

**ALVIN  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**For The Year Ended August 31, 2008**



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Texas City, Texas 77590  
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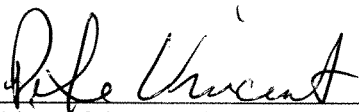
**CERTIFICATE OF THE BOARD**

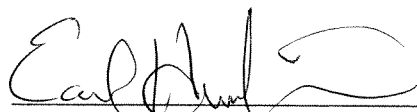
Alvin Independent School District  
Name of School District

Brazoria  
County

020-901  
Co.- Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2008, at a meeting of the board of trustees of such school district on January 20, 2009.

  
\_\_\_\_\_  
President of the Board

  
\_\_\_\_\_  
Secretary of the Board



## **Financial Section**







## **Independent Auditors' Report**

To the Board of Trustees  
Alvin Independent School District  
Alvin, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alvin Independent School District (the "District") as of and for the year ended August 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated January 9, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing standards* and important for assessing the results of our audit.

To the Board of Trustees  
Alvin Independent School District  
Alvin, Texas  
Page 2

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 53 through 54, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the District. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nell Larson, AC". The signature is written in a cursive style with a large initial "N".

Houston, Texas  
January 9, 2009

## **ALVIN INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Alvin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2008.

#### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$66,923,571 (*net assets*). Of this amount, \$40,133,467 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by \$5,234,010.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$107,698,863, a decrease of \$41,631,930 in comparison with the prior year. The decrease in governmental fund balances was primarily due to the decrease in the capital projects fund balance of \$54,248,998. The general fund balance increased by \$11,427,362.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$29,137,382, or 27 percent of total general fund expenditures.
- The District's total long-term debt decreased by \$3,293,602 during the current fiscal year.

#### **Overview of the Financial Statements**

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

**Government-wide Financial Statements** are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information 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 unused sick leave).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction, Payments to Juvenile Justice Alternative Education Programs and Payments to Tax Increment Fund.

The government-wide financial statements can be found on pages 13 through 15 of this report.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

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

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

The District maintains thirty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twenty-nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

The basic governmental fund financial statements can be found on pages 16 through 23 of this report.

**Proprietary Fund.** The District maintains three internal service funds, one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses internal service funds to report activities for its self-funded insurance programs and print shop and they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide separate information for the Print Shop, Health Insurance and Worker's Compensation Funds.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The district is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statement can be found on pages 27 through 28 of this report.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 50 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information can be found on pages 53 through 54 of this report.

**Other Information.** The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 56 through 79 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$66,923,571 at the close of the most recent fiscal year.

The largest portion of the District's net assets (\$20,128,086) reflects its investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Alvin Independent School District's Net Assets**

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 130,802,045	\$ 157,388,599
Capital and non current assets	256,325,493	230,400,840
<b>Total Assets</b>	<u>387,127,538</u>	<u>387,789,439</u>
Current liabilities	13,294,170	15,896,479
Long term liabilities	306,909,797	310,203,399
<b>Total Liabilities</b>	<u>320,203,967</u>	<u>326,099,878</u>
<b>Net Assets:</b>		
Invested in capital assets net of related debt	20,128,086	26,710,206
Restricted	6,662,018	5,135,892
Unrestricted	40,133,461	29,843,463
<b>Total Net Assets</b>	<u>\$ 66,923,565</u>	<u>\$ 61,689,561</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Net assets (\$6,662,018) are restricted for state and federal programs, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* (\$40,133,467) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The District's net assets increased by \$5,234,010 during the current fiscal year primarily due to increase in taxable values in the District, increased State Aid as a result of increased Average Daily Attendance (ADA), and saving from conservative practices used by not having to expend all current year appropriated funds for the opening of three schools in the 2008-2009 school year.

**Alvin Independent School District's Changes in Net Assets**

	<u>2008</u>	<u>2007</u>
<b>Program Revenues</b>		
Charges for services	\$ 4,195,637	\$ 3,514,337
Operating grants	17,424,155	14,377,982
<b>General Revenues</b>		
Property taxes	54,964,818	48,367,986
State aid	73,148,196	54,908,736
Grants and contributions not restricted	43,692	13,749
Interest earnings	6,352,666	8,072,011
Other	112,094	264,934
<b>Total Revenues</b>	<u>156,241,258</u>	<u>129,519,735</u>
<b>Expenses</b>		
Instruction	69,270,296	62,258,339
Instructional resources and media services	2,423,429	2,186,474
Curriculum and staff development	942,631	976,155
Instructional leadership	1,617,938	1,473,561
School leadership	6,081,091	5,447,693
Guidance, counseling, and evaluation services	3,127,275	2,787,644
Health services	956,863	986,586
Student transportation	6,370,781	5,530,002
Food service	7,636,953	6,565,796
Extracurricular activities	3,552,880	3,129,112
General administration	3,479,345	3,076,454
Plant, maintenance and operations	15,874,500	15,434,977
Security and monitoring services	1,356,934	1,187,924
Data processing services	2,631,370	2,099,410
Community services	78,843	72,565
Interest on long-term debt	13,630,989	12,027,636
Debt issuance costs and fees	63,203	58,523
Facilities acquisition and construction	8,962,491	6,227,888
Payments to Juvenile Justice Alternative Education Programs	143,914	155,351
Payments to Tax Increment Fund	2,879,739	
<b>Total Expenses</b>	<u>151,081,465</u>	<u>131,682,090</u>
Excess (deficiency) before special items and transfers	5,159,793	(2,162,355)
Special items	74,217	
Increase (Decrease) in Net Assets	<u>5,234,010</u>	<u>(2,162,355)</u>
<b>Beginning net assets</b>	<u>61,689,561</u>	<u>63,851,916</u>
<b>Ending Net Assets</b>	<u>\$ 66,923,571</u>	<u>\$ 61,689,561</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Governmental Activities** increased the District's net assets by \$5,234,010. Key elements of this increase are as follows:

Revenues are generated primarily from three sources. Grants and contributions (program and general revenues totaling (\$17,467,847) represent 11 percent of total revenues, state aid totaling (\$73,148,196) represents 47 percent of total revenue and property taxes (\$54,964,818) represent 35 percent of total revenues. The remaining revenues (\$10,734,614) are generated from charges for services, investment earnings, miscellaneous revenues and special item - gain on disposal of asset. Higher tax revenues were the result of an increase in the District's total taxable value even though there was a decrease in the 2007 tax rate of \$0.2177/\$100 valuation as compared to the 2006 tax rate.

The primary functional expense of the District is instruction (\$69,270,296), which represents 46 percent of total expenses. Plant maintenance and operations (\$15,874,500) represents 11 percent of total expenses. The Interest on long-term debt (\$13,630,989) represents 9 percent of total expenses. The remaining individual functional categories of expenses are each 6 percent or less of total expenses.

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

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$107,698,863, a decrease of \$41,631,930 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$29,137,382, while total fund balance reached \$35,762,962. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 27 percent of total general fund expenditures, while total fund balance represents 33 percent of that same amount.

The fund balance of the District's general fund increased by \$11,427,362 during the current fiscal year primarily due to increased local tax revenues resulting from higher than estimated property values and an excellent total collection rate, increased state aid as a result of increased ADA and favorable prior year property value audits, funded, but unfilled positions and saving from conservative practices used by not having to expend all appropriated funds for the opening of three schools for the 2008-2009 school year.

The debt service fund has a total fund balance of \$2,670,186, all of which is reserved for the payment of debt service. The net increase in the debt service fund balance during the current year totaled \$1,152,641 due to increased tax collections as a result of an increase in the District's total taxable value,

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The capital projects fund has a total fund balance of \$65,578,693. The net decrease in fund balance during the current year of \$54,248,998 was primarily due to the completion of Savannah Lakes Elementary, Fairview Jr. High, and Nolan Ryan Jr. High school. The remaining fund balance is designated for future construction projects. The District's proprietary fund financial statement provides detail information about the profitability of the print shop, health insurance and worker's compensation funds. The net change in assets of these funds are eliminated and allocated to the governmental expenses in the government-wide financial statements.

**General Fund Budgetary Highlights**

Over the course of the year, District personnel recommended and the Board of Trustees approved several revisions to budgeted revenue and appropriations. Revisions to the revenue budget are necessary due to changes in estimates for local and state revenue based on updated information concerning student attendance and tax collections. Revisions to appropriations are necessary due to staffing adjustments based on actual enrollment, changes in spending needs over the course of the year and other unexpected occurrences.

The District's major budget amendment during the year is summarized as follows:

- The expenditure budget was increased by \$162,642 in order to accommodate the rollover of purchase orders for capital expenditures.
- The expenditure budget was increased by \$97,250 for various programs at Manvel High School due to addition of grade eleven.
- The expenditures budget was increase by \$290,000 for the purchase of fuel for the transportation department due to rising fuel costs.

The review of the final amended budget versus actual for the general fund reflected that revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balances. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

**Capital Assets and Long-term Liabilities**

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of August 31, 2008, amounts to \$255,764,341 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was \$42,468,050.

Major capital asset events during the current fiscal year included the following:

- Construction was completed on Savannah Lakes Elementary School
- Construction was completed on Fairview Jr. High School
- Construction was completed on Nolan Ryan Jr. High School



**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Alvin Independent School District's Capital Assets**

	<b>Balance August 31, 2007</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance August 31, 2008</b>
Land	\$ 17,151,331	\$	\$	\$ 17,151,331
Construction in progress	41,194,961	11,158,547	(40,165,249)	12,188,259
Buildings and improvements	184,282,102	36,423,558	39,160,561	259,866,221
Furniture and equipment	19,105,924	1,533,907	(905,096)	19,734,735
	<u>261,734,318</u>	<u>49,116,012</u>	<u>(1,909,784)</u>	<u>308,940,546</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,659,887)	(5,105,160)	964,580	(43,800,467)
Furniture and equipment	(8,778,140)	(1,441,073)	843,475	(9,375,738)
	<u>(48,438,027)</u>	<u>(6,546,233)</u>	<u>1,808,055</u>	<u>(53,176,205)</u>
Governmental Capital Assets	<u>\$ 213,296,291</u>	<u>\$ 42,569,779</u>	<u>\$ (101,729)</u>	<u>\$ 255,764,341</u>

Additional information on the District's capital assets can be found in Note 4 on pages 38 through 39 of the notes to the financial statements.

**Long-term Liabilities.** At the end of the current fiscal year, the District had \$301,464,732 in bonded debt outstanding, a decrease of \$2,677,468 over the previous year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of "A" from Standard and Poor's and the "A2" underlying rating from Moody's Investors Service reflect the District's growing and diverse tax base; favorable debt practices with sound capital planning necessary given the fast growing nature of the school district and satisfactory financial operations.

Changes to long-term debt, for the year ended August 31, 2008, are as follows:

**Alvin Independent School District's Long-Term Liabilities**

	<b>Balance August 31, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2008</b>
General obligation bonds	\$ 298,437,200	\$	\$ (2,262,468)	\$ 296,174,732
Less deferred amounts:				
For issuance premiums/discounts	3,533,977	(213,636)	54,685	3,375,026
Gain or loss on refunding bonds	(1,910,934)	111,132		(1,799,802)
Accreted interest on premium compound interest bonds	3,705,712	213,636	(892,532)	3,026,816
Maintenance tax notes	5,705,000		(415,000)	5,290,000
Accrued compensated absences	732,444	158,154	(47,573)	843,025
	<u>\$ 310,203,399</u>	<u>\$ 269,286</u>	<u>\$ (3,562,888)</u>	<u>\$ 306,909,797</u>

Additional information on the District's long-term liabilities can be found in Note 6 on pages 41 through 43 of the notes to the financial statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Economic Factors and Next Year's Budgets and Tax Rates**

The District's elected and appointed officials consider many factors when preparing the fiscal-year 2008 general fund budget. The adopted budget is based on the following significant assumptions:

- The District continues to be an area of growth in residential and commercial development. Although a little slower than initially anticipated, due to current economic conditions, the District's enrollment is expected to increase by 5% next year. The latest demographic study projected the District's growth will increase from 15,284 students this year to 19,880 by the 2013-2014 fiscal year.
- The tax rate for 2008 remains the same as in 2007 – Maintenance and Operations \$1.0400 and Interest and sinking \$.2882 for a total of \$1.3282
- General fund expenditures are budgeted to increase by \$4,475,885 over the amended 2007-2008 budget. Major factors causing this increase include:
  - Additional personnel costs, salaries and benefits for teaching and support positions due to increased enrollment.
  - Additional maintenance, operation and transportation expenditures due to increases in utility and fuel costs due to three new schools this year.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Deputy Superintendent for Support Services, Alvin Independent School District, 301 E. House Street, Alvin, Texas, 77511.

