

**ALVIN
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For The Year Ended August 31, 2010



2000 Loop 197 N., Suite 200
Texas City, Texas 77590
(409) 948-4406

ALVIN INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Certificate of the Board	i	
Financial Section		
Independent Auditors' Report	1	
Management's Discussion and Analysis	5	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	15	A-1
Statement of Activities	17	B-1
Governmental Fund Financial Statements:		
Balance Sheet	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 Balances	22	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds to the Statement of Activities	25	C-4
Proprietary Fund Financial Statements:		
Statement of Net Assets	26	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Assets	27	D-2
Statement of Cash Flows	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 the Financial Statements	31	E-3
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	55	G-1
Notes to Required Supplementary Information	56	G-2
Other Supplementary Information:		
Combining Fund Statements:		
Non-major Governmental Funds:		
Combining Balance Sheet	58	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66	H-2
Internal Service Funds:		
Combining Statement of Net Assets	76	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	78	H-4
Combining Statement of Cash Flows	80	H-5

ALVIN INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Required TEA Schedules:		
Schedule of Delinquent Taxes Receivable	84	J-1
Schedule of Expenditures for Computation of Indirect Costs for 2011-2012	86	J-2
Fund Balance and Cash Flow Calculation Schedule (Unaudited) - General Fund	87	J-3
Budgetary Comparison Schedule - Child Nutrition Fund	88	J-4
Budgetary Comparison Schedule - Debt Service Fund	89	J-5
Federal Awards Section		
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>	93	
Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	95	
Schedule of Findings and Questioned Costs	97	
Schedule of Expenditures of Federal Awards	100	K-1
Notes to Schedule of Expenditures of Federal Awards	102	K-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, 2010, at a meeting of the board of trustees of such school district on December 14, 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, 2010, 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, 2010, 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 December 14, 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 in addition to the combining statements and the Texas Education Agency required schedules listed in the table of contents, are not 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 "M. L. Larson, AC". The signature is written in a cursive style with a large initial "M" and "L".

Texas City, Texas
December 14, 2010

Management's Discussion and Analysis

(This page intentionally left blank.)

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, 2010.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$97,003,247 (*net assets*). Of this amount, \$61,280,833 (*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 \$18,236,401.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$98,920,823, a decrease of \$3,719,530 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 \$12,995,603. The general fund balance increased by \$8,997,605.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$33,964,915, or 27 percent of total general fund expenditures.
- The District's total long-term debt decreased by \$6,175,377 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-six 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 four 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 \$97,003,247 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 \$25,935,429 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

	2010	2009
Current and other assets	\$ 123,227,346	\$ 121,048,466
Capital and non current assets	278,582,959	268,327,987
Total Assets	401,810,305	389,376,453
Current liabilities	8,310,733	7,937,905
Long term liabilities	296,496,325	302,671,702
Total Liabilities	304,807,058	310,609,607
Net Assets:		
Invested in capital assets net of related debt	25,935,429	22,277,379
Restricted	9,786,985	9,579,057
Unrestricted	61,280,833	46,910,410
Total Net Assets	\$ 97,003,247	\$ 78,766,846

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

Net assets of \$9,786,985 are restricted for state and federal programs, food service, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* \$61,280,833 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 \$18,236,401 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).

Alvin Independent School District's Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Program Revenues		
Charges for services	\$ 4,895,575	\$ 4,427,574
Operating grants	29,524,140	22,305,153
Capital grants	5,172,741	
General Revenues		
Property taxes	63,365,416	60,242,890
State aid	94,000,926	83,432,651
Grants and contributions not restricted	1,063,821	52,812
Interest earnings	361,178	1,387,915
Other	806,274	1,639,040
Total Revenues	<u>199,190,071</u>	<u>173,488,035</u>
Expenses		
Instruction	90,368,110	78,195,897
Instructional resources and media services	2,596,791	2,629,790
Curriculum and staff development	1,062,613	904,905
Instructional leadership	1,769,448	1,745,407
School leadership	7,720,501	7,127,199
Guidance, counseling, and evaluation services	4,306,867	3,510,581
Health services	1,198,178	1,100,076
Student transportation	6,802,786	6,154,717
Food service	8,212,591	7,715,946
Extracurricular activities	4,845,658	4,381,694
General administration	4,006,331	3,427,741
Plant, maintenance and operations	14,957,666	16,114,457
Security and monitoring services	1,970,349	1,670,145
Data processing services	4,784,407	3,207,026
Community services	158,613	82,488
Interest on long-term debt	13,429,984	13,436,366
Debt issuance costs and fees		210,168
Facilities acquisition and construction	1,945,181	2,585,107
Payments related to shared services arrangements	3,785,417	3,733,897
Payments to Juvenile Justice Alternative Education Programs	90,400	137,146
Payments to Tax Increment Fund	6,941,779	3,574,007
Total Expenses	<u>180,953,670</u>	<u>161,644,760</u>
Increase (Decrease) in Net Assets	18,236,401	11,843,275
Beginning net assets	<u>78,766,846</u>	<u>66,923,571</u>
Ending Net Assets	<u>\$ 97,003,247</u>	<u>\$ 78,766,846</u>

