVERNMENT-WIDE AND FUND ACCOUNTING STATEMENTS, cont.**

2. **Food Service Fund** - This fund is established to account for Food Service Program transactions. The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.
3. **Debt Service Fund** - This governmental fund is established to account for payment of principal and interest on long term general obligation debt and other long term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
4. **Capital Projects Fund** - This governmental fund is established to account for proceeds, on the modified accrual basis, from the sale of bonds and other resources to be used for Board authorized acquisition, construction or renovation, and furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

The District reports the following Proprietary Funds:

**Internal Service Funds** - The District utilizes Internal Service Funds to account for its health, workers' compensation, unemployment, and benefit administration self-insurance plans, for science kit refurbishment, and for the Irving.net project to improve connectivity between schools and the community. The General Fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of these activities of the District. See Note 1 (O), (P), (Q), and (R) for additional discussion of the District's self-insurance plans.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The District reports the following Fiduciary Funds:

**Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Agency Funds are reported using the accrual basis of accounting. Financial resources are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

IRVING INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
AUGUST 31, 2006

**C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

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

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

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

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

In accordance with the Financial Accountability Resource Guide (FAR), the District has adopted and installed an accounting system that exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

**D. BUDGETARY DATA**

Formal budgetary accounting is employed for the General, Food Service, and Debt Service funds, as required in TEA's FAR. The budget is prepared and controlled at the fund and function level (See Note 1 in the Notes to Required Supplementary Information).

The official school budget is prepared for adoption for required Governmental Funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The Board of Trustees formally adopts the budget at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Food Service Special Revenue Fund and Debt Service Fund. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

IRVING INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
AUGUST 31, 2006

**E. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or provided for in the subsequent year's budget.

Outstanding encumbrances at August 31, 2006 that were subsequently provided for in the 2006-2007 budget totaled \$415,025 for the General Fund, \$111,641 for the Food Service Fund, and \$1,417,102 for the Capital Projects Fund. These amounts are reflected as reserves of fund balance in those funds.

**F. DEPOSITS AND INVESTMENTS**

**Cash and Cash Equivalents** - For purposes of the Statement of Cash Flows, the Internal Service Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investments** - Other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**G. DUE FROM (TO) OTHER FUNDS**

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. See Note 9 for additional discussion of interfund receivables and payables.

**H. INVENTORIES**

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Inventories in the Capital Projects Fund represent computers purchased with bond funds but not yet distributed to the schools. The General Fund and Capital Projects inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. The Food Service (Special Revenue Fund) commodity inventories received through the U.S. Department of Agriculture are offset with deferred revenue.

**I. DEFERRED EXPENDITURES**

Deferred expenditures of \$124,469 in the General Fund are prepaid items, which benefit the next school year. Deferred expenses on government-wide financial statements include these prepaid items and bond issuance costs of \$3,012,382 which will be amortized using the straight-line method over the life of the bonds.

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**J. CAPITAL ASSETS**

Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as land, land improvements, and buildings with an initial cost of any amount and furniture and equipment 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.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Land Improvements	20
Portable Buildings	20
Furniture, Fixtures & Equipment	10
Computer Equipment	5
Software	3
Automobiles	5
Food Service Equipment	15

**K. LONG TERM DEBT**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts 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. Deferred losses on refundings are amortized over the shorter of the life of the old debt or the life of the new debt.

In the fund financial statements, governmental funds 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.

**L. FUND EQUITY**

In the fund financial statements, unreserved undesignated fund equity for governmental funds indicate available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Board Resolution for specific purposes and are therefore not available for general expenditures to be appropriated in the following period unless amended by future Board action. Reserved fund balance is that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes. As of August 31, 2006, General Fund Reserved Fund Balance includes \$1,078,757 for inventories, \$124,469 for prepaid items and \$415,025 for year-end encumbrances. The Food Service Fund reserves \$111,641 for year-end encumbrances and \$4,798,524 for food service. Debt Service Fund reserves total \$12,084,774 for retirement of bonded indebtedness.

IRVING INDEPENDENT SCHOOL DISTRICT  
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**L. FUND EQUITY, cont'd.**

The Capital Projects Fund Reserved Fund Balance includes \$80,426 for inventories and \$1,417,102 for year-end encumbrances.

Unreserved Designated Fund Balance includes \$3,209,273 for self-insurance and \$1,831,412 for campus and other activities in the General Fund. A total of \$17,612,095 has been designated for authorized construction projects in the Capital Projects Fund. The General Fund Unreserved, Undesignated Fund Balance is \$46,797,121.

**M. 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.

**N. DATA CONTROL CODES**

Data control codes refer to the account code structure prescribed by the Texas Education Agency, Financial Accountability System Resource Guide.

**O. HEALTH CARE**

The health self-insurance plan was established September 1, 1992. The revenues of this fund are received from both the General and Special Revenue Funds and its expenses are comprised of claims paid on behalf of District employees. The District contributed \$235 per month per employee to the plan for a total of \$11,578,007. The employees, at their option may authorize payroll withholdings to pay premiums for dependents' health insurance coverage. Health claim payments are processed by a third party administrator acting on behalf of the District. As of August 31, 2006, the total liabilities of the health self-insurance fund of \$2,691,849 include accounts payable of \$142,356, current health claim short term liabilities of \$1,553,174 representing claims reported but not paid and incurred but not reported, and \$996,319 due to other funds. Net assets of the health self-insurance fund were \$(2,691,849).

Claims incurred after September 1, 2002 are subject to an individual stop-loss of \$200,000 per participant annually and \$1,000,000 lifetime maximum benefit for the PPO plan and \$200,000 per participant annually and unlimited lifetime maximum benefit for the HMO plan. Individual employee health claims are self-insured by the District up to \$200,000 annually and stop-loss benefits above \$200,000 are provided by Cigna Healthcare of Texas, Inc. up to an aggregate district wide attachment point of \$13,973,875.

The latest financial statements available for Cigna Healthcare of Texas, Inc. are filed with the Texas State Board of Insurance, Austin, Texas, and are public records. The District does not provide any post-retirement health benefits to its employees.

Changes in the medical claims liability amounts in fiscal 2005 and 2006 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2005 - Medical	\$ 1,213,159	\$ 13,444,819	\$ 13,162,232	\$ 1,495,746
2006 - Medical	1,495,746	15,025,676	14,968,248	1,553,174



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**P. SELF-INSURED WORKERS' COMPENSATION**

On September 1, 1992, the District established its self-funded Workers' Compensation program. The District has maintained a self-insured retention of \$400,000 per occurrence since becoming self-funded. The District currently purchases excess coverage to statutory limits from Frost Insurance Company and Midwest Employer's Casualty. The District does not purchase aggregate excess insurance. Claims administration is provided by Ward North America Inc. for the period beginning August 1, 1992, and the Texas Association of School Boards maintained claims processing for liabilities between September 1, 1986 and July 31, 1992.

The total liabilities for the Workers' Compensation self-insurance fund of \$1,351,520 include incurred but not reported claims in the amount of \$1,348,194, of which \$703,232 is expected to be paid within one year, and accounts payable of \$3,326. The claims liability reported in the fund at August 31, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. Professional Actuarial Services, Inc. through its actuarial review of the Workers' Compensation self-insurance program, projected an estimated discounted liability of \$1,348,194 as of August 31, 2006 for the ultimate loss reserve of the fund. The fund had net assets as of August 31, 2006 of \$3,980,224.

Changes in the workers' compensation claims liability amounts in fiscal 2005 and 2006 are presented below:

	Beginning of Fiscal-Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year End</u>
2005 – Workers' Compensation	\$2,364,175	\$1,232,455	\$ 1,033,598	\$2,563,032
2006 – Workers' Compensation	2,563,032	(511,606)	703,232	1,348,194

**Q. SELF-INSURED UNEMPLOYMENT**

The District through a reimbursement program provides unemployment insurance protection through the Texas Workforce Commission (TWC), should an employee experience a job loss through no fault of his own. As a reimbursing employer (IISD employees receive unemployment benefits directly from the Texas Workforce Commission), the District refunds unemployment benefit claims on a quarterly basis to TWC. Unemployment liabilities have been established at \$8,286 and net assets as of August 31, 2006 were \$126,321.

**R. BENEFITS ADMINISTRATION**

Benefit administrative expenses for the self-insurance programs are funded at the rate of \$1 per month per employee. The August 31, 2006 net assets were \$222.

**S. 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 2005, the District executed an Interlocal agreement with the TASB Risk Management Fund. 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.

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**NOTE 2. DEPOSITS AND INVESTMENTS**

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2006, the carrying amount of the District's cash was \$2,677,762 including petty cash funds of \$49,696. The bank balance was \$7,813,371. During 2005-06, the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held in the District's name by the District's agent.

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

1. Name of bank: Comerica, Texas – Irving.
2. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$28,312,155 and occurred on August 31, 2006.
3. Largest combined collected cash account balance required to be collateralized amounted to \$23,964,034 and occurred on August 31, 2006.
4. Total amount of FDIC coverage at the time of the largest combined balance was \$100,000.

State statutes and Board policy authorize the District to invest in: (1) obligations of the U.S. or its agencies and instrumentalities, (2) obligations of the State of Texas or its agencies, (3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities, (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent, (5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas, and (6) fully collateralized repurchase agreements. Temporary investments are reported at cost or fair market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations that comply with the Public Funds Collateral Act.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that it complied with the requirements of the PFIA and the District's investment policies. The investments owned at period-end are held by the District or its agent in the District's name (Category 1 securities). The District holds securities at fair value. The investments held at period-end are as follows:

	<u>Fair Value</u>
Cash and Imprest Funds	\$ 2,677,762
Certificates of Deposit	16,000,000
U.S. Agencies	23,859,427
Investments in Texpool	27,939,464
Investments in TexStar	21,578,191
Investments in Texas Class	<u>2,710,383</u>
Total	<u>\$ 94,765,227</u>

Texpool and TexStar are local government investment pools which operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These types of local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

IRVING INDEPENDENT SCHOOL DISTRICT  
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**NOTE 2. DEPOSITS AND INVESTMENTS, cont'd.**

The Texas Local Government Investment Pool ("Texpool") and the Texas Short Term Asset Reserve Program ("TexStar") are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexStar is co-administered by JP Morgan Fleming Asset Management, Inc. and First Southwest Asset Management under an agreement with the TexStar Board of Directors. The TexStar Board is comprised of participants in the pool and other persons who do not have a business relationship with TexStar. The Texas Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate Texpool. In addition, the Texpool Advisory Board advises on Texpool's Investment Policy. This Board is composed equally of participants in Texpool and other persons who do not have a business relationship with Texpool who are qualified to advise Texpool.

Texas CLASS (Texas Cooperative Liquid Assets Security System) was organized in March 1996 under a trust agreement executed by and among Texas local governmental entities in accordance with the Public Funds Investment Act, and the Texas Government Code and remains in full compliance with Chapter 2256. The fund is administered by MBIA (Municipal Investors Service Corp) through the MBIA Capital Management Corp. and is rated AAA/V1+ by Fitch Rating Services. Furthermore, MBIA guarantees municipal bonds, infrastructure finance issues, structured asset-backed and mortgage-backed transactions in both the new and secondary markets. MBIA provides specialized investment opportunities and a broad range of services to state and local governments, academic institutions, and other public and private-sector investors.

The Government Accounting Standards Board issued Statement No. 40, Deposit and Investment Risk Disclosures to address common deposit and investment risk related to credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk. The District employs various strategies to address these risks.

Interest rate risk occurs whenever rising interest rates will cause a fixed income security to lose fair value. The District manages its exposure to interest rate fluctuations and interest rate risk through its investment policy through diversity of issuer and maturity and by limiting its final maturity of its investments between two and five years, with most purchases less than two years. The District's investment policy states under a Diversity section that, "The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer." Therefore, it manages interest rate risk by laddering the portfolio so that agency positions are not concentrated in one time frame or in one issuer, thereby reducing the overall volatility of the portfolio.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District controls and monitors credit risk by purchasing only quality rated instruments or investing in local government investment pools that have been evaluated by Standard and Poor's, Fitch, or Moody's Investors Service and complies with the Public Funds Investment Act. The Public Funds Investment Act limits investments in commercial paper to A1P1 ratings issued by at least two of the nationally recognized statistical rating organizations (NRSROs) and this is reflected in the investment policy of the District. The school district currently has no commercial paper. The local government investment pools that the District uses are also rated by the NRSROs. Texpool and TexStar are both rated AAAM by Standard & Poor's.

Custodial credit risk-deposits occurs when deposits are not covered by depository insurance and they are uncollateralized or the collateral is held by the financial institution or their trust department but not in the District's name. The District controls this risk by employing a third party, the Federal Reserve Bank, to hold the collateral for the District in the District's name.

Custodial credit risk-investments occurs whenever investments are held by the counterparty's trust department but not in the District's name. The District controls this risk by trading all securities on a delivery vs. payment

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**NOTE 2. DEPOSITS AND INVESTMENTS, cont'd.**

basis through the Federal Reserve book entry system and safekeeping them with a third party, Bank of America, registered in the District's name.

Concentration of credit risk is the risk associated with holding investments that are not in pools and in excess of 5% of the total portfolio. As of August 31, 2006 the District held Federal Home Loan Bank securities with a par amount of \$14,000,000, which is 5.20% of the total portfolio, Fannie Mae ("FNMA") securities with a par amount of \$6,000,000, which is 6.52% of the total portfolio, Freddie Mac ("FRMC") securities with a par amount of \$4,000,000, which is 4.19% of the total portfolio, and \$16,000,000 of certificates of deposit, which is 17.37% of the portfolio. All Agency securities held by the District are rated AAA by Standard and Poor's or Moody's Investors Service. The District controls this risk by laddering the portfolio, limiting the final maturity of each investment between two and five years through its investment policy with most purchases under two years, and by diversifying between agency types when possible.

Foreign currency risk is the risk of loss due to fluctuations in the exchange rate. The District has no exposure to foreign currency risk.

**NOTE 3. PROPERTY TAXES**

Property taxes are considered available when they become due and receivable within the current accounting period or within 60 days thereafter. 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 the lien date, February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2005, upon which the levy for the 2005-2006 fiscal year was based, was \$8,156,677,698. The roll was subsequently increased to a year-end assessed value of 8,239,493,587. Taxes not paid by June 30 are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2006, to finance General Fund operations and the payment of principal and interest on general obligation long term debt were \$1.50 and \$.314 per \$100 valuation, respectively, for a total of \$1.814 per \$100 valuation.

Current tax collections for the year ended August 31, 2006 were 98.07% 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 and are not expected to be collected within one year. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2006, property taxes receivable, net of estimated uncollectible taxes, totaled \$4,918,603 and \$951,364 for the General and Debt Service Funds, respectively.