## **Basic Financial Statements**

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**ALVIN INDEPENDENT SCHOOL DISTRICT**

*Exhibit A-1*

**STATEMENT OF NET ASSETS**

August 31, 2008

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>Assets</b>	
1110	Cash and temporary investments	\$ 106,320,597
1225	Property taxes receivables, net	4,978,399
1240	Due from other governments	16,637,257
1250	Accrued interest	378,046
1290	Other receivables, net	55,169
1300	Inventories	330,616
1410	Deferred expenses	272,857
1420	Capital bond and other debt issuance costs	1,829,104
	Capital assets not subject to depreciation:	
1510	Land	17,151,331
1580	Construction in progress	12,188,259
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	216,065,754
1530	Furniture and equipment, net	10,358,997
1910	Long-term investments	561,152
1000	<b>Total Assets</b>	<u>387,127,538</u>
	<b>Liabilities</b>	
2110	Accounts payable	7,178,006
2140	Interest payable	578,476
2150	Payroll deductions and withholdings	234,197
2160	Accrued wages payable	2,229,159
2177	Due to fiduciary funds	10,142
2180	Due to other governments	539,986
2190	Due to student groups	225,822
2200	Accrued expenditures	2,292,244
2300	Deferred revenue	6,138
	Noncurrent Liabilities:	
2501	Due within one year	4,786,595
2502	Due in more than one year	302,123,202
2000	<b>Total Liabilities</b>	<u>320,203,967</u>
	<b>Net Assets</b>	
3200	Invested in capital assets, net of related debt	20,128,086
	Restricted for:	
3820	Federal and state programs	578,419
3840	Food service	1,223,178
3850	Debt service	2,974,996
3870	Campus activity	1,885,425
3900	Unrestricted	40,133,467
	<b>Total net assets</b>	<u>\$ 66,923,571</u>

See Notes to Financial Statements

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended August 31, 2008

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
	<b>Governmental activities</b>				
11	Instruction	\$ 69,270,296	\$ 507,701	\$ 10,074,595	\$ (58,688,000)
12	Instructional resources and media services	2,423,429	243,274	91,990	(2,088,165)
13	Curriculum and staff development	942,631	10,577	344,363	(587,691)
21	Instructional leadership	1,617,938		416,174	(1,201,764)
23	School leadership	6,081,091	10,577	367,203	(5,703,311)
31	Guidance, counseling, and evaluation services	3,127,275		473,595	(2,653,680)
33	Health services	956,863		90,796	(866,067)
34	Student transportation	6,370,781		237,445	(6,133,336)
35	Food service	7,636,953	2,800,044	4,074,074	(762,835)
36	Extracurricular activities	3,552,880	379,930	270,678	(2,902,272)
41	General administration	3,479,345	10,577	262,660	(3,206,108)
51	Plant, maintenance and operations	15,874,500	190,649	507,725	(15,176,126)
52	Security and monitoring services	1,356,934	42,308	56,263	(1,258,363)
53	Data processing services	2,631,370		121,781	(2,509,589)
61	Community services	78,843		34,813	(44,030)
72	Interest on long-term debt	13,630,989			(13,630,989)
73	Debt issuance costs and fees	63,203			(63,203)
81	Facilities acquisition and construction	8,962,491			(8,962,491)
95	Payments to Juvenile Justice	143,914			(143,914)
97	Payments to Tax Increment Fund	2,879,739			(2,879,739)
<b>TG</b>	<b>Total governmental activities</b>	<u>\$ 151,081,465</u>	<u>\$ 4,195,637</u>	<u>\$ 17,424,155</u>	<u>(129,461,673)</u>

Data Control Codes		
	<b>General revenues:</b>	
	Taxes:	
<b>MT</b>	Property taxes, levied for general purposes	43,707,324
<b>DT</b>	Property taxes, levied for debt service	11,257,494
<b>SF</b>	State-aid formula grants	73,148,196
<b>GC</b>	Grants and contributions not restricted	43,692
<b>IE</b>	Investment earnings	6,352,666
<b>MI</b>	Miscellaneous	112,094
<b>SI</b>	Special item - gain on disposal of asset	74,217
<b>TR</b>	<b>Total general revenues, special items, and transfers</b>	<u>134,695,683</u>
<b>CN</b>	Change in net assets	5,234,010
<b>NB</b>	<b>Net assets - beginning</b>	<u>61,689,561</u>
<b>NE</b>	<b>Net assets - ending</b>	<u>\$ 66,923,571</u>

See Notes to Financial Statements

**ALVIN INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

August 31, 2008

<u>Data Control Codes</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<b>Assets</b>			
1110 Cash and temporary investments	\$ 21,698,451	\$ 1,601,241	\$ 71,069,124
Receivables:			
1220 Property taxes - delinquent	4,497,209	959,876	
1230 Allowance for uncollectible taxes (credit)	(402,096)	(76,590)	
1240 Receivables from other governments	14,658,545	1,120,981	
1250 Accrued interest	9,335		325,445
1260 Due from other funds	2,847,215	53,004	921,465
1290 Other receivables	9,194		
1300 Inventories, at cost	150,690		
1410 Prepaid expenses	207,780		
1910 Long-term investments, at fair value			
<b>Total Assets</b>	<u>\$ 43,676,323</u>	<u>\$ 3,658,512</u>	<u>\$ 72,316,034</u>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
2110 Accounts payable	\$ 465,235	\$	\$ 5,874,376
2150 Payroll deduction and withholdings payable	234,299		
2160 Accrued wages payable	2,061,706		
2170 Due to other funds	58,493		862,965
2180 Payable to other governments	434,947	105,040	
2200 Accrued expenses	563,568		
2300 Deferred revenues	4,095,113	883,286	
2000 <b>Total Liabilities</b>	<u>7,913,361</u>	<u>988,326</u>	<u>6,737,341</u>
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410 Investments in inventories	150,690		
3420 Retirement of funded indebtedness		2,670,186	
3430 Prepaid items	207,780		
3440 Encumbrances	12,600		15,209,158
3450 Food service operations			
3470 Capital acquisition program			50,369,535
<b>Unreserved, Designated for:</b>			
3530 Capital expenditures for equipment	5,604,510		
3540 Self insurance	500,000		
3590 Other purposes	150,000		
<b>Unreserved, Undesignated Reported in:</b>			
3600 General fund	29,137,382		
3610 Special revenue funds			
3000 <b>Total Fund Balances</b>	<u>35,762,962</u>	<u>2,670,186</u>	<u>65,578,693</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 43,676,323</u>	<u>\$ 3,658,512</u>	<u>\$ 72,316,034</u>

See Notes to Financial Statements.



*Exhibit C-1*

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,765,947	\$ 98,134,763
	5,457,085
	(478,686)
857,731	16,637,257
1,561	336,341
183,961	4,005,645
	9,194
161,498	312,188
65,077	272,857
296,511	296,511
<u>\$ 5,332,286</u>	<u>\$ 124,983,155</u>
\$ 241,450	\$ 6,581,061
(102)	234,197
164,428	2,226,134
1,222,007	2,143,465
	539,987
11,343	574,911
6,138	4,984,537
<u>1,645,264</u>	<u>17,284,292</u>
161,498	312,188
	2,670,186
65,077	272,857
	15,221,758
1,060,080	1,060,080
	50,369,535
	5,604,510
	500,000
	150,000
	29,137,382
<u>2,400,367</u>	<u>2,400,367</u>
<u>3,687,022</u>	<u>107,698,863</u>
<u>\$ 5,332,286</u>	<u>\$ 124,983,155</u>

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET ASSETS**  
*August 31, 2008*

*Exhibit C-2*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	\$ 107,698,863
	Amounts reported for governmental <i>activities</i> 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.	
1	Capital assets at historical cost, net of accumulated depreciation, where applicable	255,760,245
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	4,978,399
3	Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds.	1,829,104
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
4	General obligation bonds	(296,174,732)
5	Premiums on issuance	(3,375,026)
6	Deferred loss on refunding	1,799,802
7	Accreted interest on premium compound interest bonds	(3,026,816)
8	Maintenance tax notes payable	(5,290,000)
9	Accrued compensated absences	(834,820)
10	Accrued interest payable	(578,476)
11	Addition of Internal Service fund net assets	<u>4,137,028</u>
	<b>Total net assets - governmental activities</b>	<u><u>\$ 66,923,571</u></u>

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2008**

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ 44,717,316	\$ 11,094,746	\$ 4,534,059
5800	State program revenues	72,709,055	4,929,841	
5900	Federal program revenues	830,702		
5020	<b>Total revenues</b>	<u>118,257,073</u>	<u>16,024,587</u>	<u>4,534,059</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	59,018,844		96,099
0012	Instruction resources and media services	2,052,027		
0013	Curriculum and instructional staff development	627,561		
0021	Instructional leadership	1,260,083		
0023	School leadership	5,900,130		
0031	Guidance, counseling and evaluation services	2,778,480		
0033	Health services	917,108		
0034	Student transportation	5,573,631		
0035	Food services			
0036	Extracurricular activities	2,375,087		
0041	General administration	3,433,296		
0051	Plant maintenance and operations	15,697,183		
0052	Security and monitoring services	1,287,369		
0053	Data processing services	2,410,551		253,592
0061	Community services	43,233		
<b>Debt service:</b>				
0071	Principal on long-term debt	415,000	3,155,000	
0072	Interest on long-term debt	219,854	13,158,749	
0073	Bond issuance costs and fees		58,197	5,000
<b>Capital outlay:</b>				
0081	Facilities acquisition and construction			56,859,572
<b>Intergovernmental:</b>				
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	143,914		
0097	Payments to tax increment fund	2,879,739		
6030	<b>Total Expenditures:</b>	<u>107,033,090</u>	<u>16,371,946</u>	<u>57,214,263</u>
1100	Excess (deficiency) of revenues over expenditures	<u>11,223,983</u>	<u>(347,359)</u>	<u>(52,680,204)</u>
<b>Other Financing Sources (Uses):</b>				
7912	Sale of real or personal property	134,585		
7915	Transfers in	68,794	1,500,000	
8911	Transfers out			(1,568,794)
7080	<b>Total other financing sources and uses</b>	<u>203,379</u>	<u>1,500,000</u>	<u>(1,568,794)</u>
1200	Net change in fund balances	11,427,362	1,152,641	(54,248,998)
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>24,335,600</u>	<u>1,517,545</u>	<u>119,827,691</u>
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 35,762,962</u>	<u>\$ 2,670,186</u>	<u>\$ 65,578,693</u>

See Notes to Financial Statements.

*Exhibit C-3*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,999,181	\$ 64,345,302
1,794,249	79,433,145
10,352,196	11,182,898
<u>16,145,626</u>	<u>154,961,345</u>
7,237,241	66,352,184
222,925	2,274,952
314,518	942,079
354,261	1,614,344
54,040	5,954,170
313,348	3,091,828
24,854	941,962
	5,573,631
7,203,560	7,203,560
239,724	2,614,811
35,700	3,468,996
	15,697,183
41,986	1,329,355
33,721	2,697,864
32,683	75,916
	3,570,000
	13,378,603
	63,197
	56,859,572
	143,914
	2,879,739
<u>16,108,561</u>	<u>196,727,860</u>
<u>37,065</u>	<u>(41,766,515)</u>
	134,585
4,574	1,573,368
(4,574)	(1,573,368)
	134,585
<u>37,065</u>	<u>(41,631,930)</u>
3,649,957	149,330,793
<u>\$ 3,687,022</u>	<u>\$ 107,698,863</u>

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**ALVIN INDEPENDENT SCHOOL DISTRICT***Exhibit C-4***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***For the Year Ended August 31, 2008*

<b>Data Control Codes</b>		
	Net change in fund balances - total governmental funds (from A-5)	\$ (41,631,930)
	Amounts reported for governmental activities in the statement of activities (A-2) 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 capital outlays exceeded depreciation.	42,539,506
<b>1</b>		
	Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	(61,367)
<b>2</b>		
	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	911,771
<b>3</b>		
	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	3,570,000
<b>4</b>		
	Decrease in interest payable not recognized in fund statements	4,819
<b>5</b>		
	Increase in long-term portion of accrued compensated absences	(109,621)
<b>6</b>		
	Accreted interest on capital appreciation bonds and amortization of bond premiums, discounts and issuance costs	(257,205)
<b>7</b>		
	Internal service funds are used by management to charge the costs of certain activities, such as insurance and printing, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds.	268,043
<b>8</b>		
	<b>Change in net assets of governmental activities</b>	<u><u>\$ 5,234,016</u></u>

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
August 31, 2008

*Exhibit D-1*

<u>Data Control Codes</u>		<u>Governmental Activities - Internal Service Funds</u>
	<b>Assets</b>	
	<b>Current Assets:</b>	
1110-75	Cash and cash equivalents	\$ 8,185,834
	Receivables:	
1250	Accrued interest receivable	41,705
1260	Due from other funds	81,090
1290	Other receivables	45,975
1300	Inventories, at cost	18,428
	<b>Total Current Assets</b>	<u>8,373,032</u>
	<b>Non-current Assets:</b>	
	Land, Buildings and Equipment:	
1540	Furniture and equipment	143,477
1573	Accumulated depreciation - Equipment	(139,381)
1910	Long-term investments, at fair value	264,641
	<b>Total Non-current Assets</b>	<u>268,737</u>
1000	<b>Total Assets</b>	<u>8,641,769</u>
	<b>Liabilities and Net Assets</b>	
	<b>Current Liabilities:</b>	
2110	Accounts payable	596,945
2160	Accrued wages payable	3,025
2170	Due to other funds	1,953,411
2200	Accrued expenses	225,822
2180	Payable to other governments	1,725,538
	<b>Total Current Liabilities</b>	<u>4,504,741</u>
2000	<b>Total Liabilities</b>	<u>4,504,741</u>
	<b>Net Assets:</b>	
3200	Investments in capital assets, net of debt	14,184
3300	Unrestricted net assets	4,122,844
3900	<b>Total Net Assets</b>	<u>\$ 4,137,028</u>

See Notes to Financial Statements.