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

Governmental Activities increased the District's net assets by \$18,236,401. Key elements of this increase are as follows:

Revenues are generated primarily from three sources. Grants and contributions program and general revenues totaling \$35,760,702 represent 18 percent of total revenues, state aid totaling \$94,000,926 represents 47 percent of total revenue and property taxes (\$63,365,416) represent 32 percent of total revenues. The remaining revenues \$6,063,027 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 \$90,368,110, which represents 50 percent of total expenses. Plant maintenance and operations \$14,957,666 represents 8 percent of total expenses. The Interest on long-term debt \$13,429,984 represents 7 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 \$98,920,823, a decrease of \$3,719,530 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 \$33,964,915, while total fund balance reached \$50,130,820. 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 40 percent of that same amount.

The fund balance of the District's general fund increased by \$8,997,605 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, along with unfilled positions as well as saving from conservative practices used.

The debt service fund has a total fund balance of \$5,507,574, 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 \$758,333 due to increased tax collections and refunding of bonds.

The capital projects fund has a total fund balance of \$39,200,183. The net decrease in fund balance during the current year of \$12,995,603. Of this amount, over \$7.3 million was for the purchase of land for a fourteenth elementary campus. Architect fees are also included in the \$7.3 million for the elementary campus and for junior high school number six. Other expenses include bus purchases, technology purchases and upgrades, paving/parking lot projects, approved bond projects at various campuses including an additional agricultural facility in Manvel. The remaining fund balance is designated for future construction projects.

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

The District's proprietary fund financials statement provides detail information about the profitability of the print shop, health insurance, workers' compensation and property and casualty insurance 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 the 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:

- Fund balance was decreased by \$500,000 due to a transfer into the Self-funded Health Insurance fund based upon updated information within the actuarial reports as of August 31, 2008.
- A new Internal Service fund, Property and Casualty Insurance Fund, was established to fund any unforeseen expenditures due to uninsured facility loss including Windstorm or fire damage. Five million was transferred for this establishment.
- A transfer of \$1,300,000 to the Capital Projects fund occurred for the purchase of land for the replacement of Mark Twain elementary.
- A transfer of \$4,454,436 to the Capital Projects fund occurred for capital/controlled expenditures for buses, facility improvements, campus renovations, technology purchases, band instruments and finance software upgrades.

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, 2010, amounts to \$277,591,759 (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 \$9,776,772.

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

- Purchase land and begin construction of elementary number fourteen.
- Land purchase for an additional agricultural facility in Manvel.
- Architect fees for junior high school number six and the new agricultural facility.
- New and re-finished parking lots

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

Alvin Independent School District's Capital Assets

	Balance August 31, 2009	Additions	Retirements and Transfers	Balance August 31, 2010
Land	\$ 23,605,600	\$ 7,681,781	\$	\$ 31,287,381
Construction in progress	98,144	5,120,978		5,219,122
Buildings and improvements	282,081,988	2,776,616	(41,193)	284,817,411
Furniture and equipment	21,993,173	3,802,088	(567,357)	25,227,904
	<u>327,778,905</u>	<u>19,381,463</u>	<u>(608,550)</u>	<u>346,551,818</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,357,368)	(7,475,350)	24,444	(57,808,274)
Furniture and equipment	(9,606,550)	(2,033,592)	488,357	(11,151,785)
	<u>(59,963,918)</u>	<u>(9,508,942)</u>	<u>512,801</u>	<u>(68,960,059)</u>
Governmental Capital Assets	<u>\$ 267,814,987</u>	<u>\$ 9,872,521</u>	<u>\$ (95,749)</u>	<u>\$ 277,591,759</u>

Additional information on the District's capital assets can be found in Note 4 on pages 40 through 41 of the notes to the financial statements.