The District elected to participate in a tax increment reinvestment zone with the City of Irving in August 1999. By terms of the participation agreement with the City, the District will contribute 100% of ad valorem taxes collected on the increased assessed valuation of real property in the tax increment reinvestment zone in excess of the tax increment base value established for the zone on 1/1/98. In return, the City will reimburse the District 75% of the taxes collected for the zone to pay for district projects identified in the project plan to be constructed in the zone for educational facilities and maintenance for operating such facilities. The 25% retained by the City will be used to pay for infrastructure in the zone to promote economic development in the zone, specifically that portion of the tax increment reinvestment zone that encompasses the boundaries of the District.

No taxes were collected for the zone in the current fiscal year because the assessed valuation of real property in the reinvestment zone decreased below the tax increment base value as provided for in the participation agreement. Under current state funding laws, as well as a "hold harmless" provision in the participation agreement, the District will remain revenue neutral with respect to the total revenue from local ad valorem taxes and state sources combined it can expect to receive for each year it contributes to the tax increment reinvestment zone.

IRVING INDEPENDENT SCHOOL DISTRICT  
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**NOTE 4. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2006 are summarized below. All federal grants included below in Federal & State Special Revenue Funds are passed through the TEA and are reported on the financial statements as Due from Other Governments. Furthermore, there are times whenever overpayments are received from a State agency and money may be due to a State agency.

Balances at August 31, 2006 consisted of the following Due from Other Governments:

Fund:	
General Operating Fund	\$ 5,873,737
Food Service Fund	353,381
Federal & State Special Revenue Funds	<u>3,112,444</u>
Total	<u>\$ 9,339,562</u>

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended August 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated:					
Land	\$18,072,851	\$ --	\$ --	\$ --	\$ 18,072,851
Construction in Progress	<u>4,247,991</u>	<u>24,229,447</u>	<u>--</u>	<u>(27,996,612)</u>	<u>480,826</u>
Total Capital Assets not being depreciated	<u>22,320,842</u>	<u>24,229,447</u>	<u>--</u>	<u>(27,996,612)</u>	<u>18,553,677</u>
Capital Assets being depreciated:					
Land Improvements	17,110,833	--	--	--	17,110,833
Buildings and Improvements	437,716,645	--	(2,441,336)	27,164,096	462,439,405
Furniture and Equipment	<u>58,022,470</u>	<u>9,521,428</u>	<u>(3,496,197)</u>	<u>832,516</u>	<u>64,880,217</u>
Total Capital Assets being depreciated	<u>512,849,948</u>	<u>9,521,428</u>	<u>(5,937,533)</u>	<u>27,996,612</u>	<u>544,430,455</u>
<b>Total Capital Assets</b>	<u>535,170,790</u>	<u>33,750,875</u>	<u>(5,937,533)</u>	<u>--</u>	<u>562,984,132</u>
Less Accumulated Depreciation for:					
Land Improvements	2,362,388	855,542	--	--	3,217,930
Buildings and Improvements	128,280,353	8,743,270	(1,582,720)	--	135,440,903
Furniture and Equipment	<u>35,371,410</u>	<u>12,499,217</u>	<u>(3,436,605)</u>	<u>--</u>	<u>44,434,022</u>
Total Accumulated Depreciation	<u>166,014,151</u>	<u>22,098,029</u>	<u>(5,019,325)</u>	<u>--</u>	<u>183,092,855</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 369,156,639</u>	<u>\$ 11,652,846</u>	<u>\$ (918,208)</u>	<u>\$ --</u>	<u>\$ 379,891,277</u>

IRVING INDEPENDENT SCHOOL DISTRICT  
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**NOTE 5. CAPITAL ASSETS, cont'd.**

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

Governmental activities:	
Instruction	\$ 17,627,528
Instructional Resources and Media Services	495,373
Curriculum Development and Instructional Staff Development	15,677
Instructional Leadership	117,302
School Leadership	650,974
Guidance, Counseling and Evaluation Services	431,036
Health Services	116,862
Student Transportation	27,171
Food Services	676,905
Co-Curricular/Extracurricular Activities	323,634
General Administration	780,218
Plant Maintenance and Operations	300,833
Security and Monitoring Services	11,820
Data Processing Services	<u>522,696</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 22,098,029</u>

**NOTE 6. RETIREMENT PLAN**

The Teacher Retirement System of Texas is a cost sharing multiple employer public-employee retirement system (PERS). However, all risks and costs are not shared by the District but are a liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during that fiscal year. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 223-8778.

For members of the retirement system entitled to the minimum salary for certain school personnel under Section 21.402 of the Texas Education Code and for members who would have been entitled to the state minimum salary under former Section 16.056, Texas Education Code, the District shall pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum, if the District's effective tax rate for maintenance and operations is less than 125 percent of the statewide average for the tax year that ended in the proceeding school year.

All employees of public, state-supported educational institutions in Texas who are employed for half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C § 822.002 are covered by TRS membership.

The Teacher Retirement System of Texas administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution, Article § XVI, 67 and Texas Government Code, Title 8, Subtitle C. The system also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and Chapter 805, respectively.

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**NOTE 6. RETIREMENT PLAN, cont'd.**

Service Retirement:

- 1) Normal
  - a) Age 65 with 5 years of service
  - b) Age 60 with 20 years of service
  - c) Age 50 with 30 years of service
  - d) Effective September 1, 1997 – any combination of age plus years of service which equals 80
  
- 2) Reduced
  - a) Age 55 with at least 5 years of service
  - b) Any age below 50 with 30 years of service

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

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2006, 2005 and 2004 were \$9,329,563, \$8,738,192, and \$8,718,070, respectively, equal to the required contribution for each year. Other contributions the District made for salaries above the statutory minimum for the years ending August 31, 2006, 2005, and 2004 were \$1,466,745, \$1,332,283, and \$1,233,627, respectively, equal to the required contribution for each year. Contributions to the System by the State on behalf of the District for the years ending August 31, 2006, 2005 and 2004 were \$7,917,208, \$7,611,848, and \$7,834,312, respectively, equal to the required contributions for each year. The District recognized contributions made by the State as revenues and expenditures in the General Fund.

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**NOTE 7. LONG TERM LIABILITIES**

Long term liabilities include arbitrage, which is typically liquidated by the General and Capital Projects funds and actuarially determined claims liabilities, which are typically liquidated by the Internal Service fund. These liabilities are detailed as follows:

	Beginning 9/1/05	Increases	Decreases	Balance 8/31/06	Current Portion
Arbitrage Payable	\$414,805	\$ --	\$278,108	\$136,697	\$ --
Claims Payable	2,563,032	--	1,214,838	1,348,194	703,232

Long term debt also includes par bonds, capital appreciation (deep discount) serial bonds, and variable rate bonds as follows:

Description	Interest Rate Payable	Original Amounts (Principal Only)	Amounts Outstanding 9/1/05	Interest Accretion	Refunded Issued or Retired Current Year	Amounts Outstanding 8/31/06
<b>Bonded Indebtedness:</b>						
1993 Refunding	2.60%-5.50%	\$11,055,000	\$1,386,012	\$71,035	\$(500,000)	\$957,047
1994 Refunding	2.90%-4.85%	39,630,000	3,672,563	142,603	(2,350,000)	1,465,166
1997 School Bldg	5.00%-5.20%	125,003,220	31,649,073	573,836	(2,275,000)	29,947,909
1997A Refunding	4.85%-5.42%	33,140,000	50,098,118	2,625,507	--	52,723,625
1998 Refunding	4.00%-4.00%	8,629,935	12,358,865	421,639	(6,580,000)	6,200,504
1999 School Bldg	3.70%-5.45%	8,000,000	1,000,000	--	(230,000)	770,000
2000 School Bldg	4.45%-5.00%	10,267,201	915,000	--	(680,000)	235,000
2001 School Bldg	4.00%-5.50%	27,390,000	12,960,207	14,966	(1,270,000)	11,705,173
2001A Refunding	3.70%-4.30%	6,170,000	1,820,000	--	(335,000)	1,485,000
2002 School Bldg	2.09%-6.03%	130,853,959	144,637,957	5,378,117	(55,562,313)	94,453,761
2003 School Bldg	2.00%-5.00%	51,882,264	51,979,639	145,841	(2,635,000)	49,490,480
2004A School Bldg	Variable	20,000,000	19,100,000	--	(1,300,000)	17,800,000
2004B School Bldg	Variable	20,000,000	20,000,000	--	--	20,000,000
2005 Refunding	3.00%-5.25%	92,425,000	92,425,000	--	--	92,425,000
2006 Refunding	3.95%-5.46%	66,292,787	--	114,640	66,292,787	66,407,427
<b>Total Bonded Indebtedness</b>			<u>\$ 444,002,434</u>	<u>\$ 9,488,184</u>	<u>\$ (7,424,526)</u>	<u>\$446,066,092</u>
Less Current Portion						<u>24,948,872</u>
Long term portion as of August 31, 2006						421,117,220
Premium/Discounts/Loss on Refunding						<u>461,851</u>
<b>Total Long-term Bonds Payable</b>						<u>\$ 421,579,071</u>

Debt service principal requirements to maturity below exclude accumulated accretion of \$59,997,511, which is included in the interest column:

Year Ended August 31	Principal	Interest	Total Requirements
2007	\$16,002,947	\$18,506,060	\$34,509,007
2008	8,619,025	22,863,000	31,482,025
2009	12,954,392	18,641,380	31,595,772
2010	12,401,407	19,075,118	31,476,525
2011	11,470,670	19,994,705	31,465,375
2012-2016	66,374,517	90,973,520	157,348,037
2017-2021	83,065,623	71,109,372	154,174,995
2022-2026	69,610,000	77,155,342	146,765,342
2027-2031	86,545,000	45,516,500	132,061,500
2032-2033	<u>19,025,000</u>	<u>723,669</u>	<u>19,748,669</u>
<b>Totals</b>	<u>\$386,068,581</u>	<u>\$384,558,666</u>	<u>\$ 770,627,247</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all limitations and restrictions at August 31, 2006.



IRVING INDEPENDENT SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 AUGUST 31, 2006

**NOTE 8. DEBT ISSUANCES AND DEFEASED DEBT**

On July 1, 2006, the District issued \$50,585,623 Series 2006 Unlimited Tax School Building and Refunding Bonds bearing interest at a rate of 3.95%-5.46%. The bonds pay interest every February 15 and August 15, commencing February 15, 2007. The Refunding Bonds were used to refund a portion of the District's Unlimited Tax Building Bonds, Series 2002. \$55,450,501 of the proceeds of the Refunding Bonds was placed in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's basic financial statements. As a result of the advance refunding, the District realized a present value economic gain of \$3,626,583 and reduced its future debt service requirements by \$8,315,000. The book loss on refunding of \$1,694,361 is being amortized over the life of the debt, with an unamortized balance of \$1,623,763 as of August 31, 2006. The bond documents state that the balance of the proceeds will be used to acquire, construct and equip school buildings in the District, purchase necessary sites therefor and purchase school buses and pay costs of issuance related to the issuance of the Bonds.

In prior years, the District issued refunding bonds for the purpose of restructuring outstanding debt service requirements or decreasing the total debt service payments. These refunding issues defeased selected general obligation and maintenance bonds. The total principal outstanding of the insubstance defeased debt as of August 31, 2006 is \$133,845,623.

**NOTE 9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year. These balances at August 31, 2006 consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable
<b>General Fund:</b>		
Debt Service Fund	\$ --	\$ 99,627
Other Nonmajor Funds	2,690,643	--
Internal Service Funds	996,319	--
<b>Debt Service Fund:</b>		
General Fund	99,627	--
<b>Other Nonmajor Funds:</b>		
General Fund	--	2,690,643
<b>Internal Service Funds:</b>		
General Fund	--	996,319
	<u>\$ 3,786,589</u>	<u>\$ 3,786,589</u>

These balances are eliminated in the government-wide financial statements.

**NOTE 10. LITIGATION, COMMITMENTS, 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 financial statements for such contingencies.

The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2006 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The District was obligated at August 31, 2006, under major contracts for construction, renovations, and repair of various facilities. The construction contracts associated with these projects were approximately \$25,044,685, of which approximately \$24,002,816 has been paid as of August 31, 2006.

**NOTE 11. LOCAL, INTERMEDIATE, AND OUT-OF-STATE REVENUES**

During the current year, local, intermediate and out-of-state revenues for the fund statements consisted of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Other Funds</u>	<u>Total</u>
Property Taxes	\$117,407,546	\$ --	\$24,572,049	\$ --	\$ --	\$ 141,979,595
Food Sales	--	3,063,206	--	--	--	3,063,206
Investment Income	3,345,462	160,285	608,617	1,200,876	--	5,315,240
Penalties, Interest and Other Tax Related Income	1,272,717	--	233,861	--	--	1,506,578
Co-curricular Student Activities	1,333,011	--	--	--	125,114	1,333,011
Other	2,396,659	--	--	--	125,114	2,521,773
<b>Total</b>	<u>\$125,755,395</u>	<u>\$3,223,491</u>	<u>\$25,414,527</u>	<u>\$ 1,200,876</u>	<u>\$ 125,114</u>	<u>\$ 155,719,403</u>

IRVING INDEPENDENT SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 AUGUST 31, 2006

**NOTE 12. DEFERRED REVENUE**

Deferred revenue at year-end for the fund statements consisted of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Other Funds</u>	<u>Total</u>
Net Tax Revenue	\$ 4,918,603	\$ --	\$ 951,364	\$ --	\$ 5,869,967
Taxes Paid in Advance	11,268				11,268
Laptop Computer Fees	372,156	--	--	--	372,156
Immigration Legal Fees	28,625	--	--	--	28,625
Food Service Commodities Inventory	--	57,597	--	--	57,597
Examination Campus Awards	--	--	--	98,131	98,131
Accelerated Reading				94,561	94,561
TX Math/Science/Tech				552	552
Technology Allotment	--	--	--	260,758	260,758
TX After School Initiative	--	--	--	2,660	2,660
Regional State Deaf	--	--	--	67,137	67,137
21 <sup>st</sup> Century Grant	--	--	--	18,623	18,623
Total Deferred Revenue	<u>\$ 5,330,652</u>	<u>\$ 57,597</u>	<u>\$ 951,364</u>	<u>\$ 542,422</u>	<u>\$ 6,882,035</u>

For government-wide financial statements deferred revenues relating to taxes is recognized as revenue.

**NOTE 13. FUND DEFICITS**

The liabilities of the Health Insurance Fund exceed its assets by \$2,691,849. The District will take into account the necessity to cover this amount in funding future contributions to this fund.

**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS**

GASB has issued Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" ("GASB 45") which will be effective for the District in the fiscal year ending August 31, 2008. GASB 45 requires state and local governments to establish standards for the measurement, recognition, and display of other post employment benefits, expenses/expenditures, related liabilities and note disclosures in the financial statements. As of August 31, 2006, the District does not expect this Statement to have an impact on its financial statements.