**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
*For the Year Ended August 31, 2008*

*Exhibit D-2*

<u>Data Control Codes</u>		<u>Governmental Activities - Internal Service Funds</u>
	<b>Operating Revenues</b>	
5749	Miscellaneous revenue from local sources	\$ 32,354
5754	Quasi-external interfund transactions	12,233,601
5020	<b>Total Operating Revenues</b>	<u>12,265,955</u>
	<b>Operating Expenses</b>	
6100	Payroll costs	119,282
6200	Purchased and contracted services	77,375
6300	Supplies and materials	73,125
6400	Claims expense and other operating expenses	12,087,545
6449	Depreciation	9,726
6030	<b>Total Operating Expenses</b>	<u>12,367,053</u>
1200	<b>Operating Income (Loss)</b>	<u>(101,098)</u>
	<b>Non-Operating Revenues (Expenses)</b>	
7020	Investment earnings	368,142
7900	Gain on sale of capital assets	999
	<b>Total Non-operating Revenues (Expenses)</b>	<u>369,141</u>
1200	Change in Net Assets	268,043
0100	<b>Net Assets - September 1 (Beginning)</b>	<u>3,868,985</u>
3300	<b>Net Assets - August 31 (Ending)</b>	<u>\$ 4,137,028</u>

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended August 31, 2008

*Exhibit D-3*

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>	
Cash receipts from quasi-external operating activities with other funds	\$ 12,265,924
Cash payments to suppliers for goods and services	(12,088,726)
Cash payments to employees	(181,788)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(4,590)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Advances from other funds	389,546
Advances to other funds	(193,809)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>195,737</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Proceeds from sale of capital assets	1,360
Acquisition of capital assets	
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>1,360</u>
<b>Cash Flows from Investing Activities:</b>	
Investment proceeds	3,783,516
Interest on investments	362,587
<b>Net Cash Provided by Investing Activities</b>	<u>4,146,103</u>
Net Increase in Cash and Cash Equivalents	4,338,610
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>3,847,224</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 8,185,834</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (101,098)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	9,726
Change in Assets and Liabilities:	
Decrease (increase) in Receivables	(8,815)
Decrease (increase) in Inventories	(1,975)
Increase (decrease) in Accounts Payable	72,205
Increase (decrease) in Accrued Wages Payable	(7,046)
Increase (decrease) in Accrued Expenses	32,413
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ (4,590)</u></u>

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
*August 31, 2008*

*Exhibit E-1*

<u>Data Control Codes</u>	<b>810</b>	<b>865</b>
	<u>Scholarship Fund</u>	<u>Student Activity Fund</u>
<b>Assets</b>		
1110 Cash and cash equivalents	\$ 54,428	\$ 341,314
<b>Receivables:</b>		
1250 Interest receivable	313	
1260 Due from other Funds		10,477
1290 Other receivables		250
<b>Total receivables</b>	<u>313</u>	<u>10,727</u>
<b>Total Assets</b>	<u>54,741</u>	<u>\$ 352,041</u>
<b>Liabilities</b>		
2110 Accounts payable		\$ 87,023
2170 Due to other funds		335
2190 Due to others		264,683
2000 <b>Total Liabilities</b>		<u>\$ 352,041</u>
<b>Net Assets</b>		
3590 Reserved - other	<u>\$ 54,741</u>	

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
*For the Year Ended August 31, 2008*

*Exhibit E-2*

	<b>810</b>
	<b><u>Scholarship Fund</u></b>
<b>Additions</b>	
Gifts and contributions	\$
Earnings on investments	1,460
<b>Total additions</b>	<u>1,460</u>
<b>Deductions</b>	
Scholarships awarded	<u>2,250</u>
<b>Total deductions</b>	2,250
Change in net assets	(790)
<b>Net assets beginning of year</b>	<u>55,531</u>
<b>Net assets end of year</b>	<u>\$ 54,741</u>

See Notes to Financial Statements.

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

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

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

The fiduciary fund financial statements reflect the District's agency fund, reporting only assets and liabilities, and do not have a measurement focus.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for resources restricted to, or designated for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

The *internal service fund* is used to account for the operations of the District's workers' compensation self-insurance fund inside the District on a cost reimbursement basis.

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

*Private purpose trust funds* are used to account for resources legally held in trust under which principal and income benefit individuals, private organizations or other governments. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 fund are worker's compensation insurance premiums to participate in the worker's compensation program. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

**Deposits and Investments**

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

Investments for the District are reported at fair value based on quoted market prices at August 31, 2008. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

**Receivables and Payables**

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

Property tax receivables include unpaid property taxes at year-end are shown net of an allowance for uncollectibles. The property tax receivable allowance is based on historical experience in collecting taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available if they are collected within 60 days of the end of the current fiscal period. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Brazoria County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Inventories**

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is reserved to reflect minimum inventory quantities considered necessary for the District's continuing operations.

**Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements and furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Furniture and equipment	5 - 10

**Compensated Absences**

The State of Texas has created a minimum sick leave program consisting of five days per year sick leave with no limit on accumulation and transferability among districts for every eligible employee leave regularly employed in Texas public schools. Each district's local Board of Education is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

The District maintains a policy allowing employees meeting established requirements to be compensated for unused sick leave at retirement. Annual vacation time is granted to nonprofessional hourly employees; however, any unused vacation time lapses at the end of each fiscal year. There are no other compensated absences allowed under the District's personnel policies.



**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations**

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

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Data Control Codes**

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

**Use of Estimates**

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

**Note 2 - Deposits and Investments**

The District's cash and investments, at August 31, 2008, are shown below:

	<u>Cash and Deposits</u>	<u>Money Market Accounts</u>	<u>External Investment Pools</u>	<u>Investment Securities</u>	<u>Total</u>
<b>Governmental Funds</b>					
General Fund	\$ 2,311,556	\$ 765	\$ 18,390,370	\$ 995,760	\$ 21,698,451
Debt Service Fund	46,886		1,554,355		1,601,241
Capital Projects Fund	168,336	6,584,701	36,645,494	27,670,593	71,069,124
Non-major Funds	1,074,495	1,688,798	1,002,654	296,511	4,062,458
	<u>3,601,273</u>	<u>8,274,264</u>	<u>57,592,873</u>	<u>28,962,864</u>	<u>98,431,274</u>
<b>Internal Service Funds</b>	<u>871,615</u>	<u>24,457</u>	<u>2,628,182</u>	<u>4,926,221</u>	<u>8,450,475</u>
<b>Total Government Wide Statements</b>	4,472,888	8,298,721	60,221,055	33,889,085	106,881,749
<b>Fiduciary Funds</b>	<u>41,314</u>		<u>354,428</u>		<u>395,742</u>
<b>Total Cash and Investments</b>	<u>\$ 4,514,202</u>	<u>\$ 8,298,721</u>	<u>\$ 60,575,483</u>	<u>\$ 33,889,085</u>	<u>\$ 107,277,491</u>

**Cash Deposits**

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

**Investments**

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain commercial paper, certain municipal securities, repurchase agreements, or investment pools.

For fiscal year 2008, the District invested in U.S. Government Agency securities, the State of Texas ("Texpool"), TexasTerm, MBIA Texas CLASS and Texas Association of School Boards Lone Star Investment Pool. TexPool, Lone Star, TexasTerm and MBIA Texas CLASS operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool, Lone Star and CLASS use amortized cost to report net assets and share prices, since those amounts approximate fair value. The investment activities of LOGIC are administered by Patterson & Associates and SW Capital Corporation. The investment activities of CLASS are administered by MBIA Municipal Investors Service Corporation. The net asset value of the District's investment in Lone Star approximates fair value. There is no regulatory oversight by the State of Texas over TexasTerm, MBIA Texas CLASS, or Lone Star.

**Note 2 - Deposits and Investments (Continued)**

At year-end, the District's investments balances, weighted average maturity and credit quality ratings of these investments were as follows:

<b>Investment Type</b>	<b>Fair Market Value</b>	<b>Weighted Average Maturity (Days)</b>	<b>S &amp; P Credit Quality Ratings</b>
<b>Local Government Investment Pools:</b>			
Lone Star	\$ 594,463	61	AAAf/S1+
MBIA Texas CLASS	46,924,857	40	AAA/V1
TexasTerm	11,525,694	57	AAAf
TexPool	1,530,469	82	AAAm
<b>Total</b>	<u>60,575,483</u>		
<b>Investment Securities:</b>			
Commercial Paper	1,659,815	57	A-1
U.S. Treasuries	2,506,790	69	AAA
FHLMC	9,442,270	125	AAA&AAAe
FHLB	5,061,059	191	AAA
FNMA	14,922,640	175	AAA/Stable
GNMA	296,511	4,360	AAA
<b>Total</b>	<u>33,889,085</u>		
<b>Money Market Mutual Funds:</b>			
UBS	21,099	1	Not rated
Merrill Lynch	8,277,622	1	Not rated
	<u>8,298,721</u>		
<b>Total Investments</b>	<u><u>\$ 102,763,289</u></u>		

The District generally holds all US government securities and Commercial Paper to maturity date. The District did not purchase any derivative investment products during the current year.

The District has Collateralized Mortgage Obligations (CMOs) and Strips from prior years that are considered derivative-type investments. The District expects to hold these investments to maturity and does not expect any losses on these investments.

**Note 2 - Deposits and Investments (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District's investment policy limits the maturities of investments and prohibits any investment for speculative gains. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 365 days.

At August 31, 2008 the District's exposure to interest rate risk as measured by the maturities by investment type is summarized below:

	<u>Market Value</u>	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More than 10 Years</u>
Lone Star	\$ 594,463	\$ 594,463	\$	\$	\$
MBIA Texas CLASS	46,924,857	46,924,857			
TexasTerm	11,525,694	11,525,694			
TexPool	1,530,469	1,530,469			
Commercial Paper	1,659,815	1,659,815			
U. S. Treasuries	2,506,790	2,506,790			
FHLMC	9,442,270	9,442,270			
FHLB	5,061,059	4,796,418	193,188	71,453	
FNMA	14,922,640	14,922,640			
GNMA	296,511		21,722	95,120	179,669
UBS	21,099	21,099			
Merrill Lynch	8,277,622	8,277,622			
	<u>\$ 102,763,289</u>	<u>\$ 93,903,416</u>	<u>\$ 214,910</u>	<u>\$ 166,573</u>	<u>\$ 179,669</u>

The District recognizes that investment risk can result from market price changes. Investment officers are expected to display prudence, discretion, and intelligence in the selection of securities, as a way to minimize risk. Investments of the District shall be selected in a manner that seeks to ensure the preservation of capital in the overall portfolio.

**Credit Risk**

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations.

**Custodial Credit Risk**

The investments of the District shall be held by an independent third party with whom the District has a current custodial agreement. The District shall retain clearly marked receipts providing proof of the District's ownership. The District may delegate to an investment pool the authority to hold legal title a custodian of investments purchased with the District funds.

The District's funds on deposit with the depository bank were either fully insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the District or its agent and listing the District as owner.

All District cash deposits at the depository bank were covered at all times by pledge securities held as collateral at a third party bank.

**Note 2 - Deposits and Investments (Continued)**

All investments are made in the name of the Alvin Independent School District. All investments were purchased with the delivery versus payment method and are recorded at the District's name on the Federal Reserve's book entry system and confirmed to the District via safekeeping receipt maintained on the books of the depository banks safekeeping department.

