

**ALVIN  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**For The Year Ended August 31, 2009**



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Texas City, Texas 77590  
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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<u>Page</u>	<u>Exhibit</u>
<b>Certificate of the Board</b>	i	
<b>Financial Section</b>		
Independent Auditors' Report	1	
Management's Discussion and Analysis	5	
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements		
Statement of Net Assets	15	A-1
Statement of Activities	17	B-1
Fund Financial Statements		
Balance Sheet - Governmental Funds	18	C-1
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Assets	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	22	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds to the Statement of Activities	25	C-4
Proprietary Fund Financial Statements		
Statement of Net Assets - Proprietary Funds	26	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	27	D-2
Statement of Cash Flows - Proprietary Funds	28	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets	29	E-1
Statement of Changes in Fiduciary Net Assets	30	E-2
Notes to Financial Statements	31	E-3
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule - General Fund	55	F-1
Notes to Required Supplementary Information	56	F-2
<b>Other Supplementary Information:</b>		
Combining Fund Statements:		
Non-major Governmental Funds		
Combining Balance Sheet	58	G-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	64	G-2
Internal Service Funds		
Combining Statement of Net Assets	73	G-3
Combining Revenues, Expenses and Changes in Fund Net Assets	74	G-4
Combining Statement of Cash Flows	75	G-5
Schedule of Delinquent Taxes Receivable	76	H-1
Schedule of Expenditures for Computation of Indirect Costs for 2010-2011	78	H-2
Fund Balance and Cash Flow Calculation Schedule (Unaudited) - General Fund	79	H-3
Budgetary Comparison Schedule - Child Nutrition and Debt Service Funds	80	H-4

# ALVIN INDEPENDENT SCHOOL DISTRICT

## TABLE OF CONTENTS (Continued)

	<u>Page</u>	<u>Exhibit</u>
<b>Federal Awards Section</b>		
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 <i>Government Auditing Standards</i>	85	
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	87	
Schedule of Findings and Questioned Costs	89	
Schedule of Expenditures of Federal Awards	92	J-1
Notes to Schedule of Expenditures of Federal Awards	94	J-2

**CERTIFICATE OF THE BOARD**

Alvin Independent School District

Name of School District

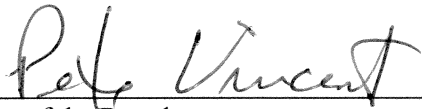
Brazoria

County

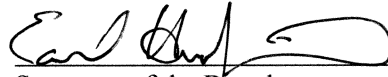
020-901

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, 2009, at a meeting of the board of trustees of such school district on January 19, 2010.



\_\_\_\_\_  
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, 2009, 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, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated January 19, 2010, 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 5 through 12 and 55 through 56, 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 applied 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" and "L".

Texas City, Texas  
January 19, 2010

## **Management's Discussion and Analysis**

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## **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, 2009.

#### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$78,766,846 (*net assets*). Of this amount, \$46,910,410 (*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 \$11,843,275.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$102,640,353, a decrease of \$5,058,510 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 \$13,382,907. The general fund balance increased by \$5,370,253.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$34,358,853, or 27 percent of total general fund expenditures.
- The District's total long-term debt decreased by \$4,238,095 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 15 through 17 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 18 through 25 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 26 through 28 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 29 through 30 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 31 through 52 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 55 through 56 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 58 through 81 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 \$78,766,846 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment, construction in progress), was (\$22,277,379) 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**

	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 121,048,466	\$ 130,802,045
Capital and non current assets	268,327,987	256,325,493
<b>Total Assets</b>	<b>389,376,453</b>	<b>387,127,538</b>
Current liabilities	7,937,905	13,294,170
Long term liabilities	302,671,702	306,909,797
<b>Total Liabilities</b>	<b>310,609,607</b>	<b>320,203,967</b>
<b>Net Assets:</b>		
Invested in capital assets net of related debt	22,277,379	20,128,086
Restricted	9,579,057	6,662,018
Unrestricted	46,910,410	40,133,467
<b>Total Net Assets</b>	<b>\$ 78,766,846</b>	<b>\$ 66,923,571</b>

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

Net assets of (\$9,579,057) are restricted for state and federal programs, food service, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* (\$46,910,410) 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 \$11,843,275 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>2009</u>	<u>2008</u>
<b>Program Revenues</b>		
Charges for services	\$ 4,427,574	\$ 4,195,637
Operating grants	22,305,153	17,424,155
<b>General Revenues</b>		
Property taxes	60,242,890	54,964,818
State aid	83,432,651	73,148,196
Grants and contributions not restricted	52,812	43,692
Interest earnings	1,387,915	6,352,666
Other	1,639,040	112,094
<b>Total Revenues</b>	<u>173,488,035</u>	<u>156,241,258</u>
<b>Expenses</b>		
Instruction	78,195,897	69,270,296
Instructional resources and media services	2,629,790	2,423,429
Curriculum and staff development	904,905	942,631
Instructional leadership	1,745,407	1,617,938
School leadership	7,127,199	6,081,091
Guidance, counseling, and evaluation services	3,510,581	3,127,275
Health services	1,100,076	956,863
Student transportation	6,154,717	6,370,781
Food service	7,715,946	7,636,953
Extracurricular activities	4,381,694	3,552,880
General administration	3,427,741	3,479,345
Plant, maintenance and operations	16,114,457	15,874,500
Security and monitoring services	1,670,145	1,356,934
Data processing services	3,207,026	2,631,370
Community services	82,488	78,843
Interest on long-term debt	13,436,366	13,630,989
Debt issuance costs and fees	210,168	63,203
Facilities acquisition and construction	2,585,107	8,962,491
Payments related to shared services arrangements	3,733,897	
Payments to Juvenile Justice Alternative Education Programs	137,146	143,914
Payments to Tax Increment Fund	3,574,007	2,879,739
<b>Total Expenses</b>	<u>161,644,760</u>	<u>151,081,465</u>
Excess (deficiency) before special items and transfers	11,843,275	5,159,793
Special items		74,217
Increase (Decrease) in Net Assets	<u>11,843,275</u>	<u>5,234,010</u>
<b>Beginning net assets</b>	<u>66,923,571</u>	<u>61,689,561</u>
<b>Ending Net Assets</b>	<u>\$ 78,766,846</u>	<u>\$ 66,923,571</u>



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

**Governmental Activities** increased the District's net assets by \$11,843,275. Key elements of this increase are as follows:

Revenues are generated primarily from three sources. Grants and contributions (program and general revenues totaling (\$22,357,965) represent 13 percent of total revenues, state aid totaling (\$83,432,651) represents 48 percent of total revenue and property taxes (\$60,242,890) represent 35 percent of total revenues. The remaining revenues (\$7,454,529) are generated from charges for services, investment earnings, miscellaneous revenues and special item - loss on disposal of asset. Higher tax revenues were the result of an increase in the District's total taxable value.

The primary functional expense of the District is instruction (\$78,195,897), which represents 48 percent of total expenses. Plant maintenance and operations (\$16,114,457) represents 10 percent of total expenses. The Interest on long-term debt (\$13,436,366) represents 8 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 \$102,640,353, a decrease of \$5,058,510 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 \$34,358,853, while total fund balance reached \$41,133,215. 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 32 percent of that same amount.

The fund balance of the District's general fund increased by \$5,370,253 during the current fiscal year primarily due to increased local tax revenues resulting from increased property values and an excellent total collection rate, increased state aid as a result of increased ADA and funded, but unfilled positions as well as saving from conservative practices used.

The debt service fund has a total fund balance of \$4,749,241, 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 \$2,079,055 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 \$52,195,786. The net decrease in fund balance during the current year of \$13,382,907 was primarily due to the completion of the second phase of Manvel High School. Other expenses include bus purchases, technology upgrades and continued purchases for the three newer campuses, Savannah Lakes Elementary, Fariview Jr. High and Nolan Ryan Jr. High. 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 amendments during the year are summarized as follows:

- The expenditure budget was increased by \$6,310,214 for the purchase of land for High School number three. These funds are to be reimbursed with the passage of the November bond election.
- The expenditure and revenue budgets were increased by \$3,081,972 due to a change in the way the TIRZ receipts and payments need to be recorded according to the TEA Financial Accountability Resource Guide.
- The expenditures budget was increased by \$370,601 for the relocation of classes held at the "REACH" campus and for Special Education and Curriculum staff to be housed at Alvin Primary.
- The expenditure budget was increased by \$2,581,118 for various hurricane IKE damages. The main building damaged was the Alvin High School Vocational building.
- The revenue budget was increased by \$475,463 in state funding due to a Transportation Audit performed by Region IV.

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, 2009, amounts to \$267,814,987 (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 \$12,050,646.

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

- Construction was completed on Manvel High School phase II.
- The vocational building at Alvin High School was gutted and remodeled due to hurricane IKE damages.

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

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

	<b>Balance August 31, 2008</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance August 31, 2009</b>
Land	\$ 17,151,331	\$ 6,454,719	\$ (450)	\$ 23,605,600
Construction in progress	12,188,259	98,144	(12,188,259)	98,144
Buildings and improvements	259,866,221	10,497,269	11,718,498	282,081,988
Furniture and equipment	19,734,735	3,690,491	(1,432,053)	21,993,173
	<u>308,940,546</u>	<u>20,740,623</u>	<u>(1,902,264)</u>	<u>327,778,905</u>
Less accumulated depreciation for:				
Buildings and improvements	(43,800,467)	(6,985,383)	428,482	(50,357,368)
Furniture and equipment	(9,375,738)	(1,643,725)	1,412,913	(9,606,550)
	<u>(53,176,205)</u>	<u>(8,629,108)</u>	<u>1,841,395</u>	<u>(59,963,918)</u>
Governmental Capital Assets	<u>\$ 255,764,341</u>	<u>\$ 12,111,515</u>	<u>\$ (60,869)</u>	<u>\$ 267,814,987</u>

Additional information on the District's capital assets can be found in Note 4 on pages 41 through 42 of the notes to the financial statements.