GASB has issued Statement No. 47, "Accounting for Termination Benefits", which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2005 (except for those provisions involving other postemployment benefits, which only take effect upon the implementation of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits

IRVING INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
AUGUST 31, 2006

**NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS, cont'd.**

Other Than Pensions"). As of August 31, 2006, the District does not expect this Statement to have an impact on its financial statements.

**NOTE 15. PRIOR PERIOD ADJUSTMENT**

During the current year audit, an error was discovered in the salary accrual for the year ended August 31, 2005. The prior year accrual did not include salaries of new teachers and 187 day employees that are also coaches, resulting in a \$948,669 understatement of accrued salaries at August 31, 2005. Accordingly the General Fund fund balance and government-wide net assets have been restated as follows:

Fund Balance – General Fund	
Per prior year financial statements	\$38,983,904
Less: Additional salaries expenditures that should have been accrued at 8/31/05	<u>( 948,669)</u>
As restated	<u>\$38,035,235</u>
Net Assets – Government-Wide	
Per prior year financial statements	\$20,416,158
Less: Additional salaries expenditures that should have been accrued at 8/31/05	<u>( 948,669)</u>
As restated	<u>\$19,467,489</u>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

IRVING INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT G-1

DATA CONTROL CODES		Original Budget	Final Amended Budget	Fiscal Year Actual	Variance Positive or (Negative)
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$119,824,935	\$125,000,991	\$125,755,395	\$754,404
5800	State Program Revenues	68,207,782	72,071,632	72,002,213	(69,419)
5900	Federal Program Revenues	503,000	476,751	484,834	8,083
5020	<b>Total Revenues</b>	<b>188,535,717</b>	<b>197,549,374</b>	<b>198,242,442</b>	<b>693,068</b>
<b>EXPENDITURES</b>					
Current:					
0010	Instruction and Instructional-Related Services:				
0011	Instruction	121,451,595	118,698,660	116,341,433	2,358,227
0012	Instructional Resources and Media Services	3,838,448	3,834,628	3,732,215	102,413
0013	Curriculum Development and Instructional Staff Development	2,194,506	2,180,374	1,769,422	410,952
	<b>Total Instruction and Instructional-Related Services:</b>	<b>127,484,549</b>	<b>124,714,662</b>	<b>121,843,070</b>	<b>2,871,592</b>
0020	Instructional and School Leadership:				
0021	Instructional Leadership	3,231,357	3,453,564	3,304,508	149,056
0023	School Leadership	13,861,302	14,536,425	14,304,338	232,087
	<b>Total Instructional and School Leadership</b>	<b>17,092,659</b>	<b>17,989,989</b>	<b>17,608,846</b>	<b>381,143</b>
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	8,560,596	8,864,704	8,494,077	370,627
0032	Social Work Services	350,037	392,517	384,130	8,387
0033	Health Services	1,847,643	1,851,377	1,753,100	98,277
0034	Student (Pupil) Transportation	1,926,527	1,940,059	1,924,018	16,041
0035	Food Services	232,921	315,041	241,985	73,056
0036	Co-Curricular/Extracurricular Activities	3,458,599	3,991,261	3,471,839	519,422
	<b>Total Support Services - Student (Pupil)</b>	<b>16,376,323</b>	<b>17,354,959</b>	<b>16,269,149</b>	<b>1,085,810</b>
0040	Administrative Support Services:				
0041	General Administration	5,872,753	6,254,574	5,715,803	538,771
	<b>Total Administrative Support Services</b>	<b>5,872,753</b>	<b>6,254,574</b>	<b>5,715,803</b>	<b>538,771</b>
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	17,546,214	18,785,564	18,381,446	404,118
0052	Security and Monitoring Services	1,542,791	1,626,173	1,556,125	70,048
0053	Data Processing Services	2,450,788	2,475,935	2,088,105	387,830
	<b>Total Support Services - Nonstudent Based</b>	<b>21,539,793</b>	<b>22,887,672</b>	<b>22,025,676</b>	<b>861,996</b>
0060	Ancillary Services:				
0061	Community Services	122,370	197,611	143,147	54,464
	<b>Total Ancillary Services</b>	<b>122,370</b>	<b>197,611</b>	<b>143,147</b>	<b>54,464</b>
0090	Intergovernmental Charges:				
0095	Payments to JJAEP	125,000	157,515	162,003	(4,488)
	<b>Total Intergovernmental Charges</b>	<b>125,000</b>	<b>157,515</b>	<b>162,003</b>	<b>(4,488)</b>
6030	<b>Total Expenditures</b>	<b>188,613,447</b>	<b>189,556,982</b>	<b>183,767,694</b>	<b>5,789,288</b>
1100	<b>Excess of Revenues Over Expenditures</b>	<b>(77,730)</b>	<b>7,992,392</b>	<b>14,474,748</b>	<b>6,482,356</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Proceeds from Sale of Fixed Assets	30,000	945,377	946,074	697
7915	Transfers From Food Service	305,000	-	-	-
	<b>Total Other Financing Sources and (Uses)</b>	<b>335,000</b>	<b>945,377</b>	<b>946,074</b>	<b>697</b>
1200	<b>Net Change in Fund Balances</b>	<b>257,270</b>	<b>8,937,769</b>	<b>15,420,822</b>	<b>6,483,053</b>
0100	<b>Fund Balance - September 1 (Beginning), as Restated</b>	<b>38,035,235</b>	<b>38,035,235</b>	<b>38,035,235</b>	<b>-</b>
3000	<b>Fund Balance - August 31 (Ending)</b>	<b>\$38,292,505</b>	<b>\$46,973,004</b>	<b>\$53,456,057</b>	<b>\$6,483,053</b>

See Notes to Required Supplementary Information.

IRVING INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - FOOD SERVICE FUND  
 FOR FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT G-2

DATA CONTROL CODES		Original Budget	Final Amended Budget	Fiscal Year Actual	Variance Positive or (Negative)
	<b>REVENUES</b>				
5700	Local and Intermediate Sources	\$2,799,794	\$3,198,752	\$3,223,491	\$24,739
5800	State Program Revenues	105,000	104,521	104,521	-
5900	Federal Program Revenues	8,651,000	9,621,662	9,837,963	216,301
5020	<b>Total Revenues</b>	<u>11,555,794</u>	<u>12,924,935</u>	<u>13,165,975</u>	<u>241,040</u>
	<b>EXPENDITURES</b>				
	Current:				
0030	Support Services - Student (Pupil):				
0035	Food Services	10,836,257	11,835,434	11,213,331	622,103
	<b>Total Support Services - Student (Pupil)</b>	<u>10,836,257</u>	<u>11,835,434</u>	<u>11,213,331</u>	<u>622,103</u>
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	-	393,467	393,467	-
	<b>Total Support Services - Nonstudent Based</b>	<u>-</u>	<u>393,467</u>	<u>393,467</u>	<u>-</u>
0080	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	275,000	28,098	246,902
	<b>Total Capital Outlay</b>	<u>-</u>	<u>275,000</u>	<u>28,098</u>	<u>246,902</u>
6030	<b>Total Expenditures</b>	<u>10,836,257</u>	<u>12,503,901</u>	<u>11,634,896</u>	<u>869,005</u>
1100	Excess of Revenues Over Expenditures	719,537	421,034	1,531,079	1,110,045
	<b>OTHER FINANCING SOURCES (USES)</b>				
8911	Transfers To General Fund	(305,000)	-	-	-
	<b>Total Other Financing Sources and (Uses)</b>	<u>(305,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	414,537	421,034	1,531,079	1,110,045
0100	Fund Balance - September 1 (Beginning)	3,379,086	3,379,086	3,379,086	-
3000	Fund Balance - August 31 (Ending)	<u>\$3,793,623</u>	<u>\$3,800,120</u>	<u>\$4,910,165</u>	<u>\$1,110,045</u>

*See Notes to Required Supplementary Information.*

IRVING INDEPENDENT SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 AUGUST 31, 2006

**NOTE 1. BUDGETARY LEGAL COMPLIANCE**

The Official Budget was prepared for adoption prior to August 20, 2005 for all required Governmental Funds on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles (see Note 1D in the Notes to the Financial Statements). The budget is adopted by fund and function for expenditures and by fund and object for revenues. The appropriate department head or campus principal controls the budget. Therefore, management may transfer appropriations at the object level as necessary without the approval of the Board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level for expenditures and object code level for revenues.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the TEA through the Public Education Information Management System (PEIMS).

Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final amendment on August 28, 2006.

The General Fund had an excess of expenditures over appropriations for the year ended August 31, 2006 in the following function:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	Excess of Actual Over Budgeted Expenditures
0095 Payments to JJAEP	\$157,515	\$162,003	\$4,488





**OTHER SUPPLEMENTARY  
INFORMATION**

**COMBINING AND  
INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**NONMAJOR  
GOVERNMENTAL FUNDS**

IRVING INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2006

EXHIBIT H-1

DATA CONTROL CODES	FEDERAL SPECIAL REVENUE	STATE SPECIAL REVENUE	LOCAL SPECIAL REVENUE	TOTALS NONMAJOR GOVERNMENTAL FUNDS	
<b>ASSETS</b>					
1110	Cash & Temporary Investments	\$ 7,067	\$ 329,899	\$ 85,760	\$ 422,726
	Receivables:				
1240	Due from Other Governments	2,183,346	929,098	-	3,112,444
1290	Other Receivables	1,266	-	-	1,266
		<u>2,191,679</u>	<u>1,258,997</u>	<u>85,760</u>	<u>3,536,436</u>
1000	<b>TOTAL ASSETS</b>	<b>\$ 2,191,679</b>	<b>\$ 1,258,997</b>	<b>\$ 85,760</b>	<b>\$ 3,536,436</b>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 126,086	\$ 155,961	\$ -	\$ 282,047
2160	Accrued Wages Payable	7,685	-	-	7,685
2170	Due to Other Funds	2,057,908	632,735	-	2,690,643
2180	Due to Other Governments	-	13,639	-	13,639
2300	Deferred Revenue	-	456,662	85,760	542,422
		<u>2,191,679</u>	<u>1,258,997</u>	<u>85,760</u>	<u>3,536,436</u>
2000	<b>TOTAL LIABILITIES</b>	<b>2,191,679</b>	<b>1,258,997</b>	<b>85,760</b>	<b>3,536,436</b>
<b>FUND BALANCE</b>					
	Unreserved, Undesignated Fund Balance:	-	-	-	-
3000	<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,191,679</b>	<b>\$ 1,258,997</b>	<b>\$ 85,760</b>	<b>\$ 3,536,436</b>

IRVING INDEPENDENT SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT H-2

DATA CONTROL CODES		FEDERAL SPECIAL REVENUE	STATE SPECIAL REVENUE	LOCAL SPECIAL REVENUE	TOTALS NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ 125,114	\$ 125,114
5800	State Program Revenues	-	5,334,744	-	5,334,744
5900	Federal Program Revenues	18,028,437	-	-	18,028,437
5020	<b>Total Revenues</b>	<b>18,028,437</b>	<b>5,334,744</b>	<b>125,114</b>	<b>23,488,295</b>
<b>EXPENDITURES</b>					
Current:					
0010	Instruction and Instructional-Related Services:				
0011	Instruction	13,630,550	4,511,605	125,114	18,267,269
0012	Instructional Resources and Media Services	59,170	32,245	-	91,415
0013	Curriculum Development and Instructional Staff Development	1,162,269	172,326	-	1,334,595
	<b>Total Instruction and Instructional-Related Services:</b>	<b>14,851,989</b>	<b>4,716,176</b>	<b>125,114</b>	<b>19,693,279</b>
0020	Instructional and School Leadership:				
0021	Instructional Leadership	657,372	74,900	-	732,272
0023	School Leadership	373,280	94,066	-	467,346
	<b>Total Instructional and School Leadership</b>	<b>1,030,652</b>	<b>168,966</b>	<b>-</b>	<b>1,199,618</b>
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	627,012	97,671	-	724,683
0032	Social Work Services	-	4,291	-	4,291
0033	Health Services	31,038	18,039	-	49,077
0034	Student (Pupil) Transportation	650,984	-	-	650,984
0035	Food Services	-	120,740	-	120,740
0036	Co-Curricular/Extracurricular Activities	5,961	30,533	-	36,494
	<b>Total Support Services - Student (Pupil)</b>	<b>1,314,995</b>	<b>271,274</b>	<b>-</b>	<b>1,586,269</b>
0040	Administrative Support Services:				
0041	General Administration	38,054	18,330	-	56,384
	<b>Total Administrative Support Services</b>	<b>38,054</b>	<b>18,330</b>	<b>-</b>	<b>56,384</b>
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	5,120	124,618	-	129,738
0052	Security and Monitoring Services	-	7,082	-	7,082
0053	Data Processing Services	215,887	7,749	-	223,636
	<b>Total Support Services - Nonstudent Based</b>	<b>221,007</b>	<b>139,449</b>	<b>-</b>	<b>360,456</b>
0060	Ancillary Services:				
0061	Community Services	571,740	20,549	-	592,289
	<b>Total Ancillary Services</b>	<b>571,740</b>	<b>20,549</b>	<b>-</b>	<b>592,289</b>
6030	<b>Total Expenditures</b>	<b>18,028,437</b>	<b>5,334,744</b>	<b>125,114</b>	<b>23,488,295</b>
1100	Excess of Revenues Over Expenditures	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
	<b>Fund Balance - August 31 (Ending)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**INTERNAL  
SERVICE FUNDS**





IRVING INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2006

Data Control Codes	HEALTH	WORKERS COMPENSATION	UNEMPLOYMENT	BENEFITS ADMINISTRATION
<b>ASSETS</b>				
Current Assets:				
1110	\$ -	\$ 5,329,220	\$ 134,607	\$ 222
1310	-	-	-	-
1490	-	2,524	-	-
	-	5,331,744	134,607	222
1000	-	5,331,744	134,607	222
<b>LIABILITIES</b>				
Current Liabilities:				
2110	1,695,530	3,326	8,286	-
2170	996,319	-	-	-
	2,691,849	3,326	8,286	-
Long-Term Liabilities:				
2800	-	1,348,194	-	-
	-	1,348,194	-	-
2000	2,691,849	1,351,520	8,286	-
<b>NET ASSETS</b>				
3900	(2,691,849)	3,980,224	126,321	222
3000	\$ (2,691,849)	\$ 3,980,224	\$ 126,321	\$ 222