**Concentration of Credit Risk**

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. Investments with concentrations of over five percent of the total portfolio at August 31, 2008 consisted of the following:

<b>Investment Type</b>	<b>Fair Market Value</b>	<b>Percentage of Portfolio</b>
<b>Local Government Investment Pools:</b>		
MBIA Texas CLASS	46,924,857	45.66%
TexasTerm	11,525,694	11.22%
FHLMC	9,442,270	9.19%
FNMA	14,922,640	14.52%
<b>Money Market Mutual Fund</b>		
Merrill Lynch	8,277,622	8.06%

Market values of U.S. Treasury Notes, U.S. Government Agency Securities and Commercial Paper are based on quoted market values. The investments are reported by the District at fair value in accordance with Governmental Accounting Standards. The amount of increase in the fair value of investments for the year ended August 31, 2008 is included in investment income as follows:

Investment earnings	\$ 6,370,948
Net increase in investment values	<u>(18,282)</u>
Total investment earnings	<u><u>\$ 6,352,666</u></u>

**Note 3 - Receivables**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor and Fiduciary Funds</u>	<u>Total</u>
Property Taxes	\$ 4,497,209	\$ 959,876	\$	\$	\$ 5,457,085
Due from other governments	14,658,545	1,120,981		857,731	16,637,257
Interest	9,335		325,445	1,561	336,341
Other	9,194				9,194
Gross Receivables	19,174,283	2,080,857	325,445	859,292	22,439,877
Less allowance for doubtful accounts	(402,096)	(76,590)			(478,686)
<b>Net Total Receivables</b>	<u>\$ 18,772,187</u>	<u>\$ 2,004,267</u>	<u>\$ 325,445</u>	<u>\$ 859,292</u>	<u>\$ 21,961,191</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 4,095,113	\$
Delinquent property taxes receivable (Debt Service Fund)	883,286	
Grant funds received prior to meeting all eligibility requirements		6,138
	<u>\$ 4,978,399</u>	<u>\$ 6,138</u>

**Note 4 - Capital Assets**

The District's capital asset activity for the year ended August 31, 2008 is as follows:

	<u>Balance August 31, 2007</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance August 31, 2008</u>
Capital assets, not being depreciated				
Land	\$ 17,151,331	\$	\$	\$ 17,151,331
Construction in progress	41,194,961	11,158,547	(40,165,249)	12,188,259
<b>Total Capital assets, not being depreciated</b>	<u>58,346,292</u>	<u>11,158,547</u>	<u>(40,165,249)</u>	<u>29,339,590</u>
Capital assets, being depreciated				
Buildings and improvements	184,282,102	36,423,558	39,160,561	259,866,221
Furniture and equipment	18,951,133	1,533,907	(893,782)	19,591,258
Media center equipment	154,791		(11,314)	143,477
<b>Total capital assets, being depreciated</b>	<u>203,388,026</u>	<u>37,957,465</u>	<u>38,255,465</u>	<u>279,600,956</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,659,887)	(5,105,160)	964,580	(43,800,467)
Furniture and equipment	(8,637,533)	(1,431,347)	832,523	(9,236,357)
Media center equipment	(140,607)	(9,726)	10,952	(139,381)
<b>Total accumulated depreciation</b>	<u>(48,438,027)</u>	<u>(6,546,233)</u>	<u>1,808,055</u>	<u>(53,176,205)</u>
<b>Governmental capital assets</b>	<u>\$ 213,296,291</u>	<u>\$ 42,569,779</u>	<u>\$ (101,729)</u>	<u>\$ 255,764,341</u>

**Note 4 - Capital Assets (Continued)**

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

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 3,008,853
Instructional resources and media services	157,208
School leadership	102,549
Guidance, counseling and evaluation services	32,789
Health services	11,389
Student transportation	897,580
Food Services	450,946
Extracurricular activities	961,821
General administration	30,564
Plant maintenance and operations	484,574
Security and monitoring services	115,517
Data processing services	289,968
Community services	2,475
	<u>\$ 6,546,233</u>

Internal service fund capital assets, net of depreciation, totaled \$4,096.

**Construction Commitments**

The District has active construction projects as of August 31, 2008. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Process</u>	<u>Remaining Commitment</u>
Manvel High School Phase II	\$ 28,094,842	\$ 12,089,528	\$ 16,005,314
Nolan Ryan Baseball Field Alvin High School	97,517	81,071	16,446
Technology	62,513	17,660	44,853
	<u>\$ 28,254,872</u>	<u>\$ 12,188,259</u>	<u>\$ 16,066,613</u>

**Note 5 - Interfund Receivables, Payables, and Transfers**

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

The composition of interfund balances as of August 31, 2008, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,847,215	\$ 58,493
Debt Service Fund	53,004	
Capital Projects Fund	921,465	862,965
Nonmajor Governmental Funds	183,961	1,222,007
Internal Service Funds	81,090	1,953,411
Trust and Agency Funds	10,477	336
	<u>\$ 4,097,212</u>	<u>\$ 4,097,212</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the year ended August 31, 2008:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 68,794
Capital Projects Fund	Debt Service Fund	1,500,000
		<u>\$ 1,568,794</u>

Transfers were made from the Capital Projects Fund back to the General Fund for food service facility improvements. Transfers were also made from the Capital Project Fund to the Debt Service Fund for exceed fund to keep from raising the tax rate related to debt service.



**Note 6 - Long-term Liabilities**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended August 31, 2008, was as follows:

	<b>Balance August 31, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2008</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 298,437,200	\$	\$ (2,262,468)	\$ 296,174,732	\$ 3,231,732
Less deferred amounts:					
For issuance premiums/discounts	3,533,977	(213,636)	54,685	3,375,026	
Gain or loss on refunding bonds	(1,910,934)	111,132		(1,799,802)	
Accreted interest on premium compound interest bonds	3,705,712	213,636	(892,532)	3,026,816	1,075,268
Maintenance tax notes	5,705,000		(415,000)	5,290,000	435,000
Accrued compensated absences	732,444	158,154	(47,573)	843,025	44,595
	<u>\$ 310,203,399</u>	<u>\$ 269,286</u>	<u>\$ (3,562,888)</u>	<u>\$ 306,909,797</u>	<u>\$ 4,786,595</u>

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of school buildings and technology. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

<b>Issue</b>	<b>Original issuance amount</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
Unlimited Tax School Building Bonds, Series 1997	\$ 5,480,000	4.60% to 5.25%	2016	\$ 210,000
Unlimited Tax Refunding Bonds, Series 1999	9,269,867	4.00% to 4.625%	2016	6,369,732
Unlimited Tax School Building Bonds, Series 2000	17,235,000	5.50% to 6.25%	2015	835,000
Unlimited Tax School Building Bonds, Series 2001A	16,735,000	3.50% to 4.75%	2021	990,000
Unlimited Tax School Building Bonds, Series 2001B	13,865,000	Adjustable Rate	2025	6,580,000
Unlimited Tax School Building Bonds, Series 2002	14,355,000	2.25% to 4.75%	2025	6,655,000
Unlimited Tax School Building Bonds, Series 2004A	34,100,000	3.25% to 5.25%	2027	32,865,000
Unlimited Tax School Building Bonds, Series 2004B	22,500,000	Adjustable Rate	2030	22,500,000
Unlimited Tax School Building and Refunding Bonds, Series 2005	61,555,000	3.25% to 5.00%	2030	61,395,000
Unlimited Tax School Building Bonds, Series 2006	71,990,000	4.00% to 5.50%	2033	71,840,000
Unlimited Tax School Building and Refunding Bonds, Series 2007	85,935,000	4.00% to 5.00%	2033	85,935,000
				<u>\$ 296,174,732</u>

**Note 6 - Long-term Liabilities (Continued)**

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

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 3,234,732	\$ 13,646,753	\$ 16,881,485
2010	5,275,000	13,133,482	18,408,482
2011	6,195,000	12,872,402	19,067,402
2012	8,040,000	12,547,330	20,587,330
2013	7,130,000	12,200,724	19,330,724
2014	8,760,000	11,826,819	20,586,819
2015	9,180,000	11,404,085	20,584,085
2016	9,625,000	10,960,856	20,585,856
2017	10,100,000	10,488,810	20,588,810
2018	10,590,000	9,996,710	20,586,710
2019	11,085,000	9,500,334	20,585,334
2020	11,595,000	8,990,755	20,585,755
2021	12,130,000	8,456,857	20,586,857
2022	12,685,000	7,893,104	20,578,104
2023	13,260,000	7,308,228	20,568,228
2024	13,875,000	6,682,463	20,557,463
2025	14,560,000	6,001,023	20,561,023
2026	15,255,000	5,302,614	20,557,614
2027	15,920,000	4,636,327	20,556,327
2028	16,575,000	3,964,896	20,539,896
2029	17,260,000	3,242,145	20,502,145
2030	17,980,000	2,489,506	20,469,506
2031	14,600,000	1,777,500	16,377,500
2032	15,270,000	1,105,425	16,375,425
2033	15,995,000	380,925	16,375,925
	<u>\$ 296,174,732</u>	<u>\$ 196,810,073</u>	<u>\$ 492,984,805</u>

**Accreted Interest on Premium Compound Interest Bonds**

A portion of the bonds sold in the Series 1997, 1999 and 2007 refunding bond issues were capital appreciation bonds commonly referred to as “premium compound interest bonds”. The District annually records the appreciation of bond principal for the accreted value through maturity of the issue. The interest on these bond series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

<u>Series</u>	<u>Accreted Value</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Maturity Value</u>	<u>Maturity Dates</u>
1997	\$ 1,097,432	\$ 210,000	\$ 887,432	\$ 1,155,000	2009 - 2010
1999	899,976	419,732	480,244	920,000	2009
2007	2,189,140	530,000	1,659,140	2,520,000	2009 - 2013
	<u>\$ 4,186,548</u>	<u>\$ 1,159,732</u>	<u>\$ 3,026,816</u>	<u>\$ 4,595,000</u>	

**Note 6 - Long-term Liabilities (Continued)**

**Maintenance Tax Notes and Contractual Obligations**

The District issued \$7,200,000 of Maintenance Tax Notes in 2003 at an interest rate of 4 percent maturing in 2018, to upgrade the HVAC, lighting and controls. The notes will be funded with savings from reduced energy costs through T.A.C. America and from maintenance tax revenue.

Maintenance Tax Notes currently outstanding are as follows:

<u>Notes and Contractual Obligations</u>	<u>Original issuance amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Maintenance Tax Notes, Series 2003	\$ 7,200,000	3.96%	2018	\$ 5,290,000
				<u>\$ 5,290,000</u>

Annual requirements to amortize the Maintenance Tax Notes and Contractual Obligations outstanding as of August 31, 2008, follow:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 435,000	\$ 202,900	\$ 637,900
2010	450,000	185,200	635,200
2011	470,000	166,800	636,800
2012	495,000	147,500	642,500
2013	515,000	127,300	642,300
2014	535,000	106,300	641,300
2015	560,000	84,400	644,400
2016	585,000	61,500	646,500
2017	610,000	37,600	647,600
2018	635,000	12,700	647,700
	<u>\$ 5,290,000</u>	<u>\$ 1,132,200</u>	<u>\$ 6,422,200</u>

**Prior Year Refunding of General Obligation Bonds**

In prior years, the District defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future debt service payments are not included in the District's financial statements. As of August 31, 2008, the amount of defeased debt outstanding amount to \$33,420,000.

**Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 43,127,153	\$ 10,925,894	\$	\$	\$ 54,053,047
Investment Income	1,142,835	168,852	4,534,059	138,778	5,984,524
Co-curricular student activities	147,234			1,057,711	1,204,945
Food Sales				2,799,868	2,799,868
Other	300,094			2,824	302,918
	<u>\$ 44,717,316</u>	<u>\$ 11,094,746</u>	<u>\$ 4,534,059</u>	<u>\$ 3,999,181</u>	<u>\$ 64,345,302</u>

**Note 8 - General Fund Federal Program Revenues**

A summary of federal program revenues received in the general fund for the year ended August 31, 2008, follows:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
<b>Indirect Costs:</b>		
Title I, Part A	84.010A	\$ 43,531
Title I, Part A - School Improvement	84.010A	722
Title I, Part C Migrant	84.011A	147
IDEA-B Formula	84.027A	48,779
IDEA-B Preschool	84.173A	763
Carl D. Perkins Basic Grant	84.048A	2,157
Title II, Part A, Teacher/Principal Training	84.367A	9,584
Title II, Part D, Enhancing Education	84.318X	119
Title III, Part A LEP	84.365A	3,509
Title V, Part A, Innovative Program	84.298A	393
Safe & Drug Free Schools - National	84.184D	939
Title IV, Part A, Safe & Drug Free Schools	84.186A	809
Fuel Reimbursement	N/A	92,023
ROTC	N/A	67,134
Medicaid Administrative Claims (MAC)	93.778	17,890
E-Rate	N/A	119,173
School Health and Related Service Program	N/A	423,030
		<u>\$ 830,702</u>

**Note 9 - Defined Benefit Pension Plan**

**Plan Description**

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

**Funding Policy**

State law provides for fiscal years 2006 and 2007 a state contribution rate of 6.0% and for fiscal year 2008 a state contribution rate of 6.58% and for 2006, 2007 and 2008 a member contribution rate of 6.4%. In certain instances, the reporting district is required to make all or a portion of the state's 6.58% contribution for 2008 and 6.0% for fiscal years 2006 and 2007. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**Contributions**

Staff members of the District are required to pay 6.40% of their eligible gross earnings to TRS pension plan. The State of Texas contributes 6.58% (6.0% for fiscal years 2007 and 2006) of all employees' eligible gross earnings, except for those District staff members subject to statutory minimum requirements and those staff members being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedule adjusted based on local tax rates. For staff members funded by federal programs, the federal programs are required to contribute 6.58% (6.0% for fiscal years 2007 and 2006).