**Long-term Liabilities.** At the end of the current fiscal year, the District had \$297,795,000 in bonded debt outstanding, a decrease of \$3,669,732 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, 2009, are as follows:

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

	<b>Balance August 31, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2009</b>
General obligation bonds	\$ 296,174,732	\$ 28,760,434	\$ (31,995,166)	\$ 292,940,000
Less deferred amounts:				
For issuance premiums/discounts	3,375,026	345,973	(139,615)	3,581,384
Gain or loss on refunding bonds	(1,799,802)	111,435		(1,688,367)
Accreted interest on premium compound interest bonds	3,026,816	147,920	(1,075,268)	2,099,468
Maintenance tax notes	5,290,000		(435,000)	4,855,000
Accrued compensated absences	843,025	88,385	(47,193)	884,217
	<u>\$ 306,909,797</u>	<u>\$ 29,454,147</u>	<u>\$ (33,692,242)</u>	<u>\$ 302,671,702</u>

Additional information on the District's long-term liabilities can be found in Note 6 on pages 43 through 45 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 2009 general fund budget. The adopted budget is based on the following significant assumptions:

- Although the recession still continues to affect the economic conditions world-wide, the Houston metro area continues to be one of the best cities in the country with a strong employment base. With this, Alvin ISD continues to experience growth although at a slower pace than predicted a few years ago. Alvin ISD's enrollment is predicted to grow at 3.4% next year for a total of 17,248 students.
- The tax rate for 2009 is \$1.3041. This is \$.0241 lower than the 2008 rate which was \$1.3282. The Maintenance and Operations portion is \$1.0400 and the Interest and Sinking portion is \$.264100. Due to strong collections and refunding of debt, the Interest and Sinking portion of the tax rate was lowered.
- General fund expenditures are budgeted to increase by \$ 3,563,481 over the actual 2008-2009 expenditures. Major factors causing this increase include:
  - Additional personnel costs, salaries and benefits for teaching and support positions due to increased enrollment.

**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, 2009

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>Assets</b>	
1110	Cash and temporary investments	\$ 97,356,905
1225	Property taxes receivables, net	4,687,040
1240	Due from other governments	16,203,323
1250	Accrued interest	8,734
1290	Other receivables, net	178,384
1300	Inventories	574,192
1410	Deferred expenses	84,132
1420	Capital bond and other debt issuance costs	1,955,756
	Capital assets not subject to depreciation:	
1510	Land	23,605,600
1580	Construction in progress	98,144
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	231,724,620
1530	Furniture and equipment, net	12,386,623
1910	Long-term investments	513,000
1000	<b>Total Assets</b>	<u>389,376,453</u>
	<b>Liabilities</b>	
2110	Accounts payable	2,703,701
2140	Interest payable	576,761
2150	Payroll deductions and withholdings	107,727
2160	Accrued wages payable	1,648,769
2177	Due to fiduciary funds	14,922
2180	Due to other governments	657,943
2190	Due to student groups	194,388
2200	Accrued expenditures	1,904,084
2300	Unearned revenue	129,610
	Noncurrent Liabilities:	
2501	Due within one year	6,740,461
2502	Due in more than one year	295,931,241
2000	<b>Total Liabilities</b>	<u>310,609,607</u>
	<b>Net Assets</b>	
3200	Invested in capital assets, net of related debt	22,277,379
	Restricted for:	
3820	Federal and state programs	1,180,981
3840	Food service	1,423,561
3850	Debt service	5,039,719
3870	Campus activity	1,934,796
3900	Unrestricted	46,910,410
	<b>Total net assets</b>	<u>\$ 78,766,846</u>

See Notes to Financial Statements

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended August 31, 2009

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	\$ 78,195,897	\$ 608,571	\$ 12,198,015	\$ (65,389,311)
12	Instructional resources and media services	2,629,790	195,202	146,794	(2,287,794)
13	Curriculum and staff development	904,905	22,965	286,961	(594,979)
21	Instructional leadership	1,745,407		400,476	(1,344,931)
23	School leadership	7,127,199		495,822	(6,631,377)
31	Guidance, counseling, and evaluation services	3,510,581		757,415	(2,753,166)
33	Health services	1,100,076		107,440	(992,636)
34	Student transportation	6,154,717		681,782	(5,472,935)
35	Food service	7,715,946	2,940,737	4,674,250	(100,959)
36	Extracurricular activities	4,381,694	456,904	179,047	(3,745,743)
41	General administration	3,427,741		303,349	(3,124,392)
51	Plant, maintenance and operations	16,114,457	157,265	1,765,582	(14,191,610)
52	Security and monitoring services	1,670,145	45,930	109,204	(1,515,011)
53	Data processing services	3,207,026		156,115	(3,050,911)
61	Community services	82,488		42,901	(39,587)
72	Interest on long-term debt	13,436,366			(13,436,366)
73	Debt issuance costs and fees	210,168			(210,168)
81	Facilities acquisition and construction	2,585,107			(2,585,107)
93	Payments related to shared services arrangements	3,733,897			(3,733,897)
95	Payments to Juvenile Justice Alternative Education Programs	137,146			(137,146)
97	Payments to Tax Increment Fund	3,574,007			(3,574,007)
<b>TG</b>	<b>Total governmental activities</b>	<u>\$ 161,644,760</u>	<u>\$ 4,427,574</u>	<u>\$ 22,305,153</u>	<u>(134,912,033)</u>

Data Control Codes		
	<b>General revenues:</b>	
	Taxes:	
<b>MT</b>	Property taxes, levied for general purposes	47,214,859
<b>DT</b>	Property taxes, levied for debt service	13,028,031
<b>SF</b>	State-aid formula grants	83,432,651
<b>GC</b>	Grants and contributions not restricted	52,812
<b>IE</b>	Investment earnings	1,387,915
<b>MI</b>	Miscellaneous	1,639,040
<b>TR</b>	<b>Total general revenues, special items, and transfers</b>	<u>146,755,308</u>
<b>CN</b>	Change in net assets	11,843,275
<b>NB</b>	<b>Net assets - beginning</b>	<u>66,923,571</u>
<b>NE</b>	<b>Net assets - ending</b>	<u>\$ 78,766,846</u>

See Notes to Financial Statements

**ALVIN INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

August 31, 2009

<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	\$ 26,656,225	\$ 4,358,272	\$ 53,031,473
Receivables:			
1220 Property taxes - delinquent	4,679,795	1,050,293	
1230 Allowance for uncollectible taxes (credit)	(852,570)	(190,478)	
1240 Receivables from other governments	13,553,094	346,201	
1250 Accrued interest			
1260 Due from other funds	4,285,488	168,543	1,156,644
1290 Other receivables	138,556		
1300 Inventories, at cost	310,806		
1410 Prepaid expenses	13,023		
1910 Long-term investments, at fair value			
<b>Total Assets</b>	<u><u>\$ 48,784,417</u></u>	<u><u>\$ 5,732,831</u></u>	<u><u>\$ 54,188,117</u></u>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
2110 Accounts payable	\$ 284,660	\$ 750	\$ 1,608,599
2140 Interest payable		7,424	
2150 Payroll deduction and withholdings payable	107,751		
2160 Accrued wages payable	1,483,427		
2170 Due to other funds	724,549		383,732
2180 Payable to other governments	542,342	115,601	
2200 Accrued expenses	554,167		
2300 Deferred revenues	3,954,306	859,815	
2000 <b>Total Liabilities</b>	<u><u>7,651,202</u></u>	<u><u>983,590</u></u>	<u><u>1,992,331</u></u>
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410 Investments in inventories	310,806		
3420 Retirement of funded indebtedness		4,749,241	
3430 Prepaid items	13,023		
3440 Encumbrances	196,023		1,904,222
3450 Food service operations			
3470 Capital acquisition program			50,291,564
<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	34,358,853		
3610 Special revenue funds			
3000 <b>Total Fund Balances</b>	<u><u>41,133,215</u></u>	<u><u>4,749,241</u></u>	<u><u>52,195,786</u></u>
4000 <b>Total Liabilities and Fund Balances</b>	<u><u>\$ 48,784,417</u></u>	<u><u>\$ 5,732,831</u></u>	<u><u>\$ 54,188,117</u></u>

See Notes to Financial Statements.

*Exhibit C-1*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,237,725	\$ 88,283,695
	5,730,088
	(1,043,048)
2,304,028	16,203,323
1,355	1,355
946,857	6,557,532
2,411	140,967
250,652	561,458
71,109	84,132
246,683	246,683
<u>\$ 8,060,820</u>	<u>\$ 116,766,185</u>
\$ 362,024	\$ 2,256,033
	7,424
(24)	107,727
162,151	1,645,578
2,958,642	4,066,923
	657,943
13,387	567,554
2,529	4,816,650
<u>3,498,709</u>	<u>14,125,832</u>
250,652	561,458
	4,749,241
71,109	84,132
3,167	2,103,412
1,170,236	1,170,236
	50,291,564
	5,604,510
	500,000
	150,000
	34,358,853
3,066,947	3,066,947
4,562,111	102,640,353
<u>\$ 8,060,820</u>	<u>\$ 116,766,185</u>

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET ASSETS**  
*August 31, 2009*

*Exhibit C-2*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	<b>\$ 102,640,353</b>
	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.	
<b>1</b>	Capital assets at historical cost, net of accumulated depreciation, where applicable	267,813,854
	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).	
<b>2</b>		4,687,040
	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.	
<b>3</b>		1,955,756
	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:	
<b>4</b>	General obligation bonds	(292,940,000)
<b>5</b>	Premiums on issuance	(3,581,384)
<b>6</b>	Deferred loss on refunding	1,688,367
<b>7</b>	Accreted interest on premium compound interest bonds	(2,099,468)
<b>8</b>	Maintenance tax notes payable	(4,855,000)
<b>9</b>	Accrued compensated absences	(875,720)
<b>10</b>	Accrued interest payable	(569,343)
<b>11</b>	Addition of Internal Service fund net assets	<u>4,902,391</u>
	<b>Total net assets - governmental activities</b>	<b><u><u>\$ 78,766,846</u></u></b>

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, 2009**

<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	\$ 48,527,026	\$ 13,111,550	\$ 2,060,739
5800	State program revenues	82,282,004	7,022,758	
5900	Federal program revenues	1,115,584		
5020	<b>Total revenues</b>	<u>131,924,614</u>	<u>20,134,308</u>	<u>2,060,739</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	66,491,765		339,413
0012	Instruction resources and media services	2,149,090		86,087
0013	Curriculum and instructional staff development	666,703		
0021	Instructional leadership	1,438,938		
0023	School leadership	6,961,903		
0031	Guidance, counseling and evaluation services	2,949,557		
0033	Health services	1,087,646		
0034	Student transportation	7,349,802		
0035	Food services			
0036	Extracurricular activities	2,753,865		43
0041	General administration	3,593,808		
0051	Plant maintenance and operations	13,060,818		1,460,059
0052	Security and monitoring services	1,656,244		
0053	Data processing services	2,695,538		193,945
0061	Community services	39,498		
<b>Debt service:</b>				
0071	Principal on long-term debt	435,000	4,310,000	
0072	Interest on long-term debt	202,755	13,046,021	
0073	Bond issuance costs and fees		269,953	143,850
<b>Capital outlay:</b>				
0081	Facilities acquisition and construction	6,397,421		13,220,249
<b>Intergovernmental:</b>				
0093	Payments related to shared services arrangements	3,733,897		
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	137,146		
0097	Payments to tax increment fund	2,798,755	775,252	
6030	<b>Total Expenditures:</b>	<u>126,600,149</u>	<u>18,401,226</u>	<u>15,443,646</u>
1100	Excess (deficiency) of revenues over expenditures	<u>5,324,465</u>	<u>1,733,082</u>	<u>(13,382,907)</u>
<b>Other Financing Sources (Uses):</b>				
7911	Capital-related debt issued (regular bonds)		29,080,000	
7912	Sale of real or personal property	45,788		
7916	Premium or discount on issuance of bonds		345,973	
8949	Payment to Bond Refunding Escrow Agent		(29,080,000)	
7080	<b>Total other financing sources and uses</b>	<u>45,788</u>	<u>345,973</u>	
1200	Net change in fund balances	<u>5,370,253</u>	<u>2,079,055</u>	<u>(13,382,907)</u>
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>35,762,962</u>	<u>2,670,186</u>	<u>65,578,693</u>
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 41,133,215</u>	<u>\$ 4,749,241</u>	<u>\$ 52,195,786</u>

See Notes to Financial Statements.