EXHIBIT H-3

<u>SCIENCE KIT REFURBISHMENT</u>	<u>IRVING.NET</u>	<u>PRINT SHOP</u>	<u>TOTALS INTERNAL SERVICE FUNDS</u>
\$ 151,672	\$ 4,593	\$ 66,186	\$ 5,686,500
-	-	4,775	4,775
-	-	-	2,524
<u>151,672</u>	<u>4,593</u>	<u>70,961</u>	<u>5,693,799</u>
<u>151,672</u>	<u>4,593</u>	<u>70,961</u>	<u>5,693,799</u>
3,907	-	1,965	1,713,014
-	-	-	996,319
<u>3,907</u>	<u>-</u>	<u>1,965</u>	<u>2,709,333</u>
-	-	-	1,348,194
-	-	-	1,348,194
<u>3,907</u>	<u>-</u>	<u>1,965</u>	<u>4,057,527</u>
<u>147,765</u>	<u>4,593</u>	<u>68,996</u>	<u>1,636,272</u>
<u>\$ 147,765</u>	<u>\$ 4,593</u>	<u>\$ 68,996</u>	<u>\$ 1,636,272</u>

IRVING INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FISCAL YEAR ENDED AUGUST 31, 2006

Data Control Codes	<u>HEALTH</u>	<u>WORKERS COMPENSATION</u>	<u>UNEMPLOYMENT</u>	<u>BENEFITS ADMINISTRATION</u>
<b>OPERATING REVENUES</b>				
5700 Charges for Services	\$ 15,792,792	\$ 1,509,551	\$ 144,810	\$ 46,816
5020 Total Operating Revenues	<u>15,792,792</u>	<u>1,509,551</u>	<u>144,810</u>	<u>46,816</u>
<b>OPERATING EXPENSES</b>				
6100 Payroll Costs	-	18,983	-	-
6200 Professional/Contracted Services	-	-	-	-
6300 Supplies and Materials	-	-	-	-
6400 Claims, Administration, and Other Expenses	<u>17,040,592</u>	<u>(362,967)</u>	<u>46,227</u>	<u>54,588</u>
6030 Total Operating Expenses	<u>17,040,592</u>	<u>(343,984)</u>	<u>46,227</u>	<u>54,588</u>
Operating Income (Loss)	(1,247,800)	1,853,535	98,583	(7,972)
<b>NON-OPERATING REVENUES</b>				
5742 Interest Revenue	-	92,533	-	-
Change in Net Assets	(1,247,800)	1,946,068	98,583	(7,972)
Total Net Assets - September 1 (Beginning)	<u>(1,444,049)</u>	<u>2,034,156</u>	<u>27,738</u>	<u>8,194</u>
Total Net Assets - August 31 (Ending)	<u>\$ (2,691,849)</u>	<u>\$ 3,980,224</u>	<u>\$ 126,321</u>	<u>\$ 222</u>

EXHIBIT H-4

<u>SCIENCE KIT REFURBISHMENT</u>	<u>IRVING.NET</u>	<u>PRINT SHOP</u>	<u>TOTALS INTERNAL SERVICE FUNDS</u>
<u>\$ 361,400</u>	<u>\$ 5,062</u>	<u>\$ 99,936</u>	<u>\$ 17,960,167</u>
<u>361,400</u>	<u>5,062</u>	<u>99,936</u>	<u>17,960,167</u>
178,898	5,762	-	203,643
5,132	27	14,193	19,352
169,498	249	59,306	229,053
<u>3,265</u>	<u>-</u>	<u>-</u>	<u>16,781,705</u>
<u>356,793</u>	<u>6,038</u>	<u>73,499</u>	<u>17,233,753</u>
4,607	(976)	26,437	726,414
-	-	-	<u>92,533</u>
4,607	(976)	26,437	818,947
<u>143,158</u>	<u>5,569</u>	<u>42,559</u>	<u>817,325</u>
<u>\$ 147,765</u>	<u>\$ 4,593</u>	<u>\$ 68,996</u>	<u>\$ 1,636,272</u>

IRVING INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FISCAL YEAR ENDED AUGUST 31, 2006

	<u>Health Insurance</u>	<u>Workers Compensation</u>	<u>Unemployment</u>	<u>Benefit Administration</u>
<b>Cash Flows from Operating Activities:</b>				
Cash Received for Premiums and Services	\$ 15,792,792	\$ 1,509,551	\$ 144,810	\$ 46,616
Cash Paid for Claims, Administration, and Other Costs	<u>(16,208,934)</u>	<u>(871,812)</u>	<u>(49,715)</u>	<u>(54,588)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(416,142)</u>	<u>637,739</u>	<u>95,095</u>	<u>(7,972)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest Received	-	92,533	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>92,533</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(416,142)	730,272	95,095	(7,972)
Cash and Cash Equivalents at Beginning of the Year	<u>416,142</u>	<u>4,598,948</u>	<u>39,512</u>	<u>8,194</u>
Cash and Cash Equivalents at End of the Year	<u>\$ -</u>	<u>\$ 5,329,220</u>	<u>\$ 134,607</u>	<u>\$ 222</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	<u>\$ (1,247,800)</u>	<u>\$ 1,853,535</u>	<u>\$ 98,583</u>	<u>\$ (7,972)</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:</b>				
Change in Current Assets and Liabilities:				
(Increase) Decrease in Other Receivables	53,480	-	-	-
(Increase) Decrease in Inventories	-	-	-	-
Increase (Decrease) in Accounts Payable	(218,141)	(958)	(3,488)	-
Increase (Decrease) in Due to Other Funds	996,319	-	-	-
Increase in Long-term Claims Reserve	-	<u>(1,214,838)</u>	-	-
Total Adjustments	<u>831,658</u>	<u>(1,215,796)</u>	<u>(3,488)</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (416,142)</u>	<u>\$ 637,739</u>	<u>\$ 95,095</u>	<u>\$ (7,972)</u>

EXHIBIT H-5

<u>Science Kit Refurbishment</u>	<u>Irving.Net</u>	<u>Print Shop</u>	<u>TOTALS Internal Service Funds</u>
\$ 361,400	\$ 5,062	\$ 101,201	\$ 17,961,432
<u>(353,163)</u>	<u>(6,038)</u>	<u>(73,156)</u>	<u>(17,617,406)</u>
8,237	(976)	28,045	344,026
-	-	-	92,533
-	-	-	92,533
8,237	(976)	28,045	436,559
<u>143,435</u>	<u>5,569</u>	<u>38,141</u>	<u>5,249,941</u>
<u>\$ 151,672</u>	<u>\$ 4,593</u>	<u>\$ 66,186</u>	<u>\$ 5,686,500</u>
\$ 4,607	\$ (976)	\$ 26,437	\$ 726,414
-	-	-	53,480
-	-	1,265	1,265
3,630	-	343	(218,614)
-	-	-	996,319
-	-	-	<u>(1,214,838)</u>
<u>3,630</u>	<u>-</u>	<u>1,608</u>	<u>(382,388)</u>
<u>\$ 8,237</u>	<u>\$ (976)</u>	<u>\$ 28,045</u>	<u>\$ 344,026</u>



# FIDUCIARY FUNDS



IRVING INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 AUGUST 31, 2006

EXHIBIT H-6

	STUDENT ACTIVITY FUNDS	FLEXIBLE BENEFITS	TOTALS AGENCY FUNDS
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 392,432	\$ 180,050	\$ 572,482
Total Assets	\$ 392,432	\$ 180,050	\$ 572,482
 <b>LIABILITIES</b>			
Accounts Payable	\$ 7,443	\$ 180,050	\$ 187,493
Due to Student Groups	384,989	-	384,989
Total Liabilities	\$ 392,432	\$ 180,050	\$ 572,482

IRVING INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES  
 IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED AUGUST 31, 2006

EXHIBIT H-7

	BALANCE SEPTEMBER 1, 2005	ADDITIONS	DELETIONS	BALANCE AUGUST 31, 2006
<b>STUDENT ACTIVITIES:</b>				
Assets:				
Cash and Temporary Investments	\$ 366,768	\$ 1,090,998	\$ 1,065,334	\$ 392,432
Total Assets	\$ 366,768	\$ 1,090,998	\$ 1,065,334	\$ 392,432
Liabilities:				
Accounts Payable	\$ 12,384	\$ 971,500	\$ 976,441	\$ 7,443
Due to Student Groups	354,384	1,139,547	1,108,942	384,989
Total Liabilities	\$ 366,768	\$ 2,111,047	\$ 2,085,383	\$ 392,432
 <b>FLEXIBLE BENEFITS:</b>				
Assets:				
Cash and Temporary Investments	\$ 270,748	\$ 1,166,537	\$ 1,257,235	\$ 180,050
Total Assets	\$ 270,748	\$ 1,166,537	\$ 1,257,235	\$ 180,050
Liabilities:				
Accounts Payable	\$ 270,748	\$ 2,252,989	\$ 2,343,687	\$ 180,050
Total Liabilities	\$ 270,748	\$ 2,252,989	\$ 2,343,687	\$ 180,050
 <b>TOTAL AGENCY FUNDS:</b>				
Assets:				
Cash and Temporary Investments	\$ 637,516	\$ 2,257,535	\$ 2,322,569	\$ 572,482
Total Assets	\$ 637,516	\$ 2,257,535	\$ 2,322,569	\$ 572,482
Liabilities:				
Accounts Payable	\$ 283,132	\$ 3,224,489	\$ 3,320,128	\$ 187,493
Due to Student Groups	354,384	1,139,547	1,108,942	384,989
Total Liabilities	\$ 637,516	\$ 4,364,036	\$ 4,429,070	\$ 572,482

**CAPITAL ASSETS  
USED IN THE  
OPERATION OF  
GOVERNMENTAL FUNDS**

IRVING INDEPENDENT SCHOOL DISTRICT  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 AUGUST 31, 2006

EXHIBIT I-1

Activity	Land and Improvements	Buildings and Improvements	Construction in Progress	Furniture and Equipment	Total
Senior High Schools	\$ 10,079,501	\$ 153,994,319	\$ 189,672	\$ 22,863,157	\$ 187,126,649
Middle Schools	13,605,374	97,982,607	148,546	10,136,662	121,873,189
Elementary	7,699,823	178,646,637	114,510	17,894,068	204,355,038
Administration and Services	3,798,986	31,815,842	28,098	13,986,330	49,629,256
<b>Total</b>	<b>\$ 35,183,684</b>	<b>\$ 462,439,405</b>	<b>\$ 480,826</b>	<b>\$ 64,880,217</b>	<b>\$ 562,984,132</b>

IRVING INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 CHANGES BY FUNCTION AND ACTIVITY  
 AUGUST 31, 2006

EXHIBIT I-2

Activity	Capital Assets 09/01/05	Increases	Decreases	Capital Assets 08/31/06
<b>Senior High Schools</b>				
Land and Improvements	\$ 10,079,501	\$ -	\$ -	\$ 10,079,501
Buildings and Improvements	147,952,057	6,042,262	-	153,994,319
Construction in Progress	2,174,074	4,057,860	(6,042,262)	189,672
Furniture and Equipment	20,196,688	3,626,254	(959,785)	22,863,157
<b>Total</b>	<b>180,402,320</b>	<b>13,726,376</b>	<b>(7,002,047)</b>	<b>187,126,649</b>
<b>Middle Schools</b>				
Land and Improvements	13,605,374	-	-	13,605,374
Buildings and Improvements	92,993,728	4,988,879	-	97,982,607
Construction in Progress	148,546	4,988,879	(4,988,879)	148,546
Furniture and Equipment	9,821,181	767,465	(451,984)	10,136,662
<b>Total</b>	<b>116,568,829</b>	<b>10,745,223</b>	<b>(5,440,863)</b>	<b>121,873,189</b>
<b>Elementary</b>				
Land and Improvements	7,699,823	-	-	7,699,823
Buildings and Improvements	162,577,041	16,069,596	-	178,646,637
Construction in Progress	1,092,855	15,091,251	(16,069,596)	114,510
Furniture and Equipment	16,205,320	2,950,535	(1,261,787)	17,894,068
<b>Total</b>	<b>187,575,039</b>	<b>34,111,382</b>	<b>(17,331,383)</b>	<b>204,355,038</b>
<b>Administration and Services</b>				
Land and Improvements	3,798,986	-	-	3,798,986
Buildings and Improvements	34,193,819	63,359	(2,441,336)	31,815,842
Construction in Progress	832,516	91,457	(895,875)	28,098
Furniture and Equipment	11,799,281	3,009,690	(822,641)	13,986,330
<b>Total</b>	<b>50,624,602</b>	<b>3,164,506</b>	<b>(4,159,852)</b>	<b>49,629,256</b>
<b>Total for All Functions/Activities</b>	<b>\$535,170,790</b>	<b>\$ 61,747,487</b>	<b>\$ (33,934,145)</b>	<b>\$ 562,984,132</b>

IRVING INDEPENDENT SCHOOL DISTRICT  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY LOCATION  
AUGUST 31, 2006

EXHIBIT I-3

Location	Land and Improvements	Buildings and Improvements	Construction in Progress	Furniture and Equipment	Total
<b>Senior High Schools</b>					
Irving High School	\$ 2,225,826	\$ 42,497,938	\$ -	\$ 404,693	\$ 45,128,457
MacArthur High School	2,684,768	37,844,892	-	752,208	41,281,868
Nimitz High School	2,230,968	39,001,671	-	711,607	41,944,246
Union Bower	44,939	2,689,017	102,525	74,829	2,911,310
The Academy of Irving ISD	1,984,808	26,903,453	-	1,716,993	30,605,254
Ratterree	320,832	2,745,027	87,147	139,297	3,292,303
Reassignment Center	587,360	2,312,321	-	-	2,899,681
All High Schools	-	-	-	19,063,530	19,063,530
<b>Middle Schools</b>					
Bowie Middle School	815,411	15,151,472	-	177,899	16,144,782
Crockett Middle School	712,298	12,094,417	-	187,421	12,994,136
Travis Middle School	2,290,583	14,617,848	-	198,652	17,107,083
Lamar Middle School	797,685	10,967,244	-	261,228	12,026,157
Austin Middle School	1,562,909	11,570,126	-	156,338	13,289,373
Houston Middle School	2,207,991	14,931,086	-	179,937	17,319,014
de Zavala Middle School	3,095,843	18,650,414	-	293,962	22,040,219
New Middle School	2,122,654	-	148,546	-	2,271,200
All Middle Schools	-	-	-	8,681,225	8,681,225
<b>Elementary</b>					
Barton Elementary	117,166	6,776,729	-	116,173	7,010,068
Brown Elementary	112,697	7,389,903	-	161,189	7,663,789
Britain Elementary	150,560	10,478,636	114,510	97,937	10,841,643
Gilbert School	18,118	957,033	-	5,886	981,037
Good Elementary	120,307	6,395,677	-	126,166	6,642,150
J Haley Elementary	102,551	7,635,420	-	97,142	7,835,113
T Haley Elementary	646,740	9,637,559	-	210,322	10,494,621
Johnston Elementary	127,628	6,908,938	-	104,222	7,140,788
Keyes Elementary	262,956	7,002,627	-	149,849	7,415,432
Lee Elementary	149,160	7,612,240	-	103,619	7,865,019
Lively Elementary	215,060	7,914,176	-	150,245	8,279,481
Farine Elementary	278,513	8,420,903	-	212,136	8,911,552
Schultz Elementary	231,429	6,071,273	-	135,179	6,437,881
Brandenburg Elementary	119,236	6,378,566	-	128,187	6,625,989
Elliott Elementary	329,952	7,224,435	-	155,640	7,710,027
Hanes Elementary	461,747	8,683,665	-	149,056	9,294,468
Townley Elementary	268,251	7,445,763	-	184,121	7,898,135
Davis Elementary	101,907	7,267,557	-	127,539	7,497,003
FM Gilbert Elementary	1,062,426	7,821,214	-	113,903	8,997,543
Townsell Elementary	278,055	12,699,903	-	269,321	13,247,279
Stipes Elementary	1,263,880	13,069,915	-	105,795	14,439,590
New Elementary	3,199	-	-	-	3,199
Clifton Early Childhood Center	96,260	4,955,323	-	87,838	5,139,421
Pierce Early Childhood Center	703,003	4,812,240	-	82,335	5,597,578
Kinkeade Early Childhood Center	479,022	5,086,942	-	79,065	5,645,029
All Elementary Schools	-	-	-	14,741,203	14,741,203
<b>Administration and Services</b>	<b>3,798,986</b>	<b>31,815,842</b>	<b>28,098</b>	<b>13,986,330</b>	<b>49,629,256</b>
<b>Total</b>	<b>\$ 35,183,684</b>	<b>\$ 462,439,405</b>	<b>\$ 480,826</b>	<b>\$ 64,880,217</b>	<b>\$ 562,984,132</b>