**Note 9 - Defined Benefit Pension Plan (Continued)**

Contributions made by the State, District and staff members for the years ended August 31, 2008, 2007, and 2006, are as follows (stated in \$ millions):

<u>Fiscal Year</u>	<u>Contributions Required and Made</u>				<u>Annual Covered Payroll</u>
	<u>State</u>	<u>District</u>	<u>Employees</u>	<u>Totals</u>	
2006	\$ 2.876	\$ 0.781	\$ 3.902	\$ 7.559	\$ 60.974
2007	3.314	0.880	4.474	8.668	69.823
2008	3.967	1.119	4.949	10.035	77.308

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

**Note 10 - Retiree Health Plan**

**Plan Description**

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

**Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The state of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing percentage of payroll set at 0.55% for the fiscal year 2008, 2007, and 2006. Per Texas Insurance Code 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0%

**Note 10 - Retiree Health Plan (Continued)**

Contributions made by the State, District and staff members for the years ended August 31, 2008, 2007, and 2006, are as follows (stated in \$ millions):

<b>Fiscal Year</b>	<b>Contributions Required and Made</b>				<b>Annual Covered Payroll</b>
	<b>State</b>	<b>District</b>	<b>Employees</b>	<b>Totals</b>	
2006	\$ 0.575	\$ 0.369	\$ 0.396	\$ 1.340	\$ 60.974
2007	0.658	0.425	0.454	1.537	69.823
2008	0.727	0.470	0.502	1.699	77.308

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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2008, 2007 and 2006, the subsidy payments received by TRS-Care on behalf of the District were \$179,094, \$149,653 and \$94,779, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

**Note 11 - Risk Management**

**Property/Liability**

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District’s risk management program encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers, self-insurance and from participation in a risk pool. Settled claims have not exceeded insurance coverage in any of the three previous fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

**Insurance Coverage**

During the year ended August 31, 2008, employees of Alvin Independent School District were covered by a partially self-insured health insurance plan (the Plan) accounted for through an internal service fund. The District made contributions to cover the employees and the employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator acting on behalf of the District. The Plan was authorized by state statute and was documented by contractual agreement. The contract between the District and the third party administrator is renewable annually.

**Note 11 - Risk Management (Continued)**

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage up to \$100,000 per individual carried through a commercial insurer licensed to do business in Texas in accordance with the Texas Insurance Code. The District's contribution expense for benefits during the year totaled \$5,785,784. Estimates of claims payable and of claims incurred but not reported at August 31, 2008, are reflected as accrued expenses of the Fund. The liabilities include an amount for claims that have been incurred but were not reported until after August 31, 2008. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements and damage awards, the process used in computing claims liability is an estimate. Analysis of claims liability, for the fiscal year 2008, is as follows:

<b>Fiscal Year</b>	<b>Beginning of Year Accrual</b>	<b>Current Year Estimates</b>	<b>Claims Payments</b>	<b>End of Year Accrual</b>
2006	\$ 528,862	\$ 7,504,712	\$ 7,810,198	\$ 223,376
2007	223,376	12,318,398	11,547,208	994,566
2008	994,566	11,445,279	11,645,277	794,568

**Workers' Compensation**

During the year ended August 31, 2008, employees of the District were covered by a self-funded workers' compensation insurance plan (the "Plan"). The District contributes to the plan based upon established salary rates. Contributions were paid to a District Internal Service Fund. The third party administrator acts on behalf of the District to administer claims filed against the self-funded pool. The plan was authorized under the rules of the Texas Insurance Code and was documented by contractual agreement. This contract between the District and the third party administrator is renewable annually and terms of coverage and premium costs are included in the contractual provision. In accordance with state statute, the school district was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Safety National Casualty Corp., a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-Loss coverage was in effect for specific claims exceeding \$250,000 and for aggregate loss exceeding \$1,000,000. Analysis of claims liability, for the fiscal year 2008, is as follows:

<b>Fiscal Year</b>	<b>Beginning of Year Accrual</b>	<b>Current Year Estimates</b>	<b>Claims Payments</b>	<b>End of Year Accrual</b>
2006	\$ 920,785	\$ 312,359	\$ 312,359	\$ 920,785
2007	920,785	364,864	364,864	920,785
2008	920,785	355,231	349,434	926,582



**Note 12 - Compensated Absences**

Compensated absences include sick leave, compensated time and non-duty pay.

**Sick Leave**

Sick leave is comprised of two components: An annual payment for unused sick leave and reimbursement upon retirement.

*Annual payment for unused sick leave*

Beginning in the year following the year an employee has accumulated 90 days of state and local leave, the employee becomes eligible to receive payment for unused local sick leave on an annual basis in accordance with the following provisions:

- Professional employees shall be paid 75% of the entry-level teacher's daily rate of pay for the previous school year for each unused day, up to a maximum of five days
- Paraprofessionals and support employees shall be paid 75% of their daily rate of pay, up to a maximum of 75% of the entry-level teacher's daily rate of pay for the previous school year for each unused day, up to a maximum of five days

Payment for sick leave shall be reduced one day for each local leave day used during the previous school year. Employees may choose to accumulate local sick leave days in lieu of payment until the balance of local and state days reaches 115. Days in excess of 115 shall be bought back by the District.

**Reimbursement at Retirement**

Upon retiring under TRS, employees shall be paid for each day of accumulated unused local leave, to a maximum of 45 days, at one-half their daily rate of pay, to a maximum of \$50 per day. Payment shall be made at the time of retirement.

**Compensated Leave**

At the District's option, employees not exempt under the Fair Labor Standards Act (non-exempt) may receive compensatory time off, rather than overtime pay, for overtime worked. The employee shall be informed in advance if overtime hours will accrue compensatory time rather than pay.

Compensatory time earned by non-exempt employees may not accrue beyond a maximum of 60 hours. If an employee has a balance of more than 60 hours of overtime, the employee will be required to use compensatory time or, at the District's option, will receive overtime pay. In recent years, the administration has allowed a carryover of twenty (20) hours from one year to another.

An employee shall use compensatory time within the duty year in which it is earned. If the employee has any unused compensatory time remaining at the end of the fiscal year, the employee shall receive overtime pay.

During the year ended August 31, 2008, the District accrued a total of \$158,154 and paid out of \$47,573. The total ending amount of unpaid compensated balances at August 31, 2008 is \$843,025.

**Note 12 - Commitments and Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**Note 13 - Deficit Fund Equity**

The Health Insurance Fund, an internal service fund had a deficit net assets balance of \$839,804 as of August 31, 2008. The deficit is due to unanticipated high claims experience during the year. The District plans to monitor claims and adjust premiums to cover claims and any administrative costs associated with the plan.

**Note 14 - Subsequent Event**

Subsequent to the year ended August 31, 2008, the Texas Gulf Coast which includes the District was struck by Hurricane Ike, a major tropical storm. The District is estimating damages will approximate \$4 million. The District will file a claim with their insurance carrier, but will be anticipating an insurance deductible of \$1.2 million. The District will also file for reimbursement with Federal Emergency Management Agency (FEMA) and is tentatively expecting FEMA to reimburse 75% of what is not covered by insurance.

## **Required Supplementary Information**

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended August 31, 2008

Exhibit F-1

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
<b>Revenues</b>					
5700	Local revenues	\$ 42,251,439	\$ 42,988,430	\$ 44,717,316	\$ 1,728,886
5800	State program revenues	60,907,955	67,055,629	72,709,055	5,653,426
5900	Federal program revenues	340,411	340,411	830,702	490,291
	<b>Total revenues</b>	<u>103,499,805</u>	<u>110,384,470</u>	<u>118,257,073</u>	<u>7,872,603</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	59,266,310	61,350,573	59,018,844	2,331,729
0012	Instruction resources and media services	1,733,479	2,346,294	2,052,027	294,267
0013	Curriculum and instructional staff development	775,096	852,543	627,561	224,982
0021	Instructional leadership	1,153,951	1,367,804	1,260,083	107,721
0023	School leadership	5,665,325	6,112,069	5,900,130	211,939
0031	Guidance, counseling and evaluation services	2,565,133	2,849,587	2,778,480	71,107
0033	Health services	863,753	1,003,571	917,108	86,463
0034	Student transportation	5,063,183	6,020,210	5,573,631	446,579
0035	Food services	7,178,320	7,178,320		7,178,320
0036	Extracurricular activities	2,161,813	2,565,032	2,375,087	189,945
0041	General administration	3,498,569	3,892,829	3,433,296	459,533
0051	Plant maintenance and operations	15,522,659	16,534,946	15,697,183	837,763
0052	Security and monitoring services	1,473,212	1,535,076	1,287,369	247,707
0053	Data processing services	2,012,364	2,924,222	2,410,551	513,671
0061	Community services	36,172	92,020	43,233	48,787
<b>Debt Service:</b>					
0071	Principal on long-term debt	415,000	415,000	415,000	
0171	Interest on long-term debt	326,163	326,163	219,854	106,309
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction		50,000		50,000
<b>Intergovernmental:</b>					
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	101,054	201,054	143,914	57,140
0097	Payments to tax increment fund			2,879,739	(2,879,739)
	<b>Total Expenditures</b>	<u>109,811,556</u>	<u>117,617,313</u>	<u>107,033,090</u>	<u>10,584,223</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(6,311,751)</u>	<u>(7,232,843)</u>	<u>11,223,983</u>	<u>18,456,826</u>
<b>Other Financing Sources (Uses):</b>					
7912	Sale of real and personal property			134,585	134,585
7915	Transfers in		2,700	68,794	66,094
8911	Transfers out				
	<b>Total other financing sources and uses</b>		<u>2,700</u>	<u>203,379</u>	<u>200,679</u>
	Net change in fund balances	(6,311,751)	(7,230,143)	11,427,362	18,657,505
	<b>Fund balances - beginning</b>	<u>24,335,600</u>	<u>24,335,600</u>	<u>24,335,600</u>	
	<b>Fund balances - ending</b>	<u>\$ 18,023,849</u>	<u>\$ 17,105,457</u>	<u>\$ 35,762,962</u>	<u>\$ 18,657,505</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*Exhibit F-2*

The District adopts annual appropriations type budgets for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund, Child Nutrition Fund, and the Debt Service Fund during the fiscal year ended August 31, 2008.