*Exhibit C-3*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,150,311	\$ 67,849,626
2,375,232	91,679,994
12,995,038	14,110,622
<u>19,520,581</u>	<u>173,640,242</u>
8,375,401	75,206,579
233,392	2,468,569
258,706	925,409
312,812	1,751,750
52,805	7,014,708
516,104	3,465,661
4,318	1,091,964
109	7,349,911
7,316,263	7,316,263
280,851	3,034,759
25,250	3,619,058
1,163,628	15,684,505
58,006	1,714,250
6,974	2,896,457
40,873	80,371
	4,745,000
	13,248,776
	413,803
	19,617,670
	3,733,897
	137,146
	3,574,007
<u>18,645,492</u>	<u>179,090,513</u>
<u>875,089</u>	<u>(5,450,271)</u>
	29,080,000
	45,788
	345,973
	(29,080,000)
	391,761
<u>875,089</u>	<u>(5,058,510)</u>
<u>3,687,022</u>	<u>107,698,863</u>
<u>\$ 4,562,111</u>	<u>\$ 102,640,353</u>

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**

*Exhibit C-4*

*For the Year Ended August 31, 2009*

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from A-5)	\$ (5,058,510)
	Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
1	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.	12,114,478
2	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.	(60,869)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(291,359)
4	Premium from the issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statement, proceeds are treated as increase in long-term liabilities	(345,973)
5	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	4,745,000
6	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	(29,080,000)
7	Payment to escrow agent for payment of refunded bonds	29,080,000
8	Bond issuance costs paid during the current year will be amortized over the life of the bonds.	184,105
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
9	Decrease in interest payable not recognized in fund statements	1,715
10	Increase in long-term portion of accrued compensated absences	(40,900)
11	Accreted interest on capital appreciation bonds and amortization of bond premiums, discounts and issuance costs	(169,775)
12	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.	<u>765,363</u>
	<b>Change in net assets of governmental activities</b>	<b><u>\$ 11,843,275</u></b>

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**August 31, 2009**

*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	\$ 9,073,210
	Receivables:	
1250	Accrued interest receivable	7,379
1260	Due from other funds	7,625
1290	Other receivables	37,417
1300	Inventories, at cost	12,734
	<b>Total Current Assets</b>	<u>9,138,365</u>
	<b>Non-current Assets:</b>	
	Land, Buildings and Equipment:	
1540	Furniture and equipment	39,301
1573	Accumulated depreciation - Equipment	(38,168)
1910	Long-term investments, at fair value	266,317
	<b>Total Non-current Assets</b>	<u>267,450</u>
1000	<b>Total Assets</b>	<u>9,405,815</u>
	<b>Liabilities and Net Assets</b>	
	<b>Current Liabilities:</b>	
2110	Accounts payable	447,662
2160	Accrued wages payable	3,191
2170	Due to other funds	2,513,156
2180	Payable to other governments	194,388
2200	Accrued expenses	1,345,027
	<b>Total Current Liabilities</b>	<u>4,503,424</u>
2000	<b>Total Liabilities</b>	<u>4,503,424</u>
	<b>Net Assets:</b>	
3200	Investments in capital assets, net of debt	1,133
3300	Unrestricted net assets	4,901,258
3900	<b>Total Net Assets</b>	<u>\$ 4,902,391</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, 2009*

*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	\$ 21,374
5754 Interfund services provided and used	13,996,923
5020 <b>Total Operating Revenues</b>	<u>14,018,297</u>
<b>Operating Expenses</b>	
6100 Payroll costs	137,880
6200 Purchased and contracted services	127,872
6300 Supplies and materials	70,267
6400 Claims expense and other operating expenses	13,053,104
6449 Depreciation	2,963
6030 <b>Total Operating Expenses</b>	<u>13,392,086</u>
1200 <b>Operating Income (Loss)</b>	<u>626,211</u>
<b>Non-Operating Revenues (Expenses)</b>	
7020 Investment earnings	<u>139,152</u>
<b>Total Non-operating Revenues (Expenses)</b>	<u>139,152</u>
1200 Change in Net Assets	765,363
0100 <b>Net Assets - September 1 (Beginning)</b>	<u>4,137,028</u>
3300 <b>Net Assets - August 31 (Ending)</b>	<u>\$ 4,902,391</u>

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended August 31, 2009**

*Exhibit D-3*

	<b>Governmental Activities - Internal Service Funds</b>
	<u>                    </u>
<b>Cash Flows from Operating Activities:</b>	
Cash receipts from customers and with other funds	\$ 14,100,320
Cash payments to suppliers for goods and services	(13,249,028)
Cash payments to employees	(135,718)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>715,574</u>
<b>Cash Flows from Investing Activities:</b>	
Investment proceeds	(1,676)
Interest on investments	173,478
<b>Net Cash Provided by Investing Activities</b>	<u>171,802</u>
Net Increase in Cash and Cash Equivalents	887,376
<b>Cash and Cash Equivalents at Beginning of Year</b>	8,185,834
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 9,073,210</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 626,211
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	2,963
Change in Assets and Liabilities:	
Decrease (increase) in Receivables	8,558
Decrease (increase) in Interfund Receivables	73,465
Decrease (increase) in Inventories	5,694
Increase (decrease) in Accounts Payable	(149,283)
Increase (decrease) in Accrued Wages Payable	166
Increase (decrease) in Interfund Payables	559,745
Increase (decrease) in Payables to Other Governments	(31,434)
Increase (decrease) in Accrued Expenses	(380,511)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 715,574</u>

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS**

August 31, 2009

*Exhibit E-1*

<b>Data Control Codes</b>		<b>810 Scholarship Fund</b>	<b>865 Student Activity Fund</b>
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 55,746	\$ 345,635
	<b>Receivables:</b>		
1250	Interest receivable	195	
1260	Due from other Funds		15,428
1290	Other receivables		678
	<b>Total receivables</b>	195	16,106
	<b>Total Assets</b>	55,941	\$ 361,741
	<b>Liabilities</b>		
2110	Accounts payable		\$ 54,190
2170	Due to other funds		506
2190	Due to others		307,045
2000	<b>Total Liabilities</b>		\$ 361,741
	<b>Net Assets</b>		
3590	Reserved - other	\$ 55,941	

See Notes to Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
*For the Year Ended August 31, 2009*

*Exhibit E-2*

	<b>810 Scholarship Fund</b>
	<u>                    </u>
<b>Additions</b>	
Gifts and contributions	\$
Earnings on investments	1,700
<b>Total additions</b>	<u>1,700</u>
<b>Deductions</b>	
Scholarships awarded	<u>500</u>
<b>Total deductions</b>	500
Change in net assets	1,200
<b>Net assets beginning of year</b>	<u>54,741</u>
<b>Net assets end of year</b>	<u><u>\$ 55,941</u></u>

See Notes to Financial Statements.

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

**Reporting Entity**

The Alvin Independent School District (the “District”) is governed by a seven-member Board of Trustees (the “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, 2009. 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, 2009, are shown below:

	<b>Cash and Deposits</b>	<b>Money Market Accounts</b>	<b>External Investment Pools</b>	<b>Investment Securities</b>	<b>Total</b>
<b>Governmental Funds</b>					
General Fund	\$ 583,480	\$ 18,398,306	\$ 7,674,439	\$	\$ 26,656,225
Debt Service Fund	2,017		4,356,255		4,358,272
Capital Projects Fund	10		53,031,463		53,031,473
Non-major Funds	1,558,034	1,055,342	1,624,349	246,683	4,484,408
	<u>2,143,541</u>	<u>19,453,648</u>	<u>66,686,506</u>	<u>246,683</u>	<u>88,530,378</u>
<b>Internal Service Funds</b>	<u>1,040,985</u>	<u>2,503,995</u>	<u>4,022,140</u>	<u>1,772,407</u>	<u>9,339,527</u>
<b>Total Government Wide Statements</b>	3,184,526	21,957,643	70,708,646	2,019,090	97,869,905
<b>Fiduciary Funds</b>	<u>51,486</u>	<u>49,895</u>	<u>300,000</u>		<u>401,381</u>
<b>Total Cash and Investments</b>	<u>\$ 3,236,012</u>	<u>\$ 22,007,538</u>	<u>\$ 71,008,646</u>	<u>\$ 2,019,090</u>	<u>\$ 98,271,286</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 (Chapter 2256, Texas Government Code), 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 2009, the District invested in U.S. Government Agency securities, the State of Texas ("Texpool"), Texas Term / TexasDaily, MBIA Texas CLASS and Texas Association of School Boards Lone Star Investment Pool. TexPool, Lone Star, TexasDaily 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, Texas Term / TexasDaily and CLASS use amortized cost to report net assets and share prices, since those amounts approximate fair value. The Texas State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Federated Investors manage the daily operations of the pool under a contract with the Comptroller. Lone Star is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. TASB has entered into an agreement with First Public, LLC as administrator of the pool. TexasTerm / TexasDaily is an local government investment pool created by

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

Texas local governments to provide investment programs tailored to the needs of local governments. PFM Asset Management LLC acts as the Investment adviser/administrator of the pool. The investment activities of CLASS are administered by MBIA Municipal Investors Service Corporation. There is no regulatory oversight by the State of Texas over TexasTerm / TexasDaily, MBIA Texas CLASS, or Lone Star.