**REQUIRED T.E.A.  
SCHEDULES**





IRVING INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2006

Last Ten Years Tax Roll Fiscal Year Ending August 31	Operations	Maintenance Debt	Total	Interest & Sinking	3 Assessed/Appraised Value for School Tax
1997 & Prior Years	1.3675	0.0425 **	1.4100	0.2534	\$ 5,958,312,768
1998	1.3627	0.0373 **	1.4000	0.2484	6,133,433,560
1999	1.3819	0.0381 **	1.4200	0.2584	6,733,874,197
2000	1.4217	0.0213 **	1.4430	0.2254	7,150,517,228
2001	1.4565	0.0235 **	1.4800	0.2150	7,412,373,288
2002	1.4950	--	1.4950	0.2000	7,683,491,069
2003	1.5000	--	1.5000	0.2706	7,626,582,560
2004	1.5000	--	1.5000	0.3150	7,554,198,014
2005	1.5000	--	1.5000	0.3370	7,860,220,752
2006	1.5000	--	1.5000	0.3140	8,239,493,587 *
1000 Totals					

Column 3 - Assessed/Appraised Value for School Tax Purposes: This is the net appraised value through the July supplement as reported by the Dallas Central Appraisal District, after exemptions provided by law and those granted by the District, which includes tax abatements.

Column 20 - Current Year's Tax Levy:

This amount is calculated by multiplying the total tax rate times per \$100 of Assessed/Appraised value then deducting the levy lost due to the over 65 tax freeze exemption of \$6,523,484.

\* Source: 2005 School District Report of Property Value (Includes all Supplements and Litigated Accounts).

\*\* The debt tax rates for Debt Service requirements associated with Contractual Obligations.

\*\*\* Includes taxes due from the abolished County Education District.

10 Beginning Balance 9/1/2005	20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Fiscal Year's Adjustment	50 Ending Balance 8/31/2006
\$ 1,587,103 ***	\$ -	\$ 27,298	\$ 5,627	\$ (29,531)	\$ 1,524,647
214,625	-	5,569	988	(4,429)	203,639
279,336	-	7,257	1,321	(3,981)	266,777
337,264	-	28,145	4,396	(4,935)	299,788
968,037	-	69,761	10,134	9,084	897,226
588,818	-	82,921	11,093	16,440	511,244
731,566	-	139,274	25,125	13,793	580,960
1,043,640	-	236,975	49,765	(87,765)	669,135
2,373,107	-	679,621	152,688	(689,194)	851,604
-	142,940,929	115,922,613	24,266,469	-	2,751,847
<u>\$ 8,123,496</u>	<u>\$142,940,929</u>	<u>\$ 117,199,434</u>	<u>\$24,527,606</u>	<u>\$ (780,518)</u>	<u>\$ 8,556,867</u>

Column 30 - Fiscal Year's Collections:

These are levy collections prior to adjustments described in Column 40, according to each year's tax roll. Penalty and interest collections are not included.

Column 40 - Fiscal Year's Adjustments:

These adjustments include corrections for errors in taxes assessed, total reductions for missing taxpayers and taxes lost due to exemptions. Amount may vary due to rounding.

Column 50 - Ending Balance 8/31/06:

This total is displayed in Exhibit C-1, Balance Sheet.

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

EXHIBIT J-2

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
6100	\$ 37,173	\$ 189,663	\$ 269,811	\$ 3,741,417	\$ 50,149	\$ -	\$ 4,288,213
6211	288,279	-	-	-	-	-	288,279
6212	-	-	-	149,358	-	-	149,358
6213	-	532,356	-	-	-	-	532,356
621X	-	15,688	10,238	111,930	-	-	137,856
6230	-	-	-	51,958	-	-	51,958
6240	-	-	-	-	95,235	-	95,235
6250	-	-	-	-	26,682	-	26,682
6260	-	-	-	126,451	-	-	126,451
6290	-	-	-	-	-	-	-
6320	-	-	-	187	4,705	-	4,892
63XX	-	19,824	3,410	173,001	4,225	-	200,460
6410	10,950	5,654	10,324	41,687	517	-	69,132
6420	-	296	-	129,066	-	-	129,362
6430	36,072	-	-	-	-	-	36,072
6490	5,043	1,980	19,876	98,842	-	-	125,741
6600	-	-	-	-	-	88,075	88,075
<b>TOTAL</b>	<b>\$ 377,517</b>	<b>\$ 765,461</b>	<b>\$ 313,659</b>	<b>\$ 4,623,897</b>	<b>\$ 181,513</b>	<b>\$ 88,075</b>	<b>\$ 6,350,122</b>

Total Expenditures for General and Special Revenue Funds (Schedule C-2)

(8) \$218,890,885

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(9) \$ 2,138,675
Total Debt & Lease (6500)	(10) -
Plant Maintenance (Function 51, 6100-6400)	(11) 18,725,306
Food (Function 35, 6341 and 6499)	(12) 4,277,337
Stipends (6413)	(13) -
Column 4 (above) - Total Indirect Cost	(14) <u>4,623,897</u>

Subtotal:

29,765,215

Net Allowed Direct Cost

(15) \$189,125,670

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(16) \$462,439,405
Historical Cost of Buildings over 50 years old	(17) 23,237,059
Amount of Federal Money in building cost (Net of Above)	(18) -
Total Cost of Furniture & Equipment before Depreciation (1530)	(19) 64,880,217
Historical Cost of Furniture & Equipment over 16 years old	(20) 1,034,787
Amount of Federal Money in Furniture & Equipment (Net of Above)	(21) 2,672,236

Note A - \$577,935 in Function 53 expenditures are included in this report on administrative costs.

IRVING INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW  
 CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2006

EXHIBIT J-3

1. Total General Fund Balance as of 8/31/06	<u>\$ 53,456,057</u>
2. Total General Fund Reserved Fund Balance	<u>\$ 1,618,251</u>
3. Total General Fund Designated Unreserved Fund Balance	<u>\$ 5,040,685</u>
4. Estimated amount needed to cover Fall (9/1/06 - 1/31/07) cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>\$ -</u>
5. Estimated Average Monthly Cash Disbursements of General Fund for period 9/1/06 - 5/31/07	<u>\$ 15,686,317</u>
6. Estimate of delayed payments from state sources (58XX) including August payment delays	<u>\$ 5,910,280</u>
7. Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LEP) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>\$ -</u>
8. Estimate of delayed payments from federal sources (59XX)	<u>\$ 2,057,908</u>
9. Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>\$ -</u>
10. General Fund Optimum Fund Balance (Lines 2+3+4+5+6+7+8+9)	<u>\$ 30,313,441</u>
11. Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	<u>\$ 23,142,616</u>

Explanation for Undesignated Unreserved General Fund Balance:

The Board of Trustee's has a minimum goal of a 15% fund balance. This represents a 12.6% ratio of undesignated unreserved general fund balance to expenditures.

IRVING INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR FISCAL YEAR ENDED AUGUST 31, 2006

EXHIBIT J-4

DATA CONTROL CODES	Original Budget	Final Amended Budget	Fiscal Year Actual	Variance Positive or (Negative)
<b>REVENUES</b>				
5700	\$ 24,353,684	\$ 25,234,814	\$ 25,414,527	\$ 179,713
5800	8,076,672	8,436,312	8,426,457	(9,855)
5020	<u>32,430,356</u>	<u>33,671,126</u>	<u>33,840,984</u>	<u>169,858</u>
<b>EXPENDITURES</b>				
0070	Debt Service:			
0071	13,460,943	13,460,943	13,460,943	-
0072	18,698,416	18,698,416	18,698,016	400
0073	270,997	1,026,157	810,321	215,836
	<u>32,430,356</u>	<u>33,185,516</u>	<u>32,969,280</u>	<u>216,236</u>
6030	<u>32,430,356</u>	<u>33,185,516</u>	<u>32,969,280</u>	<u>216,236</u>
1100	-	485,610	871,704	386,094
<b>OTHER FINANCING SOURCES (USES)</b>				
7901	-	56,266,910	56,292,787	25,877
7916	-	-	(83,842)	(83,842)
8940	-	(55,450,501)	(55,450,501)	-
	<u>-</u>	<u>816,409</u>	<u>758,444</u>	<u>(57,965)</u>
1200	-	1,302,019	1,630,148	328,129
0100	10,454,626	10,454,626	10,454,626	-
3000	<u>\$ 10,454,626</u>	<u>\$ 11,756,645</u>	<u>\$ 12,084,774</u>	<u>\$ 328,129</u>

IRVING INDEPENDENT SCHOOL DISTRICT

Exhibit S-1

NET ASSETS BY COMPONENT  
 LAST TEN FISCAL YEARS<sup>1</sup> (UNAUDITED)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 22,969,447	\$ 31,468,629	\$ 53,188,552	\$ 20,925,351	\$ 15,482,850
Restricted					
Food Service	437,222	1,713,224	2,486,215	3,379,086	4,910,165
Debt Service	8,942,926	7,767,463	5,854,438	(320,233)	3,546,649
Unrestricted	8,889,321	(10,721,894)	(41,061,425)	(4,516,715)	5,874,439
Total primary government net assets	<u>\$ 41,238,916</u>	<u>\$ 30,227,422</u>	<u>\$ 20,467,780</u>	<u>\$ 19,467,489</u>	<u>\$ 29,814,103</u>

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

Note:  
<sup>1</sup> Amounts were not available prior to the GASB 34 requirements in 2002.

IRVING INDEPENDENT SCHOOL DISTRICT

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE  
LAST TEN FISCAL YEARS<sup>1</sup> (UNAUDITED)

	Fiscal Year				
	2002 <sup>2</sup>	2003	2004	2005	2006
<b>Expenses</b>					
Governmental activities					
Instruction	\$ 140,506,756	\$ 141,378,290	\$ 140,482,414	\$ 146,901,790	\$ 151,485,746
Instructional resources and media services	-	4,125,063	4,086,837	4,226,810	4,305,056
Curriculum and staff development services	-	2,922,273	2,796,047	3,045,050	3,113,527
Instructional leadership	16,603,759	4,124,716	4,520,665	4,290,512	4,285,657
School leadership	-	13,656,367	14,133,219	14,355,641	15,372,131
Guidance, counseling, and evaluation services	24,352,766	9,070,236	9,428,195	9,556,167	9,622,840
Social work services	-	313,467	338,892	334,891	386,673
Health services	-	1,830,314	1,847,329	1,891,844	1,911,962
Student transportation	-	1,780,177	2,082,926	2,407,130	2,818,312
Food Service	-	10,271,774	10,992,177	11,327,917	11,868,793
Extracurricular activities	-	3,566,372	3,601,010	3,640,268	3,819,855
General administration	5,471,326	5,582,107	6,271,739	6,253,171	6,533,431
Plant maintenance and operations	20,130,621	16,627,084	16,583,792	17,454,062	19,046,590
Security and monitoring services	-	1,460,917	1,486,013	1,486,523	1,557,058
Data processing services	-	2,447,109	2,564,905	3,627,658	3,050,837
Community services	309,318	709,301	1,031,252	801,428	738,404
Interest on long-term debt	18,859,658	20,209,588	24,143,929	21,928,409	20,163,981
Facilities acquisition/construction	1,253,511	1,792	3,458	-	-
Intergovernmental charges	818,673	601,929	112,540	98,414	162,003
Total primary government program expenses	228,306,388	240,678,876	246,507,339	253,627,685	260,242,856
Prior Period Adjustment	-	-	-	948,669	-
As restated	<u>228,306,388</u>	<u>240,678,876</u>	<u>246,507,339</u>	<u>254,576,354</u>	<u>260,242,856</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for services					
Instruction	619,595	1,063,806	1,658,110	1,703,997	1,703,590
Instructional leadership	-	35,555	370,890	-	-
Guidance, counseling, and evaluation services	4,054,385	-	-	-	-
Food service	-	3,023,447	2,854,792	3,025,401	3,063,206
Extracurricular activities	-	1,333,805	1,428,587	1,303,344	1,333,011
Plant maintenance and operations	169,784	137,990	168,366	192,941	178,949
Operating grants and contributions	18,582,537	26,434,666	25,974,739	30,492,545	33,430,779
Total primary government program revenues	<u>23,426,301</u>	<u>32,029,269</u>	<u>32,455,484</u>	<u>36,718,228</u>	<u>39,709,535</u>
<b>Net (Expense)/Revenue</b>					
Total primary government expenses	<u>\$ (204,880,087)</u>	<u>\$ (208,649,607)</u>	<u>\$ (214,051,855)</u>	<u>\$ (217,858,126)</u>	<u>\$ (220,533,321)</u>

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

Notes:

<sup>1</sup> Amounts were not available prior to the GASB 34 requirements in 2002.

<sup>2</sup> Functional expenditure reporting was rolled into a summary format for 2002, therefore the detailed functional breakdown is not provided.



IRVING INDEPENDENT SCHOOL DISTRICT

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS  
LAST TEN FISCAL YEARS<sup>1</sup> (UNAUDITED)

	Fiscal Year			
	2002	2003	2004	2005
<b>Net (Expense)/Revenue</b>				
Total primary government expenses	\$ (204,880,087)	\$ (208,649,607)	\$ (214,051,855)	\$ (217,858,126)
<b>General Revenues</b>				
Governmental activities				
Taxes				
Property taxes levied for general purposes	\$ 113,675,672	\$ 112,163,035	\$ 110,325,929	\$ 114,765,808
Property taxes levied for debt service	15,243,715	20,041,515	23,214,927	25,730,326
State Aid Formula Grants	56,043,738	61,600,073	67,793,701	72,033,002
Investment earnings	3,760,849	2,386,301	1,847,751	3,358,191
Miscellaneous	1,927,092	1,447,189	1,109,905	970,508
Total primary government	190,651,066	197,638,113	204,292,213	216,857,835
<b>Change in Net Assets</b>				
Total primary government	\$ (14,229,021)	\$ (11,011,494)	\$ (9,759,642)	\$ (1,000,291)

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

Note:

<sup>1</sup> Amounts were not available prior to the GASB 34 requirements in 2002.