During the year ended August 31, 2008 function 97 expenditures exceeded budgeted appropriations in the General Fund by \$2,879,739.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 20, 2007. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

## **Other Supplementary Information**

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2008**

<b>Data Control Codes</b>	<b>204</b>	<b>211</b>	<b>212</b>
	<b>Title IV, Part A - Safe &amp; Drug Free</b>	<b>ESEA Title I Part A</b>	<b>ESEA, Title I Part C</b>
<b>Assets</b>			
1110 Cash and temporary investments	\$	\$ 222,486	\$
Receivables:			
1240 Receivables from other governments	2,876	254,597	
1250 Accrued interest			
1260 Due from other funds		177,397	
1310 Inventories, at cost			
1410 Prepaid expenses			
1910 Long-term investments			
1000 <b>Total Assets</b>	\$ 2,876	\$ 654,480	\$
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110 Accounts payable	\$	\$	\$
2150 Payroll deduction and withholdings payable			
2160 Accrued wages payable		40,928	
2170 Due to other funds	2,876	613,552	
2200 Accrued expenses			
2300 Deferred revenues			
2000 <b>Total Liabilities</b>	2,876	654,480	
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410 Investments in inventories			
3430 Prepaid items			
3450 Food service operations			
<b>Unreserved, Undesignated Reported in:</b>			
3610 Special revenue funds			
3000 <b>Total Fund Balances</b>			
4000 <b>Total Liabilities and Fund Balance</b>	\$ 2,876	\$ 654,480	\$



215	224	225	240 National School Lunch and Breakfast Program	243	244	255
ESEA, Title I Part D	IDEA B Formula	IDEA B Preschool		Vocational Education	Vocational Ed -Basic	ESEA Title II, Part A
\$	\$	\$	\$ 1,376,387	\$	\$	\$
11,196	117,803	1,362	123,215		2,710	45,297
					5,295	
			161,498			
			1,600			
<u>\$ 11,196</u>	<u>\$ 117,803</u>	<u>\$ 1,362</u>	<u>\$ 1,662,700</u>	<u>\$</u>	<u>\$ 8,005</u>	<u>\$ 45,297</u>
\$	\$ 3,927	\$	\$ 192,058	\$	\$	\$
			(60)			
	22,396	327	79,452			14,172
11,196	91,480	1,035	156,729		8,005	31,125
			11,343			
<u>11,196</u>	<u>117,803</u>	<u>1,362</u>	<u>439,522</u>	<u></u>	<u>8,005</u>	<u>45,297</u>
			161,498			
			1,600			
			1,060,080			
			1,223,178			
<u>\$ 11,196</u>	<u>\$ 117,803</u>	<u>\$ 1,362</u>	<u>\$ 1,662,700</u>	<u>\$</u>	<u>\$ 8,005</u>	<u>\$ 45,297</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2008**

<b>Data Control Codes</b>		<b>262</b>	<b>263</b>	<b>269</b>
	<b>Enhancing Ed Through Technology</b>	<b>Title III Part A</b>	<b>Title V, Part A</b>	
<b>Assets</b>				
1110	Cash and temporary investments	\$	\$	\$
	Receivables:			
1240	Receivables from other governments		44,948	
1250	Accrued interest			
1260	Due from other funds			
1310	Inventories, at cost			
1410	Prepaid expenses			
1910	Long-term investments			
1000	<b>Total Assets</b>	\$	\$ 44,948	\$
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$	\$	\$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable		(4,284)	
2170	Due to other funds		49,232	
2200	Accrued expenses			
2300	Deferred revenues			
2000	<b>Total Liabilities</b>		44,948	
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
3410	Investments in inventories			
3430	Prepaid items			
3450	Food service operations			
<b>Unreserved, Undesignated Reported in:</b>				
3610	Special revenue funds			
3000	<b>Total Fund Balances</b>		44,948	
4000	<b>Total Liabilities and Fund Balance</b>	\$	\$ 44,948	\$

<b>281 Title IV, Part A - Safe &amp; Drug Free National</b>	<b>289 Federally Funded Special Revenue Funds</b>	<b>314 Shared Service Arrangement - IDEA Part B</b>	<b>385 State Supplemental Visually Impaired</b>	<b>390 Early Childhood LEP Summer</b>	<b>392 Noneducational Community Based Support</b>	<b>394 Pregnancy Education and Parenting</b>
\$	\$ 6,085	\$	\$	\$ 1,393	\$	\$
		4,581			4,140	
<u>\$</u>	<u>\$ 6,085</u>	<u>\$ 4,581</u>	<u>\$</u>	<u>\$ 1,393</u>	<u>\$ 4,140</u>	<u>\$</u>
\$	\$	\$	\$	\$	\$	\$
		4,581			4,140	
	6,085					
	6,085	4,581			4,140	
				1,393		
				1,393		
<u>\$</u>	<u>\$ 6,085</u>	<u>\$ 4,581</u>	<u>\$</u>	<u>\$ 1,393</u>	<u>\$ 4,140</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2008**

<b>Data Control Codes</b>	<b>397 Advanced Placement Incentive</b>	<b>401 Optional Extended Year</b>	<b>404 Student Success Initiative</b>
<b>Assets</b>			
1110	\$ 11,166	\$	\$
Receivables:			
1240	6,716	4,586	23,978
1250			
1260			
1310			
1410			
1910			
1000	\$ 17,882	\$ 4,586	\$ 23,978
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	\$	\$	\$
2150			
2160			
2170		4,586	23,978
2200			
2300			
2000		4,586	23,978
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410			
3430			
3450			
<b>Unreserved, Undesignated Reported in:</b>			
3610	17,882		
3000	17,882		
4000	\$ 17,882	\$ 4,586	\$ 23,978

<b>411</b>	<b>422</b>	<b>428</b>	<b>429</b>	<b>461</b>	
<b>Technology Allotment</b>	<b>Matching Funds for Library Purchases</b>	<b>High School Allotment</b>	<b>State funded Special revenue</b>	<b>Campus Activity Funds</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 59,601	\$	\$ 330,309	\$ 88	\$ 1,758,432	\$ 3,765,947
399		209,327			857,731
				1,561	1,561
				1,269	183,961
					161,498
				63,477	65,077
				296,511	296,511
<u>\$ 60,000</u>	<u>\$</u>	<u>\$ 539,636</u>	<u>\$ 88</u>	<u>\$ 2,121,250</u>	<u>\$ 5,332,286</u>
\$ 20,648	\$	\$ 8,000	\$	\$ 16,817	\$ 241,450
				(42)	(102)
		11,437			164,428
		442		219,050	1,222,007
					11,343
			53		6,138
<u>20,648</u>	<u>\$</u>	<u>19,879</u>	<u>53</u>	<u>235,825</u>	<u>1,645,264</u>
					161,498
				63,477	65,077
					1,060,080
<u>39,352</u>	<u>\$</u>	<u>519,757</u>	<u>35</u>	<u>1,821,948</u>	<u>2,400,367</u>
<u>39,352</u>	<u>\$</u>	<u>519,757</u>	<u>35</u>	<u>1,885,425</u>	<u>3,687,022</u>
<u>\$ 60,000</u>	<u>\$</u>	<u>\$ 539,636</u>	<u>\$ 88</u>	<u>\$ 2,121,250</u>	<u>\$ 5,332,286</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2008**

<u>Data Control Codes</u>	<b>204</b>	<b>211</b>	<b>212</b>
	<b>Title IV, Part A - Safe &amp; Drug Free</b>	<b>ESEA Title I Part A</b>	<b>ESEA, Title I Part C</b>
<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$
5800	State program revenues		
5900	Federal program revenues	45,620	9,396
5020	<b>Total revenues</b>	<u>45,620</u>	<u>9,396</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011	Instruction	45,120	1,000
0012	Instruction resources and media services		12,416
0013	Curriculum and instructional staff development		63,418
0021	Instructional leadership		107,989
0023	School leadership		22,549
0031	Guidance, counseling and evaluation services	500	1,764
0033	Health services		4,932
0035	Food service		
0036	Extracurricular activities		
0041	General administration		
0052	Security and monitoring services		
0053	Data processing services		
0061	Community services		
6030	<b>Total Expenditures</b>	<u>45,620</u>	<u>9,396</u>
1100	Excess (deficiency) of revenues over expenditures		
<b>Other Financing Sources (Uses)</b>			
7915	Transfers in		
8911	Transfers out		
7080	<b>Total other financing sources and uses</b>		
1200	Net change in fund balances		
0100	<b>Fund balance - September 1 (beginning)</b>		
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>

215	224	225	240	243	244	255
ESEA, Title I Part D	IDEA B Formula	IDEA B Preschool	National School Lunch and Breakfast Program	Vocational Education	Vocational Ed -Basic	ESEA Title II, Part A
\$	\$	\$	\$ 2,850,362 46,933	\$	\$	\$
78,837	2,783,352	43,187	4,027,141	4,185	122,239	545,312
<u>78,837</u>	<u>2,783,352</u>	<u>43,187</u>	<u>6,924,436</u>	<u>4,185</u>	<u>122,239</u>	<u>545,312</u>
78,647	2,339,318	43,187		3,398	89,600	463,148
190	39,605			210	8,730	58,161
	219,105			170	675	
	3,140					
	182,184			407	23,234	
			7,202,862			
						24,003
<u>78,837</u>	<u>2,783,352</u>	<u>43,187</u>	<u>7,202,862</u>	<u>4,185</u>	<u>122,239</u>	<u>545,312</u>
			(278,426)			
			(278,426)			
			1,501,604			
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,223,178</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2008*

<u>Data Control Codes</u>	<b>262</b>	<b>263</b>	<b>269</b>
	<b>Enhancing Ed Through Technology</b>	<b>Title III Part A</b>	<b>Title V, Part A</b>
<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$
5800	State program revenues		
5900	Federal program revenues	6,784	193,480
5020	<b>Total revenues</b>	<u>6,784</u>	<u>23,061</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011	Instruction	2,500	100,554
0012	Instruction resources and media services		16,060
0013	Curriculum and instructional staff development	150	34,538
0021	Instructional leadership	4,134	1,682
0023	School leadership		1,579
0031	Guidance, counseling and evaluation services		52,127
0033	Health services		
0035	Food service		
0036	Extracurricular activities		3,000
0041	General administration		
0052	Security and monitoring services		
0053	Data processing services		
0061	Community services		
6030	<b>Total Expenditures</b>	<u>6,784</u>	<u>193,480</u>
1100	Excess (deficiency) of revenues over expenditures		
<b>Other Financing Sources (Uses)</b>			
7915	Transfers in		
8911	Transfers out		
7080	<b>Total other financing sources and uses</b>		
1200	Net change in fund balances		
0100	<b>Fund balance - September 1 (beginning)</b>		
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>



281 Title IV, Part A - Safe & Drug Free National	289 Federally Funded Special Revenue Funds	314 Shared Service Arrangement - IDEA Part B	385 State Supplemental Visually Impaired	390 Early Childhood LEP Summer	394 Pregnancy Education and Parenting
\$	\$	\$	\$	\$	\$
		21,245	26,250		28,543
54,805				10,401	
<u>54,805</u>		<u>21,245</u>	<u>26,250</u>	<u>10,401</u>	<u>28,543</u>
20,461		20,225	26,250	9,313	
		980			
		40			
33,275					
1,069					
					28,543
<u>54,805</u>		<u>21,245</u>	<u>26,250</u>	<u>9,313</u>	<u>28,543</u>
				1,088	
				1,088	
				305	
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,393</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2008*

<u>Data Control Codes</u>	<b>397</b>	<b>401</b>	<b>404</b>
	<b>Advanced Placement Incentive</b>	<b>Optional Extended Year</b>	<b>Student Success Initiative</b>
<b>Revenues</b>			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues	23,285	45,860	239,782
5900 Federal program revenues			
5020 <b>Total revenues</b>	<u>23,285</u>	<u>45,860</u>	<u>239,782</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction		45,860	239,782
0012 Instruction resources and media services			
0013 Curriculum and instructional staff development	8,051		
0021 Instructional leadership			
0023 School leadership			
0031 Guidance, counseling and evaluation services			
0033 Health services			
0035 Food service			
0036 Extracurricular activities			
0041 General administration			
0052 Security and monitoring services			
0053 Data processing services			
0061 Community services			
6030 <b>Total Expenditures</b>	<u>8,051</u>	<u>45,860</u>	<u>239,782</u>
1100 Excess (deficiency) of revenues over expenditures	<u>15,234</u>		
<b>Other Financing Sources (Uses)</b>			
7915 Transfers in	2,284		
8911 Transfers out	(2,284)		
7080 <b>Total other financing sources and uses</b>	<u></u>	<u></u>	<u></u>
1200 Net change in fund balances	15,234		
0100 <b>Fund balance - September 1 (beginning)</b>	<u>2,648</u>		
3000 <b>Fund balance - August 31 (ending)</b>	<u>\$ 17,882</u>	<u>\$</u>	<u>\$</u>

<b>411</b>	<b>422</b>	<b>428</b>	<b>429</b>	<b>461</b>	<b>480</b>	
<b>Technology Allotment</b>	<b>Matching Funds for Library Purchases</b>	<b>High School Allotment</b>	<b>State funded Special revenue</b>	<b>Campus Activity Funds</b>	<b>Locally Funded Special Revenue Fund</b>	<b>Total-Other Governmental Funds</b>
\$ 394,615	\$	\$ 945,921	\$ 17,675	\$ 1,148,819	\$	\$ 3,999,181
						1,794,249
						10,352,196
<u>394,615</u>		<u>945,921</u>	<u>17,675</u>	<u>1,148,819</u>		<u>16,145,626</u>
359,119	4	697,776	26	443,332	1,259	7,237,241
				210,483		222,925
		79,820		13,763	516	314,518
		10,911		233	376	354,261
		21,695		5,012		54,040
		53,076		56		313,348
			19,175	747		24,854
				698		7,203,560
		376		203,073		239,724
				11,697		35,700
			66	40,851		41,986
33,721						33,721
						32,683
<u>392,840</u>	<u>4</u>	<u>863,654</u>	<u>19,267</u>	<u>929,945</u>	<u>2,151</u>	<u>16,108,561</u>
1,775	(4)	82,267	(1,592)	218,874	(2,151)	37,065
2,290						4,574
(2,290)						(4,574)
1,775	(4)	82,267	(1,592)	218,874	(2,151)	37,065
<u>37,577</u>	<u>4</u>	<u>437,490</u>	<u>1,627</u>	<u>1,666,551</u>	<u>2,151</u>	<u>3,649,957</u>
\$ 39,352	\$	\$ 519,757	\$ 35	\$ 1,885,425	\$	\$ 3,687,022