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

	<b>Fair Market Value</b>	<b>Weighted Average Maturity (Days)</b>	<b>S &amp; P Credit Quality Ratings</b>
<b>Investment Type</b>			
Local Government Investment Pools:			
Lone Star	\$ 600,020	52	AAA
MBIA Texas CLASS	59,144,747	29	AAAm
TexasDaily	7,710,374	57	AAAm
TexPool	3,553,505	48	AAAm
<b>Total</b>	<u>71,008,646</u>		
Investment Securities:			
FHLB Bond	266,317	350	Aaa/AAA
FHLB Disc	1,506,090	191	Aaa/AAA
GNMA	246,683	3,995	AAA
<b>Total</b>	<u>2,019,090</u>		
Time Deposits and Money Market Mutual Funds:			
Certificates of Deposits	49,895	155	Not rated
UBS	360,008	1	Not rated
Merrill Lynch	21,597,635	1	Not rated
	<u>22,007,538</u>		
<b>Total Investments</b>	<u>\$ 95,035,274</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, 2009 the District's exposure to interest rate risk as measured by the maturities by investment type is summarized below:

	<b>Fair</b>				
	<b>Market</b>	<b>Less than</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than</b>
	<b>Value</b>	<b>1 Year</b>	<b>Years</b>	<b>Years</b>	<b>10 Years</b>
Lone Star	\$ 600,020	\$ 600,020	\$	\$	\$
MBIA Texas CLASS	59,144,747	59,144,747			
TexasDaily	7,710,374	7,710,374			
TexPool	3,553,505	3,553,505			
FHLB Bond	266,317	266,317			
FHLB Disc	1,506,090	1,506,090			
GNMA	246,683		77,373	42,613	126,697
Certificate of Deposits	49,895	49,895			
UBS	360,008	360,008			
Merrill Lynch	21,597,635	21,597,635			
	<u>\$ 95,035,274</u>	<u>\$ 94,788,591</u>	<u>\$ 77,373</u>	<u>\$ 42,613</u>	<u>\$ 126,697</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, 2009 consisted of the following:

<b>Investment Type</b>	<b>Fair Market Value</b>	<b>Percentage of Portfolio</b>
Local Government Investment Pools:		
MBIA Texas CLASS	\$ 59,144,747	62.23%
TexasDaily	7,710,374	8.11%
Money Market Mutual Fund:		
Merrill Lynch	21,597,635	22.73%

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, 2009 is included in investment income as follows:

Investment earnings	\$ 1,398,519
Net increase in investment values	<u>(10,604)</u>
Total investment earnings	<u><u>\$ 1,387,915</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>Nonmajor and Fiduciary Funds</u>	<u>Total</u>
Property Taxes	\$ 4,679,795	\$ 1,050,293	\$	\$ 5,730,088
Due from other governments	13,553,094	346,201	2,304,028	16,203,323
Accrued Interest			1,355	1,355
Other	138,556		2,411	140,967
Gross Receivables	<u>18,371,445</u>	<u>1,396,494</u>	<u>2,307,794</u>	<u>22,075,733</u>
Less allowance for doubtful accounts	(852,570)	(190,478)		(1,043,048)
<b>Net Total Receivables</b>	<u><u>\$ 17,518,875</u></u>	<u><u>\$ 1,206,016</u></u>	<u><u>\$ 2,307,794</u></u>	<u><u>\$ 21,032,685</u></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>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 3,827,225	\$	\$ 3,827,225
Delinquent property taxes receivable (Debt Service Fund)	859,815		859,815
Advanced collection of fees (General Fund)		127,081	127,081
Grant funds received prior to meeting all eligibility requirements		2,529	2,529
	<u><u>\$ 4,687,040</u></u>	<u><u>\$ 129,610</u></u>	<u><u>\$ 4,816,650</u></u>



**Note 4 - Capital Assets**

The District's capital asset activity for the year ended August 31, 2009 is as follows:

	<u>Balance</u> <u>August 31, 2008</u>	<u>Additions</u>	<u>Retirements</u> <u>and Transfers</u>	<u>Balance</u> <u>August 31, 2009</u>
Capital assets, not being depreciated				
Land	\$ 17,151,331	\$ 6,454,719	\$ (450)	\$ 23,605,600
Construction in progress	12,188,259	98,144	(12,188,259)	98,144
<b>Total Capital assets, not being depreciated</b>	<u>29,339,590</u>	<u>6,552,863</u>	<u>(12,188,709)</u>	<u>23,703,744</u>
Capital assets, being depreciated				
Buildings and improvements	259,866,221	10,497,269	11,718,498	282,081,988
Furniture and equipment	19,591,258	3,690,491	(1,327,877)	21,953,872
Media center equipment	143,477		(104,176)	39,301
<b>Total capital assets, being depreciated</b>	<u>279,600,956</u>	<u>14,187,760</u>	<u>10,286,445</u>	<u>304,075,161</u>
Less accumulated depreciation for:				
Buildings and improvements	(43,800,467)	(6,985,383)	428,482	(50,357,368)
Furniture and equipment	(9,236,357)	(1,640,762)	1,308,737	(9,568,382)
Media center equipment	(139,381)	(2,963)	104,176	(38,168)
<b>Total accumulated depreciation</b>	<u>(53,176,205)</u>	<u>(8,629,108)</u>	<u>1,841,395</u>	<u>(59,963,918)</u>
<b>Governmental capital assets</b>	<u>\$ 255,764,341</u>	<u>\$ 12,111,515</u>	<u>\$ (60,869)</u>	<u>\$ 267,814,987</u>

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

<u>Function</u>	<u>Depreciation</u> <u>Expense</u>
Instruction	\$ 4,002,867
Instructional resources and media services	181,102
School leadership	120,841
Guidance, counseling and evaluation services	58,139
Health services	11,128
Student transportation	823,752
Food Services	507,111
Extracurricular activities	1,428,483
General administration	44,652
Plant maintenance and operations	949,946
Security and monitoring services	110,092
Data processing services	388,631
Community services	2,364
	<u>\$ 8,629,108</u>

Internal service fund capital assets, net of depreciation, totaled \$1,133.

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

**Construction Commitments**

The District has active construction projects as of August 31, 2009. 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>
Elementary #14 - Architect Fees & Design	\$ 500,000	\$ 98,144	\$ 401,856
	<u>\$ 500,000</u>	<u>\$ 98,144</u>	<u>\$ 401,856</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, 2009, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 4,285,488	\$ 724,549
Debt Service Fund	168,543	
Capital Projects Fund	1,156,644	383,732
Nonmajor Governmental Funds	946,857	2,958,642
Internal Service Funds	7,625	2,513,156
Trust and Agency Funds	15,428	506
	<u>\$ 6,580,585</u>	<u>\$ 6,580,585</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The District did not record any interfund transfer during the year.

**Note 6 - Long-term Liabilities**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended August 31, 2009, was as follows:

	<b>Balance August 31, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2009</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 296,174,732	\$ 28,760,434	\$ (31,995,166)	\$ 292,940,000	\$ 5,760,000
Less deferred amounts:					
For issuance premiums/discounts	3,375,026	345,973	(139,615)	3,581,384	
Gain or loss on refunding bonds	(1,799,802)	111,435		(1,688,367)	
Accrued interest on premium					
compound interest bonds	3,026,816	147,920	(1,075,268)	2,099,468	485,000
Maintenance tax notes	5,290,000		(435,000)	4,855,000	450,000
Accrued compensated absences	843,025	88,385	(47,193)	884,217	45,461
	<u>\$ 306,909,797</u>	<u>\$ 29,454,147</u>	<u>\$ (33,692,242)</u>	<u>\$ 302,671,702</u>	<u>\$ 6,740,461</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	\$ 90,000
Unlimited Tax Refunding Bonds, Series 1999	9,269,867	4.00% to 4.625%	2016	5,950,000
Unlimited Tax School Building Bonds, Series 2000	17,235,000	5.50% to 6.25%	2015	545,000
Unlimited Tax School Building Bonds, Series 2001A	16,735,000	3.50% to 4.75%	2021	770,000
Unlimited Tax School Building Bonds, Series 2001B	13,865,000	3.875% to 4.25%	2025	6,580,000
Unlimited Tax School Building Bonds, Series 2002	14,355,000	2.25% to 4.75%	2025	6,290,000
Unlimited Tax School Building Bonds, Series 2004A	34,100,000	3.25% to 5.25%	2027	32,145,000
Unlimited Tax School Building Bonds, Series 2004B	22,500,000	4.50% to 5.00%	2030	22,500,000
Unlimited Tax School Building and Refunding Bonds, Series 2005	61,555,000	3.25% to 5.00%	2030	60,860,000
Unlimited Tax School Building Bonds, Series 2006	71,990,000	4.00% to 5.50%	2033	71,390,000
Unlimited Tax School Building and Refunding Bonds, Series 2007	85,935,000	4.00% to 5.00%	2033	85,820,000
				<u>\$ 292,940,000</u>

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

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

<b>Year Ending August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2010	\$ 5,275,000	\$ 12,950,056	\$ 18,225,056
2011	6,195,000	12,670,582	18,865,582
2012	8,040,000	12,345,510	20,385,510
2013	7,130,000	11,998,904	19,128,904
2014	8,760,000	11,624,999	20,384,999
2015	9,180,000	11,202,265	20,382,265
2016	9,625,000	10,759,037	20,384,037
2017	10,100,000	10,286,990	20,386,990
2018	10,590,000	9,794,891	20,384,891
2019	11,085,000	9,298,515	20,383,515
2020	11,595,000	8,788,936	20,383,936
2021	12,130,000	8,255,038	20,385,038
2022	12,685,000	7,693,289	20,378,289
2023	13,260,000	7,106,199	20,366,199
2024	13,875,000	6,476,213	20,351,213
2025	14,560,000	5,794,773	20,354,773
2026	15,255,000	5,096,364	20,351,364
2027	15,920,000	4,430,077	20,350,077
2028	16,575,000	3,908,646	20,483,646
2029	17,260,000	3,307,770	20,567,770
2030	17,980,000	2,508,257	20,488,257
2031	14,600,000	1,777,500	16,377,500
2032	15,270,000	1,105,425	16,375,425
2033	15,995,000	380,922	16,375,922
	<u>\$ 292,940,000</u>	<u>\$ 179,561,158</u>	<u>\$ 472,501,158</u>

**Accreted Interest on Premium Compound Interest Bonds**

A portion of the bonds sold in the Series 1997 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:

<b>Series</b>	<b>Accreted Value</b>	<b>Principal</b>	<b>Accreted Interest</b>	<b>Maturity Value</b>	<b>Maturity Dates</b>
1997	\$ 560,292	\$ 90,000	\$ 470,292	\$ 575,000	2010
2007	2,044,176	415,000	1,629,176	2,290,000	2011 - 2013
	<u>\$ 2,604,468</u>	<u>\$ 505,000</u>	<u>\$ 2,099,468</u>	<u>\$ 2,865,000</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	\$ 4,855,000
				<u>\$ 4,855,000</u>

Annual requirements to amortize the Maintenance Tax Notes and Contractual Obligations outstanding as of August 31, 2009, follow:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 4,855,000</u>	<u>\$ 929,300</u>	<u>\$ 5,784,300</u>

**Fixed Rate Conversion**

During the fiscal year the District converted two variable rates bond issues to fixed rates. The conversion date was August 18, 2009 and the converted bonds were the Unlimited Tax Schoolhouse Bonds, Series 2001B for \$6,580,000 and the Unlimited Tax Schoolhouse Adjustable Rate Bonds, Series 2004B for \$22,500,000.

**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, 2009, the amount of defeased debt outstanding amount to \$33,195,000.