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 12,822,579	\$ 13,483,900	\$ 15,921,988	\$ 14,001,014	\$ 13,037,613	\$ 9,469,016	\$ 8,774,971	\$ 7,829,443	\$ 7,783,690	\$ 6,658,936
Unreserved	19,637,870	23,230,871	23,908,822	22,915,845	24,996,935	28,521,931	21,369,155	25,229,172	30,251,545	46,797,121
Total general fund	\$ 32,460,449	\$ 36,714,771	\$ 39,830,820	\$ 36,916,959	\$ 38,034,548	\$ 37,990,947	\$ 30,164,126	\$ 33,058,615	\$ 38,035,235	\$ 53,456,057
All Other Governmental Funds										
Reserved	2,125,986	1,773,522	1,158,692	175,671	(283,172)	437,222	1,713,224	2,486,215	3,379,086	4,910,165
Special revenue funds	7,385,147	7,881,268	6,922,073	9,380,033	9,742,310	10,321,508	9,260,702	9,540,108	10,454,626	12,084,774
Debt service fund	483,039	1,17,956,869	71,415,703	31,578,814	23,205,248	101,574,549	74,463,098	70,965,056	41,325,555	19,109,623
Capital projects fund	9,994,182	\$ 127,611,649	\$ 81,496,468	\$ 41,132,518	\$ 32,664,386	\$ 112,333,279	\$ 85,437,024	\$ 82,991,379	\$ 55,159,267	\$ 36,104,562
Total all other governmental funds										

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

IRVING INDEPENDENT SCHOOL DISTRICT

Exhibit S-5

GOVERNMENTAL FUNDS REVENUES <sup>1</sup>  
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Federal sources:</b>										
Federal grants	\$ 185,455	\$ 171,048	\$ 537,588	\$ 809,207	\$ 572,390	\$ 8,166,254	\$ 11,296,230	\$ 14,241,524	\$ 17,290,408	\$ 19,513,271
Food service	7,773,105	8,524,157	9,566,972	11,234,393	11,878,852	6,649,977	7,505,425	8,062,369	8,833,357	9,837,963
Capital projects				352,926	58,635					
<b>Total federal sources</b>	<u>7,958,560</u>	<u>8,695,205</u>	<u>10,104,570</u>	<u>12,396,526</u>	<u>12,509,877</u>	<u>14,816,231</u>	<u>18,801,655</u>	<u>22,303,893</u>	<u>26,123,765</u>	<u>28,351,234</u>
<b>State sources:</b>										
State grants and other	35,212,055	39,877,827	38,569,073	45,550,607	48,795,992	56,053,440	65,041,434	65,901,252	69,877,065	77,336,957
Food service	3,358,858	2,262,862	2,726,372	3,312,882	4,337,275	104,271	109,717	105,897	101,329	104,521
Debt service			682,260	4,116,978	4,391,562	4,195,529	4,798,323	5,931,418	6,777,084	8,428,457
<b>Total state sources</b>	<u>38,570,913</u>	<u>42,140,689</u>	<u>41,977,705</u>	<u>52,980,567</u>	<u>57,524,829</u>	<u>60,353,240</u>	<u>69,949,474</u>	<u>71,938,567</u>	<u>76,756,478</u>	<u>85,867,935</u>
<b>Local sources:</b>										
Local and intermediate sources	85,018,885	89,767,463	100,004,638	108,679,628	114,096,295	118,628,634	115,889,544	115,104,227	119,114,539	125,880,509
Food service	2,694,139	2,590,927	2,474,277	2,563,069	2,371,448	2,744,444	3,023,447	2,868,595	3,088,575	3,223,481
Debt service	18,067,857	15,498,731	17,764,301	16,712,187	16,425,154	15,604,634	20,288,203	23,294,950	25,915,188	28,414,527
Capital projects	106,895	4,302,964	5,508,118	3,747,114	1,659,411	1,463,675	1,137,469	839,266	1,251,009	1,200,876
<b>Total local sources</b>	<u>105,887,786</u>	<u>112,160,085</u>	<u>125,751,334</u>	<u>131,701,998</u>	<u>134,751,268</u>	<u>139,441,387</u>	<u>140,136,663</u>	<u>142,107,038</u>	<u>149,369,311</u>	<u>155,719,403</u>
<b>Total revenues</b>	<u>\$ 152,417,259</u>	<u>\$ 162,995,979</u>	<u>\$ 177,833,609</u>	<u>\$ 197,079,091</u>	<u>\$ 204,785,974</u>	<u>\$ 213,610,858</u>	<u>\$ 228,887,792</u>	<u>\$ 236,349,498</u>	<u>\$ 252,248,554</u>	<u>\$ 269,936,572</u>

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

Note: <sup>1</sup> Includes General, Food Service, Debt Service, Capital Projects, and Special Revenue Funds.

IRVING INDEPENDENT SCHOOL DISTRICT

Exhibit 8-6

GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO <sup>1</sup>  
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	1997 <sup>2</sup>	1998 <sup>2</sup>	1999 <sup>2</sup>	2000 <sup>2</sup>	2001 <sup>2</sup>	2002 <sup>2</sup>	2003	2004	2005	2006
<b>Expenses</b>										
Governmental activities										
11 Instruction							151,720,835	133,488,487	137,871,663	140,865,033
12 Instructional resources and media services							4,851,601	4,262,714	4,438,065	4,186,788
13 Curriculum and staff development services							2,768,061	2,768,619	3,041,593	3,109,879
Total function 10	83,862,339	98,521,777	109,639,833	124,188,997	125,865,079	133,682,821	159,277,497	140,520,830	145,351,321	148,270,500
21 Instructional leadership							4,091,778	4,181,826	3,927,769	4,044,615
23 School leadership							13,160,646	13,445,689	13,934,237	14,771,684
Total function 20	12,672,699	12,397,455	13,787,255	15,042,416	16,318,098	15,914,685	17,252,422	17,627,315	17,862,006	18,816,299
31 Guidance, counseling, and evaluation services							8,751,742	8,976,635	9,197,470	9,218,760
32 Social work services							312,915	337,185	338,207	388,421
33 Health services							1,762,015	1,789,906	1,863,302	1,803,601
34 Student transportation							1,753,028	2,055,755	2,379,959	2,791,141
35 Food service							9,720,315	10,336,431	10,970,688	11,576,056
36 Extracurricular activities							3,318,132	3,293,191	3,390,310	3,508,333
Total function 30	17,062,265	18,022,730	19,711,891	22,273,851	21,844,659	22,986,703	25,618,147	26,789,103	28,129,916	29,286,312
41 General administration							6,726,117	5,880,998	5,616,669	5,900,845
Total function 40	3,193,962	4,024,853	4,980,954	5,040,245	5,521,151	5,522,034	6,726,117	5,880,998	5,616,669	5,900,845
51 Plant maintenance and operations							16,557,826	16,461,837	17,238,257	18,943,773
52 Security and monitoring services							1,482,338	1,501,233	1,483,529	1,563,207
53 Data processing services							2,347,326	2,473,285	4,516,984	3,827,566
Total function 50	16,817,170	15,888,355	16,394,317	17,986,625	20,254,631	19,400,321	20,387,490	20,438,155	23,238,780	24,334,546
61 Community services							708,822	1,008,516	800,270	735,438
Total function 60	112,766	73,800	99,621	33,427	170,105	306,114	708,822	1,008,516	800,270	735,438
71 Debt service <sup>3</sup>										
Principal on long-term debt										
Interest on long-term debt <sup>3</sup>										
Bond issuance costs and fees										
Total function 70	17,391,525	19,010,251	19,904,486	21,939,186	22,828,836	20,817,213	26,525,473	29,312,854	31,830,824	32,969,280
81 Facilities acquisition/construction										
Total function 80	63,329	3,630,281	36,387,066	44,864,242	40,012,659	45,779,339	54,932,374	34,406,064	21,088,401	24,801,952
95 Payments to JJAEP										
97 Payments to TIF										
Total function 90	-	-	-	-	547,891	818,673	601,929	112,540	98,414	162,003
Total expenditures	151,165,655	171,467,502	222,885,423	251,368,969	253,363,109	285,217,903	312,030,271	276,094,373	274,216,601	285,276,973
Prior Period Adjustment									848,689	
As restated	\$ 151,165,655	\$ 171,467,502	\$ 222,885,423	\$ 251,368,969	\$ 253,363,109	\$ 285,217,903	\$ 312,030,271	\$ 276,094,373	\$ 275,165,270	\$ 285,276,973
Debt service as a percentage of noncapital expenditures	11.5%	11.3%	10.8%	10.6%	10.7%	9.5%	10.3%	12.1%	12.5%	12.7%

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

Notes:

- <sup>1</sup> Includes General, Food Service, Debt Service, Capital Projects, and Special Revenue Funds.
- <sup>2</sup> Functional expenditure reporting was rolled into a summary format for fiscal years 1997 through 2002, therefore the detailed functional breakdown is not provided.
- <sup>3</sup> Principal and interest were not split for financial reporting in 1997, 1998, 1999, 2000, 2001. Bond issuance costs and fees were not split until 2006.

IRVING INDEPENDENT SCHOOL DISTRICT

Exhibit S-7

OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES  
LAST TEN FISCAL YEARS (UNAUDITED)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Excess of revenues over (under) expenditures	1,251,604	(8,471,523)	(45,051,814)	(54,289,878)	(48,577,135)	(51,607,045)	(83,142,479)	(39,744,875)	(22,916,716)	(15,338,401)
Other Financing Sources (Uses)										
Proceeds from sale of bonds	-	125,003,220	-	8,000,000	38,946,894	130,000,000	49,500,000	40,000,000	92,425,000	10,000,000
Premium or (discount) on bonds issued	-	-	-	-	-	-	-	187,400	6,573,811	(83,842)
Proceeds from sale of maintenance tax notes	-	-	-	1,000,000	-	-	-	-	-	-
Proceeds from sale of refunding bonds	-	47,409,709	-	-	-	9,351,533	4,875,256	-	-	56,292,787
Proceeds from sale of contractual obligations	-	-	2,000,000	2,000,000	3,521,444	-	-	-	-	-
Sale of real or personal property	8,745	22,551	52,682	12,067	11,524	24,688	13,353	6,319	41,427	946,074
Transfers in	7,740,941	3,197,000	545,053	300,000	211,000	301,563	252,156	381,751	616,229	-
Transfers out	(100,000)	(200,000)	(545,053)	(300,000)	(211,000)	(777,984)	(1,789,424)	(381,751)	(649,502)	-
Payments to escrow agents	-	(45,789,168)	-	-	(1,253,270)	(7,687,483)	(4,431,938)	-	(96,945,741)	(55,450,501)
Total other financing sources (uses)	7,649,686	129,843,312	2,052,682	11,012,067	41,226,592	131,232,337	48,419,403	40,193,719	81,224	11,704,518
Net change in fund balances	\$ 8,901,290	\$ 121,171,789	\$ (42,999,132)	\$ (43,277,811)	\$ (7,350,543)	\$ 79,625,292	\$ (34,723,076)	\$ 448,844	\$ (22,855,492)	\$ (3,533,883)

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

IRVING INDEPENDENT SCHOOL DISTRICT

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

Fiscal Year	APPRAISED VALUE <sup>1</sup>		Less: Exemptions <sup>2</sup>	Total Estimated Taxable Value	Total Direct Rate <sup>1</sup>
	Residential or Real Property	Personal Property			
1997	\$ 5,034,958,540	\$ 1,520,533,710	\$ 597,179,482	\$ 5,958,312,768	1.663
1998	5,357,723,774	1,588,141,440	812,431,654	6,133,433,560	1.648
1999	5,872,793,407	1,708,293,110	847,212,320	6,733,874,197	1.678
2000	6,205,463,010	1,824,177,200	879,122,982	7,150,517,228	1.649
2001	6,596,000,610	1,751,583,220	935,210,542	7,412,373,288	1.695
2002	6,881,771,460	1,793,929,054	992,209,445	7,683,491,069	1.695
2003	7,047,315,280	1,674,555,340	1,095,288,060	7,626,582,560	1.771
2004	6,976,135,611	1,530,328,860	952,266,457	7,554,198,014	1.815
2005	6,958,121,200	1,537,889,415	635,789,863	7,860,220,752	1.837
2006	7,174,877,690	1,526,364,000	461,748,103	8,239,493,587	1.814

Source: Dallas Central Appraisal District

Notes:

- <sup>1</sup> Property is appraised at full market value. Properties are reappraised at least once every three years.
- <sup>2</sup> Effective 1998, the state mandated homestead exemption on qualified residential property increased from \$5,000 to \$15,000.

<sup>1</sup> Per \$100 of assessed value.

IRVING INDEPENDENT SCHOOL DISTRICT

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

Fiscal Year	Irving Independent School District Direct Rates			Overlapping Rates <sup>1</sup>								
	Maintenance and Operations	Debt Service	Total	City of Irving	Irving Flood Control District Section I	City of Grand Prairie	City of Dallas	Dallas County	Dallas County Community College	Dallas County Hospital	Dallas County Flood Control	Dallas County Utility and Reclamation
1997	\$ 1,410	\$ 0,253	\$ 1,663	\$ 0,509	\$ 0,338	\$ 0,696	\$ 0,670	\$ 0,210	\$ 0,050	\$ 0,194	\$ 1,990	\$ 1,505
1998	1,400	0,248	1,648	0,493	0,308	0,690	0,652	0,197	0,050	0,186	1,919	1,595
1999	1,420	0,258	1,678	0,488	0,282	0,675	0,649	0,197	0,050	0,180	1,990	1,498
2000	1,443	0,225	1,649	0,488	0,274	0,670	0,668	0,196	0,050	0,186	1,990	1,202
2001	1,480	0,215	1,695	0,488	0,267	0,670	0,668	0,196	0,060	0,254	2,870	1,221
2002	1,495	0,200	1,695	0,488	0,263	0,670	0,668	0,196	0,060	0,254	2,100	1,381
2003	1,500	0,271	1,771	0,498	0,263	0,670	0,670	0,196	0,078	0,254	2,080	1,868
2004	1,500	0,315	1,815	0,533	0,200	0,670	0,670	0,204	0,080	0,254	2,080	2,322
2005	1,500	0,337	1,837	0,548	0,200	0,670	0,720	0,204	0,082	0,254	2,780	2,380
2006	1,500	0,314	1,814	0,548	0,225	0,670	0,742	0,214	0,081	0,254	2,836	2,097

Source: Appropriate government entities' tax departments

Note:

<sup>1</sup> Includes levies for operating and debt service costs.