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## **Internal Service Funds**

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**August 31, 2008**

*Exhibit G-3*

<b>Data Control Codes</b>		<b>752</b>	<b>753</b>	<b>773</b>	<b>Total</b>
		<b>Print Shop</b>	<b>Health Insurance</b>	<b>Workers Comp Self-Insurance</b>	
<b>Assets</b>					
<b>Current Assets:</b>					
1110	Cash and cash equivalents	\$ 205,989	\$ 525,540	\$ 7,454,305	\$ 8,185,834
Receivables:					
1250	Accrued interest receivable		128	41,577	41,705
1260	Due from other funds			81,090	81,090
1290	Other receivables	31	8,784	37,160	45,975
1300	Inventories, at cost	18,428			18,428
	<b>Total Current Assets</b>	<b>224,448</b>	<b>534,452</b>	<b>7,614,132</b>	<b>8,373,032</b>
<b>Non-current Assets:</b>					
<b>Capital Assets:</b>					
1530	Furniture and equipment	143,477			143,477
1573	Accumulated depreciation - Equipment	(139,381)			(139,381)
1910	Long-term investments, at fair value		71,453	193,188	264,641
	<b>Total Non-current Assets</b>	<b>4,096</b>	<b>71,453</b>	<b>193,188</b>	<b>268,737</b>
1000	<b>Total Assets</b>	<b>228,544</b>	<b>605,905</b>	<b>7,807,320</b>	<b>8,641,769</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
2110	Accounts payable	2,359	343,570	251,016	596,945
2160	Accrued wages payable	2,366	659		3,025
2170	Due to other funds		81,090	1,872,321	1,953,411
2180	Payable to other governments		225,822		225,822
2200	Accrued expenses	4,388	794,568	926,582	1,725,538
	<b>Total current liabilities</b>	<b>9,113</b>	<b>1,445,709</b>	<b>3,049,919</b>	<b>4,504,741</b>
2000	<b>Total Liabilities</b>	<b>9,113</b>	<b>1,445,709</b>	<b>3,049,919</b>	<b>4,504,741</b>
<b>Net Assets</b>					
3200	Investments in capital assets, net of debt	14,184			14,184
3300	Unrestricted net assets	205,247	(839,804)	4,757,401	4,122,844
3000	<b>Total Net Assets</b>	<b>\$ 219,431</b>	<b>\$ (839,804)</b>	<b>\$ 4,757,401</b>	<b>\$ 4,137,028</b>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended August 31, 2008**

*Exhibit G-4*

<b>Data Control Codes</b>	752	753	773	<b>Total</b>
	<b>Print Shop</b>	<b>Health Insurance</b>	<b>Workers Comp Self-Insurance</b>	
<b>Operating Revenues</b>				
5749 Miscellaneous revenue from local sources	\$	\$ 31,593	\$ 761	\$ 32,354
5754 Quasi-external interfund transactions	244,887	10,795,034	1,193,680	12,233,601
5020 <b>Total operating revenues</b>	<u>244,887</u>	<u>10,826,627</u>	<u>1,194,441</u>	<u>12,265,955</u>
<b>Operating Expenses</b>				
6100 Payroll costs	83,847	35,828	(393)	119,282
6200 Purchased and contracted services	21,300	56,075		77,375
6300 Supplies and materials	73,099		26	73,125
6400 Claims expense and other operating expenses		11,735,228	352,317	12,087,545
6449 Depreciation	9,726			9,726
6030 <b>Total Operating Expenses</b>	<u>187,972</u>	<u>11,827,131</u>	<u>351,950</u>	<u>12,367,053</u>
1200 <b>Operating Income (Loss)</b>	<u>56,915</u>	<u>(1,000,504)</u>	<u>842,491</u>	<u>(101,098)</u>
<b>Non-Operating Revenues (Expenses)</b>				
7020 Earnings - temporary deposits and investments		43,099	325,043	368,142
7900 Gain on sale of capital assets	999			999
<b>Total Nonoperating Revenues</b>	<u>999</u>	<u>43,099</u>	<u>325,043</u>	<u>369,141</u>
<b>Income (Loss) before Transfers</b>	57,914	(957,405)	1,167,534	268,043
1200 Change in Net Assets	<u>57,914</u>	<u>(957,405)</u>	<u>1,167,534</u>	<u>268,043</u>
0100 <b>Net Assets - September 1 (Beginning)</b>	<u>161,517</u>	<u>117,601</u>	<u>3,589,867</u>	<u>3,868,985</u>
3300 <b>Net Assets - August 31 (Ending)</b>	<u>\$ 219,431</u>	<u>\$ (839,804)</u>	<u>\$ 4,757,401</u>	<u>\$ 4,137,028</u>



**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended August 31, 2008**

*Exhibit G-5*

	752	753	773	
	<u>Print Shop</u>	<u>Health Insurance</u>	<u>Workers Comp Self-Insurance</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash receipts from quasi-external operating activities with other funds	\$ 244,856	\$ 10,826,627	\$ 1,194,441	\$ 12,265,924
Cash payments to suppliers for goods and services	(94,015)	(11,645,277)	(349,434)	(12,088,726)
Cash payments to employees	(85,608)	(95,656)	(524)	(181,788)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>65,233</u>	<u>(914,306)</u>	<u>844,483</u>	<u>(4,590)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Advances from other funds		470,636	(81,090)	389,546
Advances to other funds			(193,809)	(193,809)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>		<u>470,636</u>	<u>(274,899)</u>	<u>195,737</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from sale of capital assets	1,360			1,360
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>1,360</u>			<u>1,360</u>
<b>Cash Flows from Investing Activities:</b>				
Investment proceeds		687,091	3,096,425	3,783,516
Interest on investments		45,010	317,577	362,587
<b>Net Cash Provided by Investing Activities</b>		<u>732,101</u>	<u>3,414,002</u>	<u>4,146,103</u>
Net Increase in Cash and Cash Equivalents	66,593	288,431	3,983,586	4,338,610
<b>Cash and Cash Equivalents at Beginning of Year</b>	139,396	237,109	3,470,719	3,847,224
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 205,989</u>	<u>\$ 525,540</u>	<u>\$ 7,454,305</u>	<u>\$ 8,185,834</u>
<b>Reconciliation to Balance Sheet</b>				
Cash and Cash Equivalents Per Cash Flow	\$ 205,989	\$ 525,540	\$ 7,454,305	\$ 8,185,834
<b>Cash and Cash Equivalents per Balance Sheet</b>	<u>\$ 205,989</u>	<u>\$ 525,540</u>	<u>\$ 7,454,305</u>	<u>\$ 8,185,834</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 56,915	\$ (1,000,504)	\$ 842,491	\$ (101,098)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	9,726			9,726
Change in Assets and Liabilities:				
Decrease (increase) in Receivables	(31)	(8,784)		(8,815)
Decrease (increase) in Inventories	(1,975)			(1,975)
Increase (decrease) in Accounts Payable	2,359	73,258	(3,412)	72,205
Increase (decrease) in Accrued Wages Payable	(2,375)	(3,754)	(917)	(7,046)
Increase (decrease) in Accrued Expenses	614	25,478	6,321	32,413
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 65,233</u>	<u>\$ (914,306)</u>	<u>\$ 844,483</u>	<u>\$ (4,590)</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
*For the Year Ended August 31, 2008*

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 9/1/07</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
1999 and prior	Various	Various	Various	\$ 530,802
2000	1.386412	0.052588	1,061,683,072	79,122
2001	1.386001	0.092588	1,179,540,815	87,329
2002	1.426001	0.139999	1,323,641,134	99,224
2003	1.426217	0.159899	1,463,112,571	161,579
2004	1.426201	0.199899	1,687,419,452	212,148
2005	1.441200	0.234800	2,124,752,100	313,782
2006	1.441000	0.264800	2,482,291,828	543,687
2007	1.317700	0.228200	3,271,284,300	1,780,748
2008	1.040000	0.288200	3,967,086,809	
<b>1000 Totals</b>				<u><u>\$ 3,808,421</u></u>

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

\$ \$

*Exhibit H-1*

<b>20</b>	<b>30</b>	<b>30a</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/08</b>
\$	\$ 23,618	\$ 6,904	\$ (62,038)	\$ 438,242
	3,809	144	(389)	74,780
	8,302	555	(430)	78,042
	14,373	1,411	(98)	83,342
	31,484	3,530	4,047	130,612
	55,631	7,798	3,250	151,969
	85,530	13,935	(2,674)	211,643
	215,341	39,571	(6,583)	282,192
	1,012,955	175,424	(76,135)	516,234
<u>52,690,847</u>	<u>40,033,017</u>	<u>11,093,765</u>		<u>1,564,065</u>
<u>\$ 52,690,847</u>	<u>\$ 41,484,060</u>	<u>\$ 11,343,037</u>	<u>\$ (141,050)</u>	3,531,121
				<u>1,925,964</u>
				<u>\$ 5,457,085</u>
<u>\$</u>	<u>\$ 2,258,269</u>	<u>\$ 621,470</u>	<u>\$</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COSTS FOR 2009-2010**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**(UNAUDITED)**  
**For the Year Ended August 31, 2008**

*Exhibit H-2*

	(1) 702	(2) 703	(3) 701	(4) 750	(5) 720	(6) (other)	(7)
<b>Account Number</b>	<b>School Board</b>	<b>Tax Collection</b>	<b>Superintendent's Office</b>	<b>Indirect Cost</b>	<b>Direct Cost</b>	<b>Misc.</b>	<b>Total</b>
6100 Payroll Costs	\$ 581		\$ 254,475	\$ 2,160,435		\$ 39,588	\$ 2,455,079
6149 Fringe Benefits			21	970			991
6211 Legal Services					58,577		58,577
6212 Audit Services				84,011			84,011
6213 Tax Appraisal / Collection		366,113					366,113
621X Services	2,098	11,000	5,000	89,679		(180)	107,597
6230 Education Service Centers					35		35
6240 Maintenance and Repairs					5,409	144,293	149,702
6260 Rentals				5,765			5,765
6290 Miscellaneous Contracts	558		379	17,614	19,304	16,140	53,995
6320 Textbooks and Reading			35	794	207	276	1,312
63XX Other Supplies	12		4,262	71,410	29,686	5,657	111,027
6410 Travel, Subsistence and Stipends	16,942	1,329	4,330	14,362	13,176	2,606	52,745
6420 Insurance and Bonding				500			500
6430 Election Expense	13,146						13,146
6490 Miscellaneous Operating	1,781		4,643	9,317	21,374	30,926	68,041
6600 Capital Outlay - Land, Buildng and Equipment						22,884	22,884
<b>Total</b>	<u>\$ 35,118</u>	<u>\$ 378,442</u>	<u>\$ 273,145</u>	<u>\$ 2,454,857</u>	<u>\$ 147,768</u>	<u>\$ 262,190</u>	<u>\$ 3,551,520</u>

**Other Information:**

Total expenditures for General and Special Revenue Funds (Exhibit C-3)	(9)	\$ 123,141,651
LESS: Deductions of Unallowable Costs:		
FISCAL YEAR		
Total Capital Outlay (6600)	(10)	\$ 1,119,770
Total Debt & Lease (6500)	(11)	634,854
Plant Maintenance (Function 51, 6100-6400)	(12)	15,434,799
Food (Function 35, 6341 and 6499)	(13)	2,715,221
Stipends (6413)	(14)	
Column 5 above - Total Indirect Cost		147,768
<b>Subtotal</b>		<u>20,052,412</u>
<b>Net Allowable Direct Cost</b>		<u>\$ 103,089,239</u>

**Cumulative**

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 258,186,615
Historical Cost of Buildings over 50 years old	(16)	1,233,825
Amount of Federal Money in building Cost (Net of #16)	(17)	5,220
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	(18)	19,591,258
Historical Cost of Furniture & Equipment over 16 years old	(19)	197,969
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	418,648

(8) Note A: Includes \$82,524 of function 53 expenditures

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)**  
**GENERAL FUND**  
**August 31, 2008**