**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	\$ 47,482,747	\$ 13,051,502	\$	\$	\$ 60,534,249
Investment Income	482,275	60,048	645,208	61,232	1,248,763
Co-curricular student activities	181,325			1,148,247	1,329,572
Food Sales				2,939,300	2,939,300
Other	380,679		1,415,531	1,532	1,797,742
	<u>\$ 48,527,026</u>	<u>\$ 13,111,550</u>	<u>\$ 2,060,739</u>	<u>\$ 4,150,311</u>	<u>\$ 67,849,626</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, 2009, follows:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
<b>Indirect Costs:</b>		
Title I, Part A	84.010A	\$ 43,902
Title I, Part A - School Improvement ARRA	84.389A	4,596
Title I, Part D	84.010A	2,223
IDEA-B Formula	84.027A	45,013
IDEA-B Preschool	84.173A	1,078
IDEA-B Formula ARRA	84.391A	16,606
Carl D. Perkins Basic Grant	84.048A	2,130
Title II, Part A, Teacher/Principal Training	84.367A	9,467
Title II, Part D, Enhancing Education	84.318X	429
Title III, Part A LEP	84.365A	4,132
Title IV, Part A, Safe & Drug Free Schools	84.186A	796
Fuel Reimbursement	N/A	385,356
ROTC	N/A	70,165
Medicaid Administrative Claims (MAC)	93.778	35,097
School Health and Related Service Program	N/A	494,594
		<u>\$ 1,115,584</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 year 2007 a state contribution rate of 6.0% and for fiscal years 2008 and 2009 a state contribution rate of 6.58% and for 2007, 2008 and 2009 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 fiscal years 2008 and 2009 and 6.0% for fiscal year 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% for 2008 and 2009 (6.0% for fiscal year 2007) 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% for 2008 and 2009 (6.0% for fiscal years 2007).

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

Contributions made by the State, District and staff members for the years ended August 31, 2009, 2008, and 2007, 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>	
2007	\$ 3.314	\$ 0.880	\$ 4.474	\$ 8.668	\$ 69.823
2008	3.967	1.119	4.949	10.035	77.308
2009	5.282	0.432	5.561	11.275	86.844

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 2009, 2008, and 2007. 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, 2009, 2008, and 2007, 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>	
2007	\$ 0.658	\$ 0.425	\$ 0.454	\$ 1.537	\$ 69.823
2008	0.727	0.470	0.502	1.699	77.308
2009	0.821	0.525	0.564	1.910	86.844

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, 2009, 2008 and 2007, the subsidy payments received by TRS-Care on behalf of the District were \$199,062, \$179,094 and \$149,653, 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, 2009, 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 \$6,857,117. Estimates of claims payable and of claims incurred but not reported at August 31, 2009, 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, 2009. 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 2007, 2008 and 2009, 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>
2007	\$ 223,376	\$ 12,318,398	\$ 11,547,208	\$ 994,566
2008	994,566	11,445,279	11,645,277	794,568
2009	794,568	12,850,537	12,866,911	778,194

**Workers' Compensation**

During the year ended August 31, 2009, 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 2007, 2008 and 2009, 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>
2007	\$ 920,785	\$ 364,864	\$ 364,864	\$ 920,785
2008	920,785	355,231	349,434	926,582
2009	926,582	202,567	568,700	560,449

**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, 2009, the District accrued a total of \$88,385 and paid out of \$47,193. The total ending amount of unpaid compensated balances at August 31, 2009 is \$884,217.

**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 \$1,278,620 as of August 31, 2009. The deficit is due to higher claims experience than premiums charged during the year. The District has had a deficient net asset balance for its Health Insurance Fund for several years and is actively reviewing its operations.

**Note 14 - Shared Services Arrangement**

The District participates in the Energy for Schools shared services arrangement. Energy for Schools is a state electricity procurement cooperative with more than 140 member districts across the state of Texas. Member districts are charged for their electric consumption at contracted rates. The expenditures attributable to the District's participation totaled \$3,733,897 for the fiscal year.

**Note 15 - Juvenile Justice Alternative Education Program**

The District is required by law to participate in a Juvenile Justice Alternative Education Program (JJAEP) in coordination with the county juvenile board. A JJAEP is mandated by Chapter 37 of the Texas Education Code to provide education for certain expelled and adjudicated youth based on standards of academic accountability and performance as approved by the Texas Juvenile Probation Commission. The District paid \$137,146 to place students in a JJAEP in the fiscal year 2008-2009.

**Note 16 - Arbitrage**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage requirements. Positive arbitrage is the excess of (1) the amount earned in investments purchased with bonds proceeds, or (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has estimated that its arbitrage liability as of August 31, 2009, was zero and has not recorded any amount in the government-wide financial statements.

**Note 17 - Subsequent Event**

On November 3, 2009 voters approved issuance of \$70,095,000 in bonds. The approved bonds will be supplemented with approximately \$42 million saved from previous bonds and will be used for new elementary and junior high school campuses, buses, technology infrastructure upgrade, mini laptops for all junior high school students, and security and other technology equipment.

## **Required Supplementary Information**

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended August 31, 2009

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	\$ 46,724,358	\$ 56,047,998	\$ 48,527,026	\$ (7,520,972)
5800	State program revenues	67,794,520	73,794,520	82,282,004	8,487,484
5900	Federal program revenues	396,000	460,166	1,115,584	655,418
	<b>Total revenues</b>	<u>114,914,878</u>	<u>130,302,684</u>	<u>131,924,614</u>	<u>1,621,930</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	66,163,302	66,113,566	66,491,765	(378,199)
0012	Instruction resources and media services	1,651,539	2,231,096	2,149,090	82,006
0013	Curriculum and instructional staff development	582,471	729,746	666,703	63,043
0021	Instructional leadership	1,166,229	1,534,314	1,438,938	95,376
0023	School leadership	5,885,403	6,935,786	6,961,903	(26,117)
0031	Guidance, counseling and evaluation services	2,911,958	2,961,532	2,949,557	11,975
0033	Health services	1,457,158	1,161,293	1,087,646	73,647
0034	Student transportation	6,345,137	8,264,068	7,349,802	914,266
0036	Extracurricular activities	2,972,641	3,041,944	2,753,865	288,079
0041	General administration	4,011,226	4,060,838	3,593,808	467,030
0051	Plant maintenance and operations	11,891,945	13,786,414	13,060,818	725,596
0052	Security and monitoring services	1,167,755	1,829,122	1,656,244	172,878
0053	Data processing services	2,246,286	3,267,652	2,695,538	572,114
0061	Community services	142,880	127,880	39,498	88,382
<b>Debt Service:</b>					
0071	Principal on long-term debt	442,000	442,000	435,000	7,000
0171	Interest on long-term debt	338,063	226,700	202,755	23,945
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction		6,885,361	6,397,421	487,940
<b>Intergovernmental:</b>					
0093	Payments related to shared services arrangements	5,387,831	4,602,831	3,733,897	868,934
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	151,054	238,054	137,146	100,908
0097	Payments to tax increment fund		2,881,972	2,798,755	83,217
	<b>Total Expenditures</b>	<u>114,914,878</u>	<u>131,322,169</u>	<u>126,600,149</u>	<u>4,722,020</u>
1100	Excess (deficiency) of revenues over expenditures		(1,019,485)	5,324,465	6,343,950
<b>Other Financing Sources (Uses):</b>					
7912	Sale of real and personal property			45,788	45,788
7915	Transfers in		2,700		(2,700)
	<b>Total other financing sources and uses</b>		<u>2,700</u>	<u>45,788</u>	<u>43,088</u>
	Net change in fund balances		(1,016,785)	5,370,253	6,387,038
	<b>Fund balances - beginning</b>	<u>35,762,962</u>	<u>35,762,962</u>	<u>35,762,962</u>	
	<b>Fund balances - ending</b>	<u>\$ 35,762,962</u>	<u>\$ 34,746,177</u>	<u>\$ 41,133,215</u>	<u>\$ 6,387,038</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 during the fiscal year ended August 31, 2009.

During the year ended August 31, 2009 functions 11 and 23 expenditures exceeded budgeted appropriations in the General Fund by \$378,199 and \$26,117. In the Debt Service Fund, function 71 expenditures exceeded budgeted appropriations by \$159,703.

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, 2008. 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.

End of the year outstanding encumbrances that were provided for in the subsequent year's budget were \$196,023 for the General Fund.



## **Other Supplementary Information**

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2009**

Data Control Codes	204	211	215	
	Title IV, Part A - Safe & Drug Free	ESEA Title I Part A	ESEA, Title I Part D	
<b>Assets</b>				
1110	Cash and temporary investments	\$	\$ 70,802	\$
Receivables:				
1240	Receivables from other governments	984	165,670	265
1250	Accrued interest			
1260	Due from other funds			
1290	Other receivables			
1310	Inventories, at cost			
1410	Prepaid expenses			
1910	Long-term investments			
1000	<b>Total Assets</b>	\$ 984	\$ 236,472	\$ 265
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$ 432	\$ 2,784	\$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable		21,351	
2170	Due to other funds	552	212,337	265
2200	Accrued expenses			
2300	Deferred revenues			
2000	<b>Total Liabilities</b>	984	236,472	265
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
3410	Investments in inventories			
3430	Prepaid items			
3440	Encumbrances			
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>	\$ 984	\$ 236,472	\$ 265

224	225	240 National School Lunch and Breakfast Program	243 Vocational Ed - Tech Prep	244 Vocational Ed - Basic	255 ESEA Title II, Part A	262 Enhancing Ed Through Technology
\$ 2,000	\$	\$ 1,200,014	\$	\$	\$	\$
217,463	241	108,525		17,837	29,524	
		2,673		32		
		541				
		250,652				
<u>\$ 219,463</u>	<u>\$ 241</u>	<u>\$ 1,562,405</u>	<u>\$</u>	<u>\$ 17,869</u>	<u>\$ 29,524</u>	<u>\$</u>
\$ 1,246	\$	\$ 22,656	\$	\$ 32	\$	\$
		(60)				
26,705	236	84,865		810	5,071	
191,512	5	20,669		17,027	24,453	
		13,387				
<u>219,463</u>	<u>241</u>	<u>141,517</u>	<u></u>	<u>17,869</u>	<u>29,524</u>	<u></u>
		250,652				
		1,170,236				
		1,420,888				
<u>\$ 219,463</u>	<u>\$ 241</u>	<u>\$ 1,562,405</u>	<u>\$</u>	<u>\$ 17,869</u>	<u>\$ 29,524</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2009**