IRVING INDEPENDENT SCHOOL DISTRICT

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

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>1</sup>	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Verizon	\$ 241,861,690	1	2.9%	-		0.0%
TIAA	120,543,900	2	1.5%	-		0.0%
Texas Utilities Electric Company	78,146,120	3	0.9%	65,171,050	6	1.1%
EOP 545 E John Carpenter	68,530,000	4	0.8%	-		0.0%
114 Millennium LTD	56,608,550	5	0.7%	-		0.0%
Las Colinas USAA LTD PS	53,697,940	6	0.7%	-		0.0%
Crescent Real Estate	48,847,600	7	0.6%	83,155,240	4	1.4%
Simon Property Group	47,250,000	8	0.6%	91,203,970	3	1.5%
MPA Las Colinas LTD PS	46,000,000	9	0.6%	-		0.0%
Frito Lay Inc.	38,240,690	10	0.5%	55,403,930	9	0.9%
GTE Telephone	-		0.0%	251,384,675	1	4.2%
Teachers Insurance	-		0.0%	124,286,830	2	2.1%
HMS Office	-		0.0%	66,226,610	5	1.1%
Las Colinas Corporation	-		0.0%	64,835,880	7	1.1%
Associates Corporation	-		0.0%	56,026,120	8	0.9%
MCI Telecommunications	-		0.0%	47,763,520	10	0.8%
	\$ 799,726,490		9.7%	\$ 905,457,825		15.2%

Source: Dallas Central Appraisal District



IRVING INDEPENDENT SCHOOL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS<sup>1</sup>  
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year Ending	Taxes Levied for the Fiscal Year <sup>2</sup>		Collected within the Fiscal Year of the Levy		Collections other than Current Year		Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy	Delinquent Taxes	Penalty and Interest	Amount	Percentage of Levy
1997	\$ 98,162,333	98.63%	\$ 96,814,416	98.63%	\$ 753,810	\$ 614,054	\$ 98,182,280	100.02%
1998	99,454,832	98.82%	98,277,964	98.82%	549,071	613,274	99,440,309	99.99%
1999	111,198,028	99.17%	110,277,466	99.17%	851,884	529,057	111,658,407	100.41%
2000	117,599,080	98.78%	116,166,865	98.78%	733,030	701,324	117,601,219	100.00%
2001	123,699,211	98.30%	121,599,158	98.30%	991,253	626,943	123,217,354	99.61%
2002	127,313,189	98.59%	125,522,907	98.59%	1,398,486	1,079,277	128,000,670	100.54%
2003	132,100,388	97.36%	128,617,287	97.36%	1,490,073	1,079,133	131,186,493	99.31%
2004	133,004,134	98.47%	130,969,935	98.47%	1,902,788	907,035	133,779,758	100.58%
2005	138,674,876	98.29%	136,301,769	98.29%	2,228,831	1,149,148	139,679,748	100.72%
2006	142,940,929	98.07%	140,189,082	98.07%	1,537,958	1,359,651	143,086,691	100.10%

Source: Dallas Central Appraisal District and IISD Tax Office Year-to-Date records

Notes:

<sup>1</sup> The District performs its own tax collection activities.

<sup>2</sup> The tax levy reflects the original levy as submitted in the State Property Tax Board School District Report of Property Values, net of any additions or deletions occurring during the year.

**IRVING INDEPENDENT SCHOOL DISTRICT**

**Exhibit S-12**

**OUTSTANDING DEBT BY TYPE<sup>1</sup>  
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income <sup>2</sup>	Per Capita <sup>2</sup>
	General Obligation Bonds	Loans	Contractual Obligations					
1997	\$ 100,855,136	\$ 24,862	\$ 4,450,000	\$	105,329,998	3.13%	\$ 595	
1998	214,010,591	16,632	2,270,000		216,297,223	5.92%	1,236	
1999	210,693,057	8,345	2,000,000		212,701,402	5.24%	1,160	
2000	210,758,278	3,453	3,715,000		214,476,731	4.52%	1,159	
2001	238,344,054	-	5,885,000		244,229,054	6.68%	1,275	
2002	373,903,024	-	-		373,903,024	8.21%	1,923	
2003	424,303,006	-	-		424,303,006	9.16%	2,145	
2004	456,726,320	-	-		456,726,320	9.91%	2,321	
2005	444,002,433	-	-		444,002,433	9.51%	2,249	
2006	446,066,092	-	-		446,066,092	-	2,209	

**Source:** Dallas Central Appraisal District

**Notes:**

<sup>1</sup> Details of the District's outstanding debt can be found in the notes to the financial statements.

<sup>2</sup> See Schedule S-15 for personal income and population data. Only the 2006 population data was available from the City of Irving CAFR.

**IRVING INDEPENDENT SCHOOL DISTRICT**

**Exhibit S-13**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF AUGUST 31, 2006 (UNAUDITED)**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable <sup>1</sup></b>	<b>Estimated Share of Direct and Overlapping Debt</b>
City of Irving	\$ 167,705,000	71.25%	\$ 119,489,813
Irving Flood Control District Section I	1,956,701	100.00%	1,956,701
City of Grand Prairie	124,981,114	77.00%	96,235,458
City of Dallas	1,423,817,609	24.00%	341,716,226
Dallas County	281,550,237	6.91%	19,455,121
Dallas County Community College	65,250,000	6.91%	4,508,775
Dallas County Hospital	3,435,000	6.91%	237,359
Dallas County Flood Control	31,500,100	97.70%	30,775,598
Dallas County Utility and Reclamation	311,740,888	90.63%	282,530,767
<b>Subtotal, overlapping bonded debt</b>			<b>896,905,817</b>
<b>Irving Independent School District direct debt</b>	<b>446,066,092</b>	<b>100%</b>	<b>446,066,092</b>
<b>Total direct and overlapping debt</b>			<b>\$ 1,342,971,909</b>

**Source:** Taxable value data used to estimate applicable percentages provided by the Dallas Central Appraisal District. Debt outstanding data provided by each governmental unit.

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

IRVING INDEPENDENT SCHOOL DISTRICT

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS (UNAUDITED)

Exhibit S-14

Legal Debt Margin Calculation for Fiscal Year 2006  
 Assessed value \$ 8,239,493,587  
 Debt limit (10% of assessed value) \$ 823,949,359  
 Debt applicable to limit 433,981,318  
 Legal debt margin \$ 389,968,041

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 595,831,277	\$ 613,343,356	\$ 673,387,420	\$ 715,051,723	\$ 741,237,329	\$ 768,349,107	\$ 762,659,256	\$ 755,419,801	\$ 786,022,075	\$ 823,949,359
Total net debt applicable to limit	93,489,989	206,129,333	201,770,984	201,378,245	228,601,744	363,581,516	415,042,304	447,186,212	433,547,807	433,981,318
Legal debt margin	\$ 502,361,288	\$ 407,214,023	\$ 471,616,436	\$ 513,673,478	\$ 512,635,585	\$ 404,767,591	\$ 347,615,952	\$ 308,233,589	\$ 352,474,268	\$ 389,968,041
Total net debt applicable to the limit as a percentage of debt limit	15.69%	33.61%	29.86%	28.16%	30.84%	47.32%	54.42%	59.20%	55.16%	52.67%

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

**IRVING INDEPENDENT SCHOOL DISTRICT**

**Exhibit S-15**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS (UNAUDITED)**

<b>Period Ending</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup> (thousands of dollars)</b>	<b>Per Capita Personal Income (dollars)</b>	<b>Unemployment Rate <sup>3</sup></b>
1997	177,000	\$ 3,359,814	\$ 18,982	3.20%
1998	175,000	3,652,075	20,869	3.00%
1999	183,300	4,061,928	22,160	2.80%
2000	185,000	4,741,920	25,632	2.80%
2001	191,615	3,656,589	19,083	5.10%
2002	194,407	4,552,818	23,419	6.00%
2003	197,836	4,633,121	23,419	5.70%
2004	196,774	4,608,250	23,419	5.80%
2005	197,400	4,669,497	23,655	5.30%
2006	201,927	-	-	-

**Sources:**

<sup>1</sup> City of Irving CAFR, 'Demographic and Economic Statistics' and the North Central Texas Council of Governments

<sup>2</sup> City of Irving CAFR, 'Demographic and Economic Statistics.' 2006 Personal Income data was not available from the current City of Irving CAFR.

<sup>3</sup> City of Irving CAFR, 'Demographic and Economic Statistics' and the Texas Workforce Commission Website  
Unemployment Rate data for 2006 was not available from the current City of Irving CAFR.

**IRVING INDEPENDENT SCHOOL DISTRICT**

**Exhibit S-16**

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO<sup>1</sup> (UNAUDITED)**

<u>Employer</u>	2006		
	Employees	Rank	Percentage of Total Employment
Verizon Communications	6,431	1	11.55%
Citigroup	5,100	2	9.16%
Irving Independent School District	4,022	3	7.22%
Sprint	3,114	4	5.59%
D/FW International Airport	2,500	5	4.49%
Nokia	2,500	6	4.49%
Irving Mail	2,100	7	3.77%
City of Irving	1,846	8	3.32%
Allstate Insurance Company	1,650	9	2.96%
Abbott Laboratories	1,500	10	2.69%
<b>Total</b>	<b>30,763</b>		<b>55.26%</b>

**Source:** Greater Irving-Las Colinas Chamber of Commerce

**Note:**  
<sup>1</sup> 1997 data not available for 10-year comparison.

IRVING INDEPENDENT SCHOOL DISTRICT

Exhibit S-17

FULL-TIME-EQUIVALENT DISTRICT EMPLOYEES BY TYPE  
LAST TEN FISCAL YEARS (UNAUDITED)

	Full-time-Equivalent Employees					
	2001 <sup>2</sup>	2002 <sup>2</sup>	2003	2004	2005	2006
<b>Teachers</b>	2,061.6	2,125.6	2,209.6	2,092.9	2,093.6	2,155.4
<b>Professional Support</b>						
Associate School Psychologist		4.7	3.7	3.7	3.4	3.7
Counselor		83.0	78.3	78.3	75.0	80.7
Educational Diagnostician		24.0	27.0	27.0	27.5	27.5
Librarian		34.1	35.4	35.4	34.2	32.2
Occupational Therapist		5.0	5.3	5.3	4.8	5.3
Physical Therapist		1.0	1.0	1.0	0.0	2.0
School Nurse		34.0	34.0	34.0	33.8	33.9
Speech Therapist/Speech-Language Pathologist		24.6	22.1	22.1	25.0	23.1
Teacher Facilitator		41.6	42.1	42.1	40.4	39.3
Campus Professional Personnel		2.0	2.0	2.0	2.0	1.1
Non-Campus Professional Personnel		26.6	27.1	27.1	33.0	53.2
<b>Total Professional Support</b>	<b>290.2</b>	<b>266.5</b>	<b>280.6</b>	<b>278.0</b>	<b>279.1</b>	<b>302.0</b>
<b>Campus Administration</b>						
Assistant Principal		73.5	75.0	75.0	76.8	75.6
Instructional Officer		12.0	12.0	12.0	10.0	9.0
Principal		34.8	33.0	33.0	36.0	36.0
Teacher Supervisor		35.4	31.2	31.2	29.6	31.8
Athletic Director		2.0	2.0	2.0	2.0	2.0
<b>Total Campus Administration</b>	<b>117.0</b>	<b>148.5</b>	<b>157.7</b>	<b>153.2</b>	<b>154.4</b>	<b>154.4</b>
<b>Central Administration</b>						
Assistant/Assoc/Deputy Superintendent		3.0	3.0	3.0	3.0	3.0
Superintendent		1.0	1.0	1.0	1.0	1.0
Teacher Supervisor		4.0	3.7	3.7	3.2	2.2
Business Manager		1.0	1.0	1.0	1.0	1.0
Tax Assessor &/or Collector		1.0	1.0	1.0	1.0	1.0
Director of Personnel/HR		1.0	1.0	1.0	1.0	1.0
<b>Total Central Administration</b>	<b>6.0</b>	<b>5.9</b>	<b>11.0</b>	<b>10.7</b>	<b>10.2</b>	<b>9.2</b>
<b>Educational Aides</b>						
Educational Aides		394.5	411.7	411.7	422.0	437.4
Interpreter		2.8	1.0	1.0	4.0	1.8
<b>Total Educational Aides</b>	<b>443.8</b>	<b>390.1</b>	<b>397.3</b>	<b>412.7</b>	<b>426.0</b>	<b>439.2</b>
<b>Auxiliary Staff</b>	<b>677.9</b>	<b>740.7</b>	<b>778.8</b>	<b>793.6</b>	<b>816.7</b>	<b>803.0</b>
<b>Total All Full-Time Equivalent Employees</b>	<b>3,596.5</b>	<b>3,677.3</b>	<b>3,835.0</b>	<b>3,741.1</b>	<b>3,780.0</b>	<b>3,863.2</b>

Source: District records from the Fall PEIMS submission

Notes:

<sup>1</sup> Data not available for years 1997 through 2000, therefore a ten year comparison is not presented.

<sup>2</sup> Detailed information was not available for fiscal year 2002.

IRVING INDEPENDENT SCHOOL DISTRICT

Exhibit S-18

OPERATING STATISTICS  
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
1997 <sup>1</sup>	26,896	\$ 119,232,784	\$ 6,659	-	-	-	50.0%
1998 <sup>1</sup>	27,173	129,481,567	4,765	(39.75)%	-	-	49.5%
1999 <sup>1</sup>	27,651	138,100,804	4,994	4.59 %	-	-	50.5%
2000 <sup>1</sup>	27,961	161,265,370	5,768	13.40 %	-	-	53.7%
2001	29,097	166,091,016	5,708	(1.04)%	2,061.6	14.1	55.3%
2002	30,086	170,913,489	5,681	(0.48)%	2,125.6	14.2	61.4%
2003	30,853	179,762,746	5,826	2.50 %	2,209.6	14.0	59.3%
2004	31,215	174,851,490	5,602	(4.02)%	2,092.9	14.9	61.3%
2005	31,879	179,111,618	5,618	0.30 %	2,093.6	15.2	65.7%
2006	32,620	183,767,694	5,634	0.27 %	2,155.4	15.1	68.7%

Source: District records

Note:

<sup>1</sup> Data for teaching staff counts and pupil teacher ratios are not available for years 1997 through 2000.