**Exhibit H-3**

<b>1.</b>	Total General Fund Balance 8-31-2008 (Exhibit C-1 object 3000 for the General Fund only)	\$ 35,762,962
<b>2.</b>	Total Reserved Fund Balance 8-31-2008 (from Exhibit C-1 - total of object 3400s for the General Fund only)	371,070
<b>3.</b>	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	6,254,510
<b>4.</b>	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	2,202,305
<b>5.</b>	Estimate of one month average cash disbursements during the regular school session (9-1-2007 to 5-31-2008)	10,093,357
<b>6.</b>	Estimate of delayed payments from state sources (58xx) including August payment delays	12,185,300
<b>7.</b>	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	3,341,805
<b>8.</b>	Estimate of delayed payments from federal sources (59xx)	
<b>9.</b>	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).	<hr/>
<b>10.</b>	General Fund Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9)	34,448,347
<b>11.</b>	Excess or Deficit Undesignated Unreserved General Fund Fund Balance (1-10)	<hr/> <b>\$ 1,314,615</b> <hr/>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**CHILD NUTRITION AND DEBT SERVICE FUNDS**  
*For the Year Ended August 31, 2008*

<b>Data Control Codes</b>	<b>Child Nutrition</b>				
	<b>Budget</b>			<b>Variance Favorable (Unfavorable)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Revenues</b>					
5700	Local, Intermediate, and Out-of-State	\$ 3,098,000	\$ 3,098,000	\$ 2,850,362	\$ (247,638)
5800	State Program Revenues	45,000	45,000	46,933	1,933
5900	Federal Program Revenues	4,035,320	4,035,320	4,027,141	(8,179)
5030	<b>Total Revenues</b>	<u>7,178,320</u>	<u>7,178,320</u>	<u>6,924,436</u>	<u>(253,884)</u>
<b>Expenditures</b>					
<b>Current:</b>					
0035	Food Services	7,178,320	7,761,570	7,202,862	558,708
<b>Debt Service:</b>					
0071	Principal				
0171	Interest and Fiscal Agent Fees				
6030	<b>Total Expenditures</b>	<u>7,178,320</u>	<u>7,761,570</u>	<u>7,202,862</u>	<u>558,708</u>
1100	Excess (Deficiency) Revenues Over Expenditures		(583,250)	(278,426)	304,824
<b>Other Financing Sources (Uses):</b>					
7915	Transfers in				
<b>Total other financing sources and uses</b>					
1200	Increase (Decrease) in Fund Balance		(583,250)	(278,426)	304,824
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>1,501,604</u>	<u>1,501,604</u>	<u>1,501,604</u>	
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 1,501,604</u>	<u>\$ 918,354</u>	<u>\$ 1,223,178</u>	<u>\$ 304,824</u>

*Exhibit H-4*

<b>Debt Service Fund</b>			
<b>Budget</b>			<b>Variance</b>
<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
\$ 11,925,529	\$ 11,925,529	\$ 11,094,746	\$ (830,783)
5,446,912	5,446,912	4,929,841	(517,071)
<u>17,372,441</u>	<u>17,372,441</u>	<u>16,024,587</u>	<u>(1,347,854)</u>
3,155,000	3,155,000	3,155,000	
13,496,954	13,496,954	13,216,946	280,008
<u>16,651,954</u>	<u>16,651,954</u>	<u>16,371,946</u>	<u>280,008</u>
<u>720,487</u>	<u>720,487</u>	<u>(347,359)</u>	<u>(1,067,846)</u>
		<u>1,500,000</u>	<u>1,500,000</u>
		<u>1,500,000</u>	<u>1,500,000</u>
<u>720,487</u>	<u>720,487</u>	<u>1,152,641</u>	<u>432,154</u>
<u>1,517,545</u>	<u>1,517,545</u>	<u>1,517,545</u>	
<u>\$ 2,238,032</u>	<u>\$ 2,238,032</u>	<u>\$ 2,670,186</u>	<u>\$ 432,154</u>

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**Federal Awards Section**

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**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees  
Alvin Independent School District  
Alvin, Texas

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Alvin Independent School District (the "District") as of and for the year ended August 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in the accompanying schedule of finding and questioned cost to be a significant deficiency in internal control over financial reporting as finding number 08-01.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding number 08-02.

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

### **Closing**

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



Houston, Texas  
January 9, 2009



**Independent Auditors' 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  
Alvin Independent School District  
Alvin, Texas

**Compliance**

We have audited the compliance of Alvin Independent School District (the "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, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2008.

### **Internal Control over Compliance**

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Houston, Texas  
January 9, 2009

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended August 31, 2008*

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies(s) identified that are not considered to be material weaknesses?	Yes 08-01
Noncompliance material to financial statements noted?	Yes 08-02

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies(s) identified that are not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) (2-7) OMB Circular A-133?	No

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
<b>U.S. Department of Education</b>	
Title I, Part A	84.010A
Carl D. Perkins Basic Grant	84.048A
Title III, Part A LEP	84.365A

- |   |            |
|---|------------|
| 1. Dollar Threshold Considered Between Type A and Type B Federal Programs | \$ 316,460 |
| 2. Auditee qualified as low-risk auditee?                                 | Yes        |

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
*For the Year Ended August 31, 2008*

**II. Financial Statement Findings**

**Significant Deficiencies**

**Finding 08-01**

**Condition:** Due to the complexity of various year-end procedures and requirements of the new standards, it is imperative that standard procedures be developed and implemented to ensure that all required entries are posted. Additionally, in order for the internal control system to work properly, risk assessment should be performed and monitoring of the effectiveness of the controls over financial reporting should be performed.

**Criteria:** Standard fiscal year-end close procedures have not been formally developed and implemented to ensure that financial statements are free of material misstatements.

**Cause:** Monthly and yearly closing procedures were not in place to ensure that proper journal entries were completed for investments, tax increment and TRS On-Behalf.

**Effect:** Errors in the District's financial statements resulted in significant audit adjustments.

**Recommendation:** Management should develop and implement procedures and controls that mitigate the risk of material misstatement for all significant areas on the financial statements.

**Finding 08-02**

**Condition:** The District did not adequately monitor its compensatory education expenditures to ensure that at least 85 percent of its State Compensatory Education allotment was expended as required by the Texas Education Agency.

**Criteria:** The Texas Education Agency's Financial Accountability and Resource Guide, requires that the District expend at least 85 percent of the Foundation School Program allotment (designated for Bilingual Education, Gifted and Talented, Career and Technology Education, and Compensatory Education) on those specific programs. Additionally, federal regulations require that the District spend at least as much as it expended in the prior year on special education expenditures.

**Cause:** Lack of adequate monitoring of items charged to enhanced program intent codes and making appropriate changes to expenditures pattern to comply with the state and federal regulations.

**Effect:** Risk of non-compliance with state and federal regulations and the possibility of refunding amounts to state and federal agencies.

**Recommendation:** Management should implement controls to ensure that the District expends its Foundation School Program allotment in accordance with state regulations and to ensure that the District maintains its expenditures for special education at the level required by federal regulations.



**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
*For the Year Ended August 31, 2008*

**III. Federal Awards Findings and Questioned Costs**

None noted

**IV. Status of Prior Year Findings**

**Finding #**

**Corrective Action Taken**

**Finding 07-01** - Year-end close out procedures

The district has implemented close-out procedures

**Finding 07-02** - TRS on-behalf revenues and expenditures

The District utilized a template to properly calculate TRS On-Behalf payments.

**Finding 07-03** Expenditure of State Compensatory Education allotment and Special Education Maintenance of Effort.

The District has designated personnel to monitor that all charges to enhanced Program Intent Codes are in line with the strategies for the campus and that at least 85/90 percent spending requirements are met.

**Finding 07-04** - Investment reports and fair value change

The District has modified their investment reports to include all required items.

**Finding 07-05** - PEIMS reporting

The District has created a spreadsheet to compare the trial balance to the annual report prior to submitting it to TEA through PEIMS.

**V. Corrective Action Plan**

**Finding 08-01:** Year-end close out procedures

**Contact Person:** Cheryl Ryan, Director of Finance

**Response:** Year-end close out procedures have already begun to be formulated for next year including checklists of reports and schedules required to ensure accurate financial reporting.

**Estimated Completion Date:** March 31, 2009

**Finding 08-02:** Expenditure of FSP allotment and Special Education Maintenance of Effort

**Contact Person:** Cheryl Ryan, Director of Finance

**Response:** The Finance Department will increase the amount of time spent monitoring the various areas of Foundation School Program (FSP) funds by working with the Special Education and Student Acceleration Departments to identify areas within the budget that should be expended under the proper use in order to comply with state and federal regulations. In addition the District has assigned personnel to monitor this function.

**Estimated Completion Date:** Continuous

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended August 31, 2008

*Exhibit J-1*  
(Page 1 of 2)

<u>Pass Through Entity Identifying Number</u>	<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Fund Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>				
Passed Through Texas Education Agency:				
8691001020901	Title IV, Part A, Safe & Drug Free Schools	204	84.186A	\$ 43,553
9691001020901	Title IV, Part A, Safe & Drug Free Schools	204	84.186A	2,876
8610101020901	Title I, Part A	211	84.010A	2,151,190
9610101020901	Title I, Part A	211	84.010A	254,597
8610104020901	Title I, Part A, School Improvement	211	84.010A	41,519
8615001020901	Title I, Part C Migrant	212	84.011A	9,543
8610103020901	Title I, Part D, Subpart 2	215	84.010A	68,979
9610103020901	Title I, Part D, Subpart 2	215	84.010A	11,196
86600010209016600	IDEA-B Formula *	224	84.027A	2,714,329
96600010209016600	IDEA-B Formula *	224	84.027A	117,802
86610010209016600	IDEA-B Preschool *	225	84.173A	42,589
96610010209016600	IDEA-B Preschool *	225	84.173A	1,362
8420006020901	Carl D. Perkins Basic Grant	244	84.048A	121,687
9420006020901	Carl D. Perkins Basic Grant	244	84.048A	2,710
8694501020901	Title II, Part A, Teacher/Principal Training	255	84.367A	509,600
9694501020901	Title II, Part A, Teacher/Principal Training	255	84.367A	45,297
8630001020901	Title II, Part D, Enhancing Education	262	84.318X	6,903
8671001020901	Title III, Part A LEP	263	84.365A	152,042
9671001020901	Title III, Part A LEP	263	84.365A	44,948
8685001020901	Title V, Part A, Innovative Program	269	84.298A	23,454
Q184D050006-07	Safe & Drug Free Schools - National	281	84.184D	1,425
Q184D050006-08	Safe & Drug Free Schools - National	281	84.184D	54,320
69550602	Early Childhood LEP Summer	390	84.369A	10,401
Total passed through Texas Education Agency				6,432,322
Passed through Texas Higher Education Coordinating Board to North Harris Montgomery Community College Tech Prep				
Total passed through Texas Higher Education Coordinating Board				4,185
<b>Total Department of Education</b>				<b>6,436,507</b>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2008*

*Exhibit J-1*  
*(Page 2 of 2)*

<b>Pass Through Entity Identifying Number</b>	<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Fund Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
	<b>U.S. Department of Agriculture</b>			
	Direct Program:			
	Commodity Supplement Program *	240	10.555	\$ 283,329
	Passed Through Texas Education Agency:			
71300801	National School Lunch Program *	240	10.555	2,793,646
71400801	School Breakfast Program *	240	10.553	950,166
	<b>Total Department of Agriculture</b>			<u>4,027,141</u>
	<b>U.S. Department of Health and Human Services</b>			
	Direct Program:			
None	Medicaid Administrative Claims (MAC)	199	93.778	<u>17,890</u>
	<b>U.S. Department of Defense</b>			
	Direct Program:			
	ROTC	199	12.000	<u>67,134</u>
	<b>Total Expenditures of Federal Awards</b>			<u>\$ 10,548,672</u>

\* Clustered Programs

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2008*

*Exhibit J-2*

**Note 1 -Basis of Accounting**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for 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. Generally, unused balances are returned to the grantor at the close of specified project periods

**Note 2 - Reconciliation to Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards program per Exhibit I-1 and expenditures reported on Exhibit C-3:

<b>Total Expenditures of Federal Awards</b>	\$ 10,548,672
<b>Add:</b>	
School Health and Related Services Program	423,030
Fuel reimbursement	92,023
E-Rate	119,173
<b>Reconciled Balance</b>	<u><u>\$ 11,182,898</u></u>
<b>Related Expenditures on Exhibit C-3</b>	
General Fund	\$ 830,702
Special Revenue Funds	10,352,196
	<u><u>\$ 11,182,898</u></u>

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<b>ALVIN INDEPENDENT SCHOOL DISTRICT</b>	
<b><i>Required Responses to Selected School First Indicators</i></b>	
<b><i>SCHEDULE L-1</i></b>	
<b><i>YEAR ENDED AUGUST 31, 2008</i></b>	
Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
Did the district receive a clean audit? – Was there an unqualified opinion in the Annual Financial Report?	Yes
Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
Was there any disclosure in the Annual Financial Report of material noncompliance?	Yes
Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$3,026,816