	263	283	285
<b>Data Control Codes</b>	<b>Title III Part A - LEP</b>	<b>IDEA B Formula ARRA</b>	<b>ESEA Title I Part A ARRA</b>
<b>Assets</b>			
1110	Cash and temporary investments	\$	\$ 80,000
	Receivables:		
1240	Receivables from other governments	40,543	835,825
1250	Accrued interest		231,325
1260	Due from other funds		
1290	Other receivables		
1310	Inventories, at cost		
1410	Prepaid expenses		
1910	Long-term investments		
1000	<b>Total Assets</b>	<u>\$ 40,543</u>	<u>\$ 311,325</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	Accounts payable	\$ 1,200	\$ 81,343
2150	Payroll deduction and withholdings payable		\$ 152,000
2160	Accrued wages payable	1,277	10,157
2170	Due to other funds	38,066	229,982
2200	Accrued expenses		
2300	Deferred revenues		
2000	<b>Total Liabilities</b>	<u>40,543</u>	<u>311,325</u>
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410	Investments in inventories		
3430	Prepaid items		
3440	Encumbrances		
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>	<u>\$ 40,543</u>	<u>\$ 311,325</u>

286 Title I SIP Academy Grant ARRA	287 Homeless Education Disaster Assistance	289 Federally Funded Special Revenue Funds	314 Shared Service Arrangement - IDEA Part B	385 State Supplemental Visually Impaired	390 Early Childhood LEP Summer	392 Noneducational Community Based Support
\$ 10,000	\$	\$ 2,529	\$	\$	\$ 2,032	\$
	21,436	565,345	208			
		529,875				
<u>\$ 10,000</u>	<u>\$ 21,436</u>	<u>\$ 1,097,749</u>	<u>\$ 208</u>	<u>\$</u>	<u>\$ 2,032</u>	<u>\$</u>
\$	\$	\$	\$	\$	\$	\$
10,000	21,436	1,095,220	208			
		2,529				
<u>10,000</u>	<u>21,436</u>	<u>1,097,749</u>	<u>208</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
					2,032	
					2,032	
<u>\$ 10,000</u>	<u>\$ 21,436</u>	<u>\$ 1,097,749</u>	<u>\$ 208</u>	<u>\$</u>	<u>\$ 2,032</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2009**

<b>Data Control Codes</b>	<b>394 Pregnancy Education and Parenting</b>	<b>397 Advanced Placement Incentive</b>	<b>401 Optional Extended Year</b>
<b>Assets</b>			
1110	\$	\$ 22,773	\$
Receivables:			
1240			7,557
1250			
1260			
1290			
1310			
1410			
1910			
1000	\$	\$ 22,773	\$ 7,557
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	\$	\$	\$
2150			
2160			
2170			7,557
2200			
2300			
2000			7,557
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410			
3430			
3440			
3450			
<b>Unreserved, Undesignated Reported in:</b>			
3610		22,773	
3000		22,773	
4000	\$	\$ 22,773	\$ 7,557

404	409	411	428	429	461	
Student Success Initiative	Basic Skills / High School Students	Technology Allotment	High School Allotment	State Funded Special Revenue	Campus Activity Funds	Total Nonmajor Governmental Funds
\$	\$	\$ 13,686	\$ 910,915	\$ 133	\$ 1,905,289	\$ 4,237,725
25,055	22,770	13,455				2,304,028
					1,355	1,355
				409,565	4,712	946,857
					1,870	2,411
						250,652
					71,109	71,109
					246,683	246,683
<u>\$ 25,055</u>	<u>\$ 22,770</u>	<u>\$ 27,141</u>	<u>\$ 910,915</u>	<u>\$ 409,698</u>	<u>\$ 2,231,018</u>	<u>\$ 8,060,820</u>
\$	\$ 22,770	\$	\$	\$	\$ 77,561	\$ 362,024
					36	(24)
			10,696		983	162,151
25,055				155,436	217,642	2,958,642
						13,387
						2,529
<u>25,055</u>	<u>22,770</u>		<u>10,696</u>	<u>155,436</u>	<u>296,222</u>	<u>3,498,709</u>
						250,652
					71,109	71,109
					3,167	3,167
						1,170,236
		27,141	900,219	254,262	1,860,520	3,066,947
		27,141	900,219	254,262	1,934,796	4,562,111
<u>\$ 25,055</u>	<u>\$ 22,770</u>	<u>\$ 27,141</u>	<u>\$ 910,915</u>	<u>\$ 409,698</u>	<u>\$ 2,231,018</u>	<u>\$ 8,060,820</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, 2009*

<b>Data Control Codes</b>	<b>204</b>	<b>211</b>	<b>215</b>
	<b>Title IV, Part A - Safe &amp; Drug Free</b>	<b>ESEA Title I Part A</b>	<b>ESEA, Title I Part D</b>
<b>Revenues</b>			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues			
5900 Federal program revenues	39,814	2,234,952	111,250
5020 <b>Total revenues</b>	<u>39,814</u>	<u>2,234,952</u>	<u>111,250</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction	39,814	2,037,999	95,785
0012 Instruction resources and media services		5,706	
0013 Curriculum and instructional staff development		55,067	
0021 Instructional leadership		105,717	1,040
0023 School leadership		23,594	14,425
0031 Guidance, counseling and evaluation services		3,177	
0033 Health services		3,692	
0034 Student transportation			
0035 Food service			
0036 Extracurricular activities			
0041 General administration			
0051 Plant maintenance and operations			
0052 Security and monitoring services			
0053 Data processing services			
0061 Community services			
6030 <b>Total Expenditures</b>	<u>39,814</u>	<u>2,234,952</u>	<u>111,250</u>
1100 Excess (deficiency) of revenues over expenditures			
0100 <b>Fund balance - September 1 (beginning)</b>			
3000 <b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>



224	225	240 National School Lunch and Breakfast Program	243 Vocational Ed - Tech Prep	244 Vocational Ed - Basic	255 ESEA Title II, Part A	262 Enhancing Ed Through Technology
<u>IDEA B Formula</u>	<u>IDEA B Preschool</u>					
\$	\$	\$ 2,955,011 49,662	\$	\$	\$	\$
<u>3,001,653</u>	<u>86,626</u>	<u>4,441,191</u>	<u>4,083</u>	<u>149,166</u>	<u>473,424</u>	<u>21,706</u>
<u>3,001,653</u>	<u>86,626</u>	<u>7,445,864</u>	<u>4,083</u>	<u>149,166</u>	<u>473,424</u>	<u>21,706</u>
2,490,291	79,020		3,148	103,485	432,041	12,285
40,029	7,606			6,545	18,182	9,421
194,570						
4,405						
272,358			935	39,136		
		7,248,154				
					23,201	
<u>3,001,653</u>	<u>86,626</u>	<u>7,248,154</u>	<u>4,083</u>	<u>149,166</u>	<u>473,424</u>	<u>21,706</u>
		197,710				
		1,223,178				
<u>\$</u>	<u>\$</u>	<u>\$ 1,420,888</u>	<u>\$</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, 2009*

<u>Data Control Codes</u>	<b>263</b>	<b>283</b>	<b>285</b>
	<b>Title III Part A - LEP</b>	<b>IDEA B Formula ARRA</b>	<b>ESEA Title I Part A ARRA</b>
<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$
5800	State program revenues		
5900	Federal program revenues	220,601	226,729
5020	<b>Total revenues</b>	<u>220,601</u>	<u>226,729</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011	Instruction	98,614	225,829
0012	Instruction resources and media services		
0013	Curriculum and instructional staff development	43,340	15,330
0021	Instructional leadership	2,627	900
0023	School leadership		
0031	Guidance, counseling and evaluation services	71,020	38,541
0033	Health services		
0034	Student transportation		
0035	Food service		
0036	Extracurricular activities	5,000	
0041	General administration		
0051	Plant maintenance and operations		
0052	Security and monitoring services		
0053	Data processing services		
0061	Community services		
6030	<b>Total Expenditures</b>	<u>220,601</u>	<u>226,729</u>
1100	Excess (deficiency) of revenues over expenditures	_____	_____
0100	<b>Fund balance - September 1 (beginning)</b>	_____	_____
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>

286	287	289	314	385	390	392
Title I SIP Academy Grant ARRA	Homeless Education Disaster Assistance	Federally Funded Special Revenue Funds	Shared Service Arrangement - IDEA Part B	State Supplemental Visually Impaired	Early Childhood LEP Summer	Noneducational Community Based Support
\$	\$	\$	\$	\$	\$	\$
			25,500	35,000		2,220
	61,436	1,098,776			4,412	
	61,436	1,098,776	25,500	35,000	4,412	2,220
	56,605	3,156	24,346	35,000	3,773	
		400	1,154			
	4,831					
		1,095,220				
						2,220
	61,436	1,098,776	25,500	35,000	3,773	2,220
					639	
					1,393	
\$	\$	\$	\$	\$	\$	\$
					2,032	

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2009*

<u>Data Control Codes</u>	<b>394</b>	<b>397</b>	<b>401</b>
<u>Revenues</u>	<u>Pregnancy Education and Parenting</u>	<u>Advanced Placement Incentive</u>	<u>Optional Extended Year</u>
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues	38,653	18,297	52,557
5900 Federal program revenues			
5020 <b>Total revenues</b>	<u>38,653</u>	<u>18,297</u>	<u>52,557</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction			52,557
0012 Instruction resources and media services			
0013 Curriculum and instructional staff development		13,406	
0021 Instructional leadership			
0023 School leadership			
0031 Guidance, counseling and evaluation services			
0033 Health services			
0034 Student transportation			
0035 Food service			
0036 Extracurricular activities			
0041 General administration			
0051 Plant maintenance and operations			
0052 Security and monitoring services			
0053 Data processing services			
0061 Community services	38,653		
6030 <b>Total Expenditures</b>	<u>38,653</u>	<u>13,406</u>	<u>52,557</u>
1100 Excess (deficiency) of revenues over expenditures		4,891	
0100 <b>Fund balance - September 1 (beginning)</b>		<u>17,882</u>	
3000 <b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$ 22,773</u>	<u>\$</u>

404	409	411	428	429	461	
Student Success Initiative	Basic Skills / High School Students	Technology Allotment	High School Allotment	State Funded Special Revenue	Campus Activity Funds	Total-Other Governmental Funds
\$ 250,545	\$ 22,770	\$ 434,394	\$ 1,035,971	\$ 409,663	\$ 1,195,300	\$ 4,150,311
						2,375,232
						12,995,038
<u>250,545</u>	<u>22,770</u>	<u>434,394</u>	<u>1,035,971</u>	<u>409,663</u>	<u>1,195,300</u>	<u>19,520,581</u>
250,545	22,770	412,105 34,500	526,871		604,014	8,375,401
			27,346		193,186	233,392
			2,966		20,880	258,706
			7,732		161	312,812
			90,594		2,649	52,805
					343	516,104
					626	4,318
				109		109
				68,109		7,316,263
					275,851	280,851
				943	1,106	25,250
				67,954	454	1,163,628
				11,347	46,659	58,006
				6,974		6,974
						40,873
<u>250,545</u>	<u>22,770</u>	<u>446,605</u>	<u>655,509</u>	<u>155,436</u>	<u>1,145,929</u>	<u>18,645,492</u>
		(12,211)	380,462	254,227	49,371	875,089
		39,352	519,757	35	1,885,425	3,687,022
<u>\$</u>	<u>\$</u>	<u>\$ 27,141</u>	<u>\$ 900,219</u>	<u>\$ 254,262</u>	<u>\$ 1,934,796</u>	<u>\$ 4,562,111</u>