IRVING INDEPENDENT SCHOOL DISTRICT

CAPITAL ASSET INFORMATION  
(UNAUDITED)

	<u>2006</u>
<u>School</u>	
Elementary	
Buildings	24
Square feet	1,848,530
Maximum Capacity	18,600
Enrollment	19,909
Middle	
Buildings	7
Square feet	1,149,983
Maximum Capacity	6,125
Enrollment	7,102
High	
Buildings	7
Square feet	1,256,785
Maximum Capacity	14,700
Enrollment	8,564
Administrative	
Buildings	7
Square feet	269,980
Transportation	
Buses (quantity)	42 <sup>1</sup>
Athletics	
Football fields (quantity)	11
Soccer fields (quantity)	11
Running tracks (quantity)	11
Baseball/softball (quantity)	6
Playgrounds (quantity)	38

Source: District records

Note:

<sup>1</sup> Buses are titled under Dallas County Schools. DCS maintains and repairs these buses.



**SINGLE AUDIT  
REPORTS**



**WEAVER  
AND  
TIDWELL**

L.L.P.

CERTIFIED PUBLIC  
ACCOUNTANTS  
AND CONSULTANTS

**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**

**To the Board of Trustees  
Irving Independent School District  
Irving, Texas**

We have audited the basic financial statements of the Irving Independent School District, as of and for the year ended August 31, 2006, and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Irving Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 06-1 through 06-4.

**DALLAS**

*Three Forest Plaza  
12221 Merit Drive  
Suite 1400  
Dallas, Texas 75251-2280  
972.490.1970  
F 972.702.8321*

**FORT WORTH**

*1600 West Seventh Street  
Suite 300  
Fort Worth, Texas 76102-2506  
817.332.7905  
F 817.429.5936*

WWW.WEAVERANDTIDWELL.COM

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**IRVING INDEPENDENT SCHOOL DISTRICT**

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. However, we noted other matters involving the internal control over financial reporting, which we have reported to management in a separate letter dated December 19, 2006.

This report is intended solely for the information and use of the Board of Trustees and District management, and is not intended to be used by anyone other than these specified parties.

  
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
December 19, 2006



**WEAVER  
AND  
TIDWELL**

L.L.P.

CERTIFIED PUBLIC  
ACCOUNTANTS  
AND CONSULTANTS

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

To the Board of Trustees of  
IRVING INDEPENDENT SCHOOL DISTRICT

**Compliance**

We have audited the compliance of Irving Independent School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2006. Irving 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 Irving Independent School District's management. Our responsibility is to express an opinion on Irving 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 Irving 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 Irving Independent School District's compliance with those requirements.

In our opinion, Irving Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2006.

**Internal Control Over Compliance**

The management of Irving 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 Irving Independent School District's internal control over compliance with requirements

DALLAS

Three Forest Plaza  
12221 Merit Drive  
Suite 1400  
Dallas, Texas 75251-2280  
972.490.1970  
F 972.702.8521

FORT WORTH

1400 West Seventh Street  
Suite 300  
Fort Worth, Texas 76102-2506  
817.332.7905  
F 817.429.5936

WWW.WEAVERANDTIDWELL.COM

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that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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

  
**WEAVER AND TIDWELL, L.L.P.**

December 19, 2006  
Dallas, Texas

IRVING INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SUPPLEMENTARY SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2006

Pass-Through Federal Grantor/ Grantor's Number	Pass-Through Grantor Program Title	Federal CFDA Number	Direct Expenditures	Indirect Charges	Total Expenditures
Passed Through State Department of Education:					
66029	Mckinney-Vento Homeless Education	84.196	\$ 104,512	\$	\$ 104,512
P060	Child Care Development Grant	93.575	33,063		33,063
66950017110028	21st Century Community Learning Centers-Cycle 3, Yr. 2	84.287C	680,325	5,441	685,766
56950087110021	21st Century Community Learning Centers-Cycle 1, Yr. 3-Good	84.287C	175,000		175,000
66950087110021	21st Century Community Learning Centers-Cycle 1, Yr. 4-Good	84.287C	2,381		2,381
66950117110016	21st Century Community Learning Centers-Cycle 4, Yr. 1	84.287C	7,879		7,879
V215L0042213	Smaller Learning Communities-Academy	84.215L	197,445		197,445
560000971210	Katrina Evacuees Disaster Relief Funds NOGA#1	84.999	25,600		25,600
660000971210	Katrina Evacuees Disaster Relief Funds NOGA#2	84.999	13,640		13,640
6520301057912	Temporary Emergency Impact Aid for Displaced Student	84.938C	2,351,697	35,735	2,387,432
56160027110044	CSR-High School Initiative-Nimitz	84.332A	112,990		112,990
66160027110023	CSR-High School Initiative-Continuation-Nimitz	84.332A	68,964		68,964
66160017110001	Title I, Part F, CSR-Improving Teaching and Learning-Irving	84.332A	103,567	1,313	104,880
66160017110016	Title I, Part F, CSR-Improving Teaching and Learning-MacArthur	84.332A	98,702	1,534	100,236
5610104057912	Title I - School Improvement Program - Nimitz	84.010A	95,400	967	96,367
642000605791210	Carl D. Perkins Basic Grant for Career & Technology	84.048A	271,887	1,995	273,882
742000605791210	Carl D. Perkins Basic Grant for Career & Technology	84.048A	136,894		136,894
6610101057912	ESEA, Title 1, Part A	84.010A	4,453,109	67,218	4,520,327
7610101057912	ESEA, Title 1, Part A	84.010A	261,985		261,985
6630001057912	ESEA, Title II-Part D-Technology	84.318X	98,371	1,523	99,894
7630001057912	ESEA, Title II-Part D-Technology	84.318X	1,986		1,986
6691001057912	ESEA, Title IV-Safe & Drug Free Schools	84.186A	130,287	2,114	132,401
6685001057912	ESEA, Title V-Innovative	84.298A	98,923	1,718	100,641
7685001057912	ESEA, Title V-Innovative	84.298A	2,018		2,018
6694501057912	ESEA, Title II-Part A, TPTR	84.367	1,123,035	17,280	1,140,315
7694501057912	ESEA, Title II-Part A, TPTR	84.367	87,811		87,811
66600010579126600	IDEA B-Formula*	84.027	5,337,223	79,976	5,417,199
76600010579126600	IDEA B-Formula*	84.027	28,440		28,440
66600040579126604	IDEA B-Capacity Building	84.027	45,308	679	45,987
66610010579126610	IDEA B-Preschool*	84.173	138,068	2,071	140,139
76610010579126610	IDEA B-Preschool*	84.173	1,607		1,607
66610010579126611	IDEA B-Preschool, Deaf*	84.173	1,082	16	1,098
66600010579126601	IDEA B-Formula, Deaf*	84.027	12,030	181	12,211
66600020579126673	IDEA B-Discretionary, Deaf*	84.027	34,426		34,426
66600040579126614	IDEA B-Capacity Building & Improvements-Deaf	84.027	369		369
63911010579123911	IDEA C-Early Intervention	84.181	287		287
6615001057912	Title I-Part C, Education of Migratory Children	84.011A	89,667	1,345	91,012
7615001057912	Title I-Part C, Education of Migratory Children	84.011A	12,000		12,000
6671001057912	ESEA, Title III-Part A, Limited English Proficiency	84.365A	1,206,426	18,108	1,224,534
7671001057912	ESEA, Title III-Part A, Limited English Proficiency	84.365A	33,668		33,668
69550402	Title V-Part A, Summer School-Limited English Proficiency	84.369A	16,988		16,988
56300067110006	Title II-PRC D-Disc-Technology Immersion Pilot(TIP)	84.318X	303,297		303,297
TOTAL DEPARTMENT OF EDUCATION			17,998,357	239,214	18,237,571
Passed through Texas Department of Health and Human Services:					
00057912	Medicaid	93.778	30,079		30,079
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			30,079		30,079
00057912	USDA Donated Commodities	10.565	682,623		682,623
Passed through State Department of Education:					
00057912	National School Lunch*	10.555	7,221,078		7,221,078
00057912	School Breakfast Program*	10.553	1,934,262		1,934,262
TOTAL DEPARTMENT OF AGRICULTURE			9,837,963		9,837,963
00057912	Reserve Officer Training Corps	12.000	193,818		193,818
TOTAL DEPARTMENT OF DEFENSE			193,818		193,818
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 28,060,217	\$ 239,214	\$ 28,299,431



**IRVING INDEPENDENT SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2006**

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

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

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with the provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
4. Funds were received by the District for school health and related services (“SHARS”) reimbursements (\$51,803). However, such reimbursements are not considered federal awards and are not included in the Schedule of Expenditures of Federal Awards.

**IRVING INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2006**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified?                     Yes     No
  - Reportable condition(s) identified that are not considered a material weakness?                     Yes     No
- c. Noncompliance material to financial statements noted                     Yes     No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified?                     Yes     No
  - Reportable condition(s) identified that are note considered                     Yes     None reported
- e. An unqualified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133.                     Yes     No
- g. Identification of major programs:
- |         |  |
|---------|--|
| 84.010A | ESEA Title I-Part A                                |
| 84.365  | ESEA Title III-Part A, Limited English Proficiency |
| 84.367  | ESEA Title II-Part A, TPTR                         |
| 84.938C | Emergency Impact Aid                               |
- h. The dollar threshold used to distinguish between Type A and Type B programs.                    \$848,983
- i. Auditee qualified as a low-risk auditee.                     Yes     No

**IRVING INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2006**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**06-1. Improve Controls over Vendor Disbursements (Reportable Condition)**

During our testing of the District's vendor disbursements, we noted the following:

- Clerical errors – we noted a disbursement in which the wrong account code was used, another in which the wrong dollar amount was paid, and another in which the wrong dollar amount was entered into the general ledger.
- Unallowable costs under OMB Circular A-133 – we noted three instances in which disbursements were made under Federal grants for goods/services that are considered unallowable under the applicable grant. In all three instances, it appears that the disbursements were initiated by individual campuses, and bypassed the review of the Division Director of Special Services.

**06-2. Improve Controls Over Payroll (Reportable Condition)**

During our testing of payroll disbursements we noted three instances in which the employee was paid the incorrect amount: two instances in which the employee was overpaid and one in which the employee was underpaid. The cause of the overpayment appears to be insufficient supervision/review of the data being entered into the payroll system.

**06-3. Improve Cut-Off of Disbursements (Reportable Condition)**

During our testing of the District's accounts payable, we detected several unrecorded liabilities, totaling over \$2.0 million, which were subsequently recorded by the District. This condition appears to be the product of insufficient supervision/review of disbursements transactions near year-end and new accounting software (MUNIS) implemented during fiscal year 2006.

**06-4. Journal Entries (Reportable Condition)**

During our review of journal entries, we noted that 27 of the 40 entries tested did not have the written approval of someone other than the preparer. This increases the likelihood that errors or irregularities could exist and go undetected.

**SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING  
AUDIT FINDINGS AS DESCRIBED IN 1.f above**

None.

**IRVING INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2006**

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**SECTION IV – CORRECTIVE ACTION PLAN**

**06-1. Improve Controls over Vendor Disbursements (Reportable Condition)**

**Recommendation:** We recommend that the District current controls over vendor disbursements be improved as follows:

- Clerical errors – we recommend that the District review current policies and procedures regarding the review/supervision of disbursements and make changes, as needed, to improve the coding of payments.
- Unallowable costs under OMB Circular A-133 – we recommend the District redesign the payables cycle involving Federal grants to include the review of the Division Director of Special Services. This will help ensure that payments made under Federal grants are made for only goods/services that are allowable under Federal regulations.

**Action Taken:**

- Clerical errors - At the August, 2006 Administrative in-service, the Internal Auditor presented training on internal controls over disbursements. This training was presented to campus principals and department managers. Regarding the general ledger coding error, please refer to the reportable condition noted below and the additional controls over the review and approval of general journal entries that have been implemented since September 1, 2006.
- Unallowable costs - Training was provided to campus personnel at the August, 2006 Administrative in-service regarding allowable and unallowable grant expenditures. Regarding the review/supervision of disbursements, the Division Director of Special Services was set up in the MUNIS system as a purchase order approver for campus-based purchases from formula and competitive grant programs, effective at the end of August, 2006.

**06-2. Improve Controls Over Payroll (Reportable Condition)**

**Recommendation:** We recommend that the District review current controls over the entry of data into the payroll system and make any revisions necessary to improve them.

**Action Taken:**

1. Personnel Clerks will verify their own entries prior to payroll cut-offs each month.
2. Director of Personnel will meet monthly with personnel clerks to verify information posted to the MUNIS system prior to the payroll cut-offs each month.
3. Consistent work flow processes will be identified and updated as needed to assure the accuracy of the information entered.
4. Continued dialogue with MUNIS will take place to correct errors in the system.
5. Training will be on-going with the MUNIS system as it is updated and programming issues are identified.

**IRVING INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2006**

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6. Personnel and Business Office will meet periodically to review processes and issues that may arise. The meeting will include the Director of Personnel, Payroll Supervisor, and the Director of Business Operations.

**06-3. Improve Cut-Off of Disbursements (Reportable Condition)**

**Recommendation:** We recommend the District provide increased supervision/review of disbursements and increased MUNIS training, as needed. This will help improve the cut-off of District disbursements and increase the accuracy of the payables balances reported by the District.

**Action Taken:**

1. Director of Business Operations and the Senior Programmer/Analyst will set a flag in MUNIS to prevent prior year purchase orders from being generated after the cut-off date.
2. Shorten the length of time that fiscal year 2007 is open for posting activity.
  - Fiscal year 2006 was left open for 6 weeks; the plan is to close fiscal year 2007 within 3 weeks of August 31, 2007. Leaving fiscal year 2006 open for an extended period created confusion for users as to which period to post activity.
3. Training will be provided by the Director of Business Operations at the Secretarial and Administrative in-service meetings that will take place in August, regarding cut-off procedures for fiscal year-end and the importance of effective dates. Accounts Payable Clerks will be included in this training, as well.
4. The Accounts Payable Supervisor will review all 2007 and 2008 purchase orders to ensure receipt into Central Receiving in the proper fiscal year.
5. The Director of Business Operations will review each AP batch subsequent to August 31, 2007. This review will be to ensure that invoices  $\geq$  \$5,000 are posted to the correct fiscal year and to screen for fixed assets.

**06-4. Journal Entries (Reportable Condition)**

**Recommendation:** We recommend that the District implement policies and procedures to ensure that all significant journal entries are reviewed and signed by someone other than the preparer in order to evidence approval.

**Action Taken:** Only four individuals within the District (all four are in the Business office) have system permission to enter journal entries. Three measures have been implemented as of September 1, 2006 to ensure the propriety of all significant journal entries. These measures are listed below:

1. The Investment Manager/Federal Funds Supervisor reviews and signs all journal entries recorded by the Federal Funds Accountant.

**IRVING INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2006**

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2. The Director of Business Operations reviews and signs all journal entries recorded by the Accounting Supervisor. These journal entries include those submitted by campuses and departments for posting by the Accounting Supervisor, as well as those journal entries generated by the Accounting Supervisor for recurring monthly activity.

**SECTION V - SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings in the prior year.