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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, 2009

Exhibit G-3

Data Control Codes	752	753	773	Total	
	Print Shop	Health Insurance	Workers' Comp Self- Insurance		
<b>Assets</b>					
<b>Current Assets:</b>					
1110	Cash and cash equivalents	\$ 209,433	\$ 456,437	\$ 8,407,340	\$ 9,073,210
Receivables:					
1250	Accrued interest receivable		136	7,243	7,379
1260	Due from other funds	7,625			7,625
1290	Other receivables		64	37,353	37,417
1300	Inventories, at cost	12,734			12,734
	<b>Total Current Assets</b>	<u>229,792</u>	<u>456,637</u>	<u>8,451,936</u>	<u>9,138,365</u>
<b>Non-current Assets:</b>					
<b>Capital Assets:</b>					
1530	Furniture and equipment	39,301			39,301
1573	Accumulated depreciation - Equipment	(38,168)			(38,168)
1910	Long-term investments, at fair value		71,906	194,411	266,317
	<b>Total Non-current Assets</b>	<u>1,133</u>	<u>71,906</u>	<u>194,411</u>	<u>267,450</u>
1000	<b>Total Assets</b>	<u>230,925</u>	<u>528,543</u>	<u>8,646,347</u>	<u>9,405,815</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
2110	Accounts payable		193,567	254,095	447,662
2160	Accrued wages payable	2,523	668		3,191
2170	Due to other funds	614	640,346	1,872,196	2,513,156
2180	Payable to other governments		194,388		194,388
2200	Accrued expenses	6,384	778,194	560,449	1,345,027
	<b>Total current liabilities</b>	<u>9,521</u>	<u>1,807,163</u>	<u>2,686,740</u>	<u>4,503,424</u>
2000	<b>Total Liabilities</b>	<u>9,521</u>	<u>1,807,163</u>	<u>2,686,740</u>	<u>4,503,424</u>
<b>Net Assets</b>					
3200	Investments in capital assets, net of debt	1,133			1,133
3300	Unrestricted net assets	220,271	(1,278,620)	5,959,607	4,901,258
3000	<b>Total Net Assets</b>	<u>\$ 221,404</u>	<u>\$ (1,278,620)</u>	<u>\$ 5,959,607</u>	<u>\$ 4,902,391</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended August 31, 2009**

*Exhibit G-4*

Data Control Codes	752	753	773	Total	
	Print Shop	Health Insurance	Workers' Comp Self- Insurance		
<b>Operating Revenues</b>					
5749	Miscellaneous revenue from local sources	\$	\$ 20,874	\$ 500	\$ 21,374
5754	Interfund services provided and used	263,111	12,459,671	1,274,141	13,996,923
5020	<b>Total operating revenues</b>	<u>263,111</u>	<u>12,480,545</u>	<u>1,274,641</u>	<u>14,018,297</u>
<b>Operating Expenses</b>					
6100	Payroll costs	96,807	41,073		137,880
6200	Purchased and contracted services	91,101	29,470	7,301	127,872
6300	Supplies and materials	70,267			70,267
6400	Claims expense and other operating expenses		12,850,537	202,567	13,053,104
6449	Depreciation	2,963			2,963
6030	<b>Total Operating Expenses</b>	<u>261,138</u>	<u>12,921,080</u>	<u>209,868</u>	<u>13,392,086</u>
1200	<b>Operating Income (Loss)</b>	<u>1,973</u>	<u>(440,535)</u>	<u>1,064,773</u>	<u>626,211</u>
<b>Non-Operating Revenues (Expenses)</b>					
7020	Earnings - temporary deposits and investments		1,719	137,433	139,152
	<b>Total Nonoperating Revenues</b>		<u>1,719</u>	<u>137,433</u>	<u>139,152</u>
1200	Change in Net Assets	1,973	(438,816)	1,202,206	765,363
0100	<b>Net Assets - September 1 (Beginning)</b>	<u>219,431</u>	<u>(839,804)</u>	<u>4,757,401</u>	<u>4,137,028</u>
3300	<b>Net Assets - August 31 (Ending)</b>	<u>\$ 221,404</u>	<u>\$ (1,278,620)</u>	<u>\$ 5,959,607</u>	<u>\$ 4,902,391</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended August 31, 2009**

*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 customers and with other funds	\$ 255,517	\$ 12,489,265	\$ 1,355,538	\$ 14,100,320
Cash payments to suppliers for goods and services	(157,419)	(12,518,562)	(573,047)	(13,249,028)
Cash payments to employees	(94,654)	(41,064)		(135,718)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>3,444</u>	<u>(70,361)</u>	<u>782,491</u>	<u>715,574</u>
<b>Cash Flows from Investing Activities:</b>				
Investment proceeds		(453)	(1,223)	(1,676)
Interest on investments		1,711	171,767	173,478
<b>Net Cash Provided by Investing Activities</b>		<u>1,258</u>	<u>170,544</u>	<u>171,802</u>
Net Increase in Cash and Cash Equivalents	3,444	(69,103)	953,035	887,376
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>205,989</u>	<u>525,540</u>	<u>7,454,305</u>	<u>8,185,834</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 209,433</u>	<u>\$ 456,437</u>	<u>\$ 8,407,340</u>	<u>\$ 9,073,210</u>
<b>Reconciliation to Balance Sheet</b>				
Cash and Cash Equivalents	\$ 209,433	\$ 456,437	\$ 8,407,340	\$ 9,073,210
<b>Cash and Cash Equivalents per Balance Sheet</b>	<u>\$ 209,433</u>	<u>\$ 456,437</u>	<u>\$ 8,407,340</u>	<u>\$ 9,073,210</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 1,973	\$ (440,535)	\$ 1,064,773	\$ 626,211
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	2,963			2,963
Change in Assets and Liabilities:				
Decrease (increase) in Receivables	31	8,720	(193)	8,558
Decrease (increase) in Interfund Receivables	(7,625)		81,090	73,465
Decrease (increase) in Inventories	5,694			5,694
Increase (decrease) in Accounts Payable	(2,359)	(150,003)	3,079	(149,283)
Increase (decrease) in Accrued Wages Payable	157	9		166
Increase (decrease) in Interfund Payables	614	559,256	(125)	559,745
Increase (decrease) in Payables to Other Governments		(31,434)		(31,434)
Increase (decrease) in Accrued Expenses	1,996	(16,374)	(366,133)	(380,511)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 3,444</u>	<u>\$ (70,361)</u>	<u>\$ 782,491</u>	<u>\$ 715,574</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
*For the Year Ended August 31, 2009*

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 9/1/08</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2000 and prior	Various	Various	Various	\$ 513,025
2001	1.386001	0.092588	1,179,540,815	78,042
2002	1.426001	0.139999	1,323,641,134	83,342
2003	1.426217	0.159899	1,463,112,571	130,612
2004	1.426201	0.199899	1,687,419,452	151,969
2005	1.441200	0.234800	2,124,752,100	211,643
2006	1.441000	0.264800	2,482,291,828	282,192
2007	1.317700	0.228200	3,271,284,300	516,231
2008	1.040000	0.288200	3,967,086,809	1,564,065
2009	1.040000	0.288200	4,476,579,356	
<b>1000 Totals</b>				<u><u>\$ 3,531,121</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 8/31/09</b>
\$	\$ 19,857	\$ 4,616	\$ (53,624)	\$ 434,928
	3,611	241	(820)	73,370
	5,297	520	(804)	76,721
	8,577	962	(777)	120,296
	44,003	6,168	32,691	134,489
	162,069	26,404	154,228	177,398
	189,242	34,776	149,037	207,211
	215,266	37,280	44,041	307,726
	796,340	220,678	(11,968)	535,079
<u>59,457,927</u>	<u>45,257,805</u>	<u>12,541,635</u>		<u>1,658,487</u>
<u>\$ 59,457,927</u>	<u>\$ 46,702,067</u>	<u>\$ 12,873,280</u>	<u>\$ 312,004</u>	<u>3,725,705</u>
				<u>2,004,383</u>
				<u>\$ 5,730,088</u>
<u>\$</u>	<u>\$ 2,798,755</u>	<u>\$ 775,252</u>	<u>\$</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COSTS FOR 2010-2011**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**(UNAUDITED)**  
**For the Year Ended August 31, 2009**

Exhibit H-2

Account Number	(1) 702	(2) 703	(3) 701	(4) 750	(5) 720	(6) (other)	(7)
	School Board	Tax Collection	Superintendent's Office	Indirect Cost	Direct Cost	Misc.	Total
6100 Payroll Costs	\$	\$	\$ 255,127	\$ 2,043,185	\$ 944	\$ 94,550	\$ 2,393,806
6149 Fringe Benefits			17	644		26	687
6211 Legal Services					144,459		144,459
6212 Audit Services				60,356			60,356
6213 Tax Appraisal / Collection		407,473					407,473
621X Services			3,000	96,256	2,350		101,606
6230 Education Service Centers			1,270		63		1,333
6240 Maintenance and Repairs				6,504	6,706		13,210
6260 Rentals				5,765		16,471	22,236
6290 Miscellaneous Contracts	294		299	48,868	25,406		74,867
6320 Textbooks and Reading			832	1,050	258		2,140
63XX Other Supplies	335		12,820	86,104	34,462	(154)	133,567
6410 Travel, Subsistence and Stipends	11,221		11,001	11,047	23,045	75	56,389
6420 Insurance and Bonding							
6430 Election Expense	17,357						17,357
6490 Miscellaneous Operating	1,896		3,887	13,610	16,760	19,013	55,166
6600 Capital Outlay - Land, Buildng and Equipment				205,935		18,325	224,260
<b>Total</b>	<u>\$ 31,103</u>	<u>\$ 407,473</u>	<u>\$ 288,253</u>	<u>\$ 2,579,324</u>	<u>\$ 254,453</u>	<u>\$ 148,306</u>	<u>\$ 3,708,912</u>

**Other Information:**

Total expenditures for General and Special Revenue Funds (Exhibit C-3)	(9)	\$ 145,245,641
LESS: Deductions of Unallowable Costs:		
FISCAL YEAR		
Total Capital Outlay (6600)	(10)	\$10,001,707
Total Debt & Lease (6500)	(11)	637,755
Plant Maintenance (Function 51, 6100-6400)	(12)	13,865,284
Food (Function 35, 6341 and 6499)	(13)	2,564,502
Stipends (6413)	(14)	
Column 5 above - Total Indirect Cost		254,453
<b>Subtotal</b>		<u>27,323,701</u>
<b>Net Allowable Direct Cost</b>		<u>\$ 117,921,940</u>

**Cumulative**

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 279,246,798
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)	21,953,872
Historical Cost of Furniture & Equipment over 16 years old	(19)	225,719
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	1,363,201

(8) Note A: Includes \$89,854 of function 53 expenditures

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)**  
**GENERAL FUND**  
**August 31, 2009**

*Exhibit H-3*

<b>1.</b>	Total General Fund Balance 8-31-2009 (Exhibit C-1 object 3000 for the General Fund only)	\$ 41,133,215
<b>2.</b>	Total Reserved Fund Balance 8-31-2009 (from Exhibit C-1 - total of object 3400s for the General Fund only)	519,852
<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)	4,109,097
<b>5.</b>	Estimate of one month's average cash disbursements during the regular school session (9/1/09 - 5/31/20)	11,432,706
<b>6.</b>	Estimate of delayed payments from state sources (58xx) including August payment delays	3,496,765
<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	10,056,329
<b>8.</b>	Estimate of delayed payments from federal sources (59xx)	400,000
<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).	6,337,147
<b>10.</b>	General Fund Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9)	42,606,406
<b>11.</b>	Excess or Deficit Undesignated Unreserved General Fund Fund Balance (1-10)	<u><u>\$ (1,473,191)</u></u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**CHILD NUTRITION AND DEBT SERVICE FUNDS**  
*For the Year Ended August 31, 2009*

Data Control Codes		Child Nutrition			
		Budget			Variance Favorable (Unfavorable)
		Original	Final	Actual	
	<b>Revenues</b>				
5700	Local, Intermediate, and Out-of-State	\$ 3,720,200	\$ 2,985,400	\$ 2,955,011	\$ (30,389)
5800	State Program Revenues	47,000	90,000	49,662	(40,338)
5900	Federal Program Revenues	5,329,500	4,222,320	4,441,191	218,871
5030	<b>Total Revenues</b>	<u>9,096,700</u>	<u>7,297,720</u>	<u>7,445,864</u>	<u>148,144</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
0035	Food Services	9,096,700	9,096,700	7,248,154	1,848,546
	<b>Debt Service:</b>				
0071	Principal				
0072	Interest and Fiscal Agent Fees				
	<b>Intergovernmental:</b>				
0090	Payments to tax increment fund				
6030	<b>Total Expenditures</b>	<u>9,096,700</u>	<u>9,096,700</u>	<u>7,248,154</u>	<u>1,848,546</u>
1100	Excess (Deficiency) Revenues Over Expenditures		<u>(1,798,980)</u>	<u>197,710</u>	<u>1,996,690</u>
	<b>Other Financing Sources (Uses):</b>				
7901	Refunding bonds issued				
7916	Premium or discount on issuance of bonds				
8949	Payment to Bond Refunding Escrow Agent				
	<b>Total other financing sources and uses</b>				
1200	Increase (Decrease) in Fund Balance		<u>(1,798,980)</u>	<u>197,710</u>	<u>1,996,690</u>
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>1,223,178</u>	<u>1,223,178</u>	<u>1,223,178</u>	
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 1,223,178</u>	<u>\$ (575,802)</u>	<u>\$ 1,420,888</u>	<u>\$ 1,996,690</u>



*Exhibit H-4*

<b>Debt Service Fund</b>			
<b>Budget</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Original</b>	<b>Final</b>	<b>Actual</b>	
\$ 12,809,695	\$ 21,809,695	\$ 13,111,550	\$ (8,698,145)
4,656,576	6,856,576	7,022,758	166,182
<u>17,466,271</u>	<u>28,666,271</u>	<u>20,134,308</u>	<u>(8,531,963)</u>
4,310,000	4,310,000	4,310,000	
13,156,271	13,156,271	13,315,974	(159,703)
	2,800,000	775,252	2,024,748
<u>17,466,271</u>	<u>20,266,271</u>	<u>18,401,226</u>	<u>1,865,045</u>
	8,400,000	1,733,082	(6,666,918)
		29,080,000	29,080,000
		345,973	345,973
		(29,080,000)	(29,080,000)
		<u>345,973</u>	<u>345,973</u>
	8,400,000	2,079,055	(6,320,945)
<u>2,670,186</u>	<u>2,670,186</u>	<u>2,670,186</u>	
<u>\$ 2,670,186</u>	<u>\$ 11,070,186</u>	<u>\$ 4,749,241</u>	<u>\$ (6,320,945)</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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 19, 2010. 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 09-01.

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the finding 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.



Texas City, Texas  
January 19, 2010

**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, 2009. 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, Alvin Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

### **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.

**Internal Control over Compliance (Continued)**


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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**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.

  
Texas City, Texas  
January 19, 2010



**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended August 31, 2009*

**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 09-01
Noncompliance material to financial statements noted?	No

**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
Title I, Part A Cluster:	
Title I, Part A	84.010A
Title I, Part A - School Improvement	84.010A
Title I, Part A - Improving Basic Program ARRA	84.389A
Special Education Cluster:	
IDEA-B Formula	84.027A
IDEA-B Formula ARRA	84.391A
IDEA-B Preschool	84.173A
Title II, Part A, Teacher/Principal Training	84.367A
Public Assistance - Hurricane Ike	97.036
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$396,920
Auditee qualified as low-risk auditee?	Yes

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended August 31, 2009**

**II. Financial Statement Findings**

**Significant Deficiencies**

**Finding 09-01**

**Condition:** Due to the complexity of various year-end procedures and requirements including prepare and accounting for prepaid items, it is imperative that standard procedures be developed and implemented to ensure that all required entries are posted.

**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 prepaid items.

**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.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended August 31, 2009**

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

None noted

**IV. Status of Prior Year Findings**

<b>Finding #</b>	<b>Corrective Action Taken</b>
<b>Finding 08-01</b> - Year-end close out procedures	<b>Partially resolved.</b> The District has implemented close-out procedures
<b>Finding 08-02</b> - Expenditures of FSP Allotment and Special Education Maintenance of Effort	<b>Resolved.</b> 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.

**V. Corrective Action Plan**

<b>Finding 09-01:</b> Year-end close out procedures – prepaid items	<b>Contact Person:</b> Cheryl Ryan, Director of Finance
	<b>Response:</b> Year-end close out procedures are continuing to be updated and implemented. The process will include checklists of reports and schedules required to ensure accurate financial reporting.
	<b>Estimated Completion Date:</b> Continuous

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2009*

*Exhibit J-1*  
*(Page 1 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 Education</b>				
<b>Direct Program:</b>				
	<i>Homeless Education Disaster Assistance</i>	287	84.383A	<u>\$ 61,436</u>
<b>Passed Through State Department of Education:</b>				
9691001020901	<i>Title IV, Part A, Safe &amp; Drug Free Schools</i>	204	84.186A	39,626
10691001020901	<i>Title IV, Part A, Safe &amp; Drug Free Schools</i>	204	84.186A	984
9610101020901	<i>Title I, Part A *</i>	211	84.010A	2,104,735
10610101020901	<i>Title I, Part A *</i>	211	84.010A	165,671
9610104020901	<i>Title I, Part A, School Improvement *</i>	211	84.010A	8,448
10551001020901	<i>Title I, Part A-Improving Basic Program ARRA *</i>	285	84.389A	231,325
9610103020901	<i>Title I, Part D, Subpart 2</i>	215	84.010A	113,208
10610103020901	<i>Title I, Part D, Subpart 2</i>	215	84.010A	265
96600010209016600	<i>IDEA-B Formula *</i>	224	84.027A	2,829,203
106600010209016000	<i>IDEA-B Formula *</i>	224	84.027A	217,463
10554001020901	<i>IDEA-B Formula ARRA *</i>	283	84.391A	835,825
96610010209016600	<i>IDEA-B Preschool *</i>	225	84.173A	87,463
106610010209016000	<i>IDEA-B Preschool *</i>	225	84.173A	241
9420006020901	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	148,589
10420006020901	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	2,707
9694501020901	<i>Title II, Part A, Teacher/Principal Training</i>	255	84.367A	453,367
10694501020901	<i>Title II, Part A, Teacher/Principal Training</i>	255	84.367A	29,524
9630001020901	<i>Title II, Part D, Enhancing Education</i>	262	84.318X	22,135
9671001020901	<i>Title III, Part A LEP</i>	263	84.365A	184,190
10671001020901	<i>Title III, Part A LEP</i>	263	84.365A	40,543
69550802	<i>Early Childhood LEP Summer</i>	390	84.369A	<u>4,412</u>
<b>Total passed through State Department of Education</b>				<u>7,519,924</u>
<b>Passed through Texas Higher Education Coordinating:</b>				
	<i>Board to North Harris Montgomery Community College Tech Prep</i>	243	84.243A	<u>4,083</u>
<b>Passed through Region 4 Education Service Center:</b>				
	<i>Advanced Placement Program</i>	289	84.330C	<u>3,556</u>
<b>Total U.S. Department of Education</b>				<u>7,588,999</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2009*

*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>			
	<b>Passed Through Texas Department of Agriculture:</b>			
	<i>Non cash assistance (commodities) *</i>			
	<i>National School Lunch Program *</i>	240	10.555	\$ 367,699
	<b>Passed Through State Department of Education:</b>			
71300901	<i>National School Lunch Program *</i>	240	10.555	3,109,189
71400901	<i>School Breakfast Program *</i>	240	10.553	964,303
	<b>Total U.S. Department of Agriculture</b>			<u>4,441,191</u>
	<b>U.S. Department of Health and Human Services</b>			
	<b>Direct Program:</b>			
None	<i>Medicaid Administrative Claims (MAC)</i>	199	93.778	<u>35,097</u>
	<b>U.S. Department of Defense</b>			
	<b>Direct Program:</b>			
	<i>ROTC</i>	199	12.000	<u>70,165</u>
	<b>U.S. Department of Homeland Security</b>			
	<b>Direct Program:</b>			
	<i>Public Assistance - Hurricane Ike</i>	289	97.036	<u>1,095,220</u>
	<b>Total Expenditures of Federal Awards</b>			<u><u>\$13,230,672</u></u>

\* Clustered Programs

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2009*

*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>	\$ 13,230,672
<b>Add:</b>	
School Health and Related Services Program	494,594
Fuel reimbursement	385,356
<b>Reconciled Balance</b>	<u><u>\$ 14,110,622</u></u>
<b>Related Expenditures on Exhibit C-3</b>	
General Fund	\$ 1,115,584
Special Revenue Funds	12,995,038
	<u><u>\$ 14,110,622</u></u>

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<b>ALVIN INDEPENDENT SCHOOL DISTRICT</b>	
<i>Required Responses to Selected School First Indicators</i>	
<b>SCHEDULE L-1</b>	
<b>YEAR ENDED AUGUST 31, 2009</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.	\$2,099,468