Long-term Liabilities. At the end of the current fiscal year, the District had \$292,070,000 in bonded debt outstanding, a decrease of \$5,725,000 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, 2010, are as follows:

Alvin Independent School District's Long-Term Liabilities

	Balance August 31, 2009	Additions	Retirements	Balance August 31, 2010
General obligation bonds	\$ 292,940,000	\$ 21,205,333	\$ (26,480,333)	\$ 287,665,000
Less deferred amounts:				
For issuance premiums/discounts	3,581,384	1,143,649	(276,860)	4,448,173
Gain or loss on refunding bonds	(1,688,367)	(2,165,160)	183,520	(3,670,007)
Accreted interest on premium compound interest bonds	2,099,468	1,093,964	(485,000)	2,708,432
Maintenance tax notes	4,855,000		(450,000)	4,405,000
Accrued compensated absences	884,217	163,835	(108,325)	939,727
	<u>\$ 302,671,702</u>	<u>\$ 21,441,621</u>	<u>\$ (27,616,998)</u>	<u>\$ 296,496,325</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 2010 general fund budget. The adopted budget is based on the following significant assumptions:

- Although the economic world-wide conditions continue to show signs of economies struggling with employment loss and weakening consumer confidence, the Texas economy continues to be better than the rest of the country.
- According to the Texas Workforce Commission, National unemployment rates for August equaled 9.5%; the state of Texas averaged 8.4% while the Houston area was at 8.7%. Cities State-wide ranged anywhere from having a 5.6% unemployment rate to 12.2%.
- With this, Alvin ISD continues to experience growth due to location, affordability, a tax credit and low interest rates. Alvin ISD's enrollment is predicted to grow at 3.0% next year for a total of 17,390 students. According to demographer studies, the District will likely add over 3,600 additional students over the next five year period.
- The tax rate for 2010 is \$1.3041. This is the same amount of the 2009 rate. The Maintenance and Operations portion is \$1.0400 and the Interest and Sinking portion is \$.264100. Due to strong collections and refunding of debt, no increase was needed for the Interest and Sinking portion of the rate (the portion that pays down the debt).
- General fund expenditures are budgeted to increase by \$4,079,966 over the actual 2009-2010 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

(This page intentionally left blank)

ALVIN INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

August 31, 2010

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Assets	
1110	Cash and temporary investments	\$ 105,886,818
1225	Property taxes receivables, net	4,186,413
1240	Due from other governments	10,072,949
1250	Accrued interest	10,129
1290	Other receivables, net	385,364
1300	Inventories	663,996
1410	Deferred expenses	29,291
1420	Capital bond and other debt issuance costs	1,992,386
	Capital assets not subject to depreciation:	
1510	Land	31,287,381
1580	Construction in progress	5,219,122
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	227,009,137
1530	Furniture and equipment, net	14,076,119
1910	Long-term investments	991,200
1000	Total Assets	<u>401,810,305</u>
	Liabilities	
2110	Accounts payable	2,130,544
2140	Interest payable	582,857
2150	Payroll deductions and withholdings	116,450
2160	Accrued wages payable	2,424,943
2177	Due to fiduciary funds	260,026
2180	Due to other governments	638,817
2190	Due to student groups	59,382
2200	Accrued expenditures	1,970,183
2300	Unearned revenue	127,531
	Noncurrent Liabilities:	
2501	Due within one year	7,302,697
2502	Due in more than one year	289,193,628
2000	Total Liabilities	<u>304,807,058</u>
	Net Assets	
3200	Invested in capital assets, net of related debt	25,935,429
	Restricted for:	
3820	Federal and state programs	636,469
3840	Food service	1,815,274
3850	Debt service	5,704,739
3870	Campus activity	1,630,503
3900	Unrestricted	61,280,833
3000	Total net assets	<u>\$ 97,003,247</u>

See Notes to the Financial Statements

(This page intentionally left blank)

ALVIN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 For the Year Ended August 31, 2010

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Primary Government		Governmental Activities
11	Instruction	\$ 90,368,110	\$ 573,413	\$ 15,757,264	\$ 5,172,741	\$ (68,864,692)	
12	Instructional resources and media services	2,596,791	145,573	180,867		(2,270,351)	
13	Curriculum and staff development	1,062,613	29,115	350,702		(682,796)	
21	Instructional leadership	1,769,448		746,702		(1,022,746)	
23	School leadership	7,720,501		1,382,593		(6,337,908)	
31	Guidance, counseling, and evaluation services	4,306,867		1,789,207		(2,517,660)	
33	Health services	1,198,178		115,252		(1,082,926)	
34	Student transportation	6,802,786		547,684		(6,255,102)	
35	Food service	8,212,591	3,134,723	4,938,733		(139,135)	
36	Extracurricular activities	4,845,658	896,953	332,592		(3,616,113)	
41	General administration	4,006,331		578,871		(3,427,460)	
51	Plant, maintenance and operations	14,957,666	101,241	615,501		(14,240,924)	
52	Security and monitoring services	1,970,349	14,557	236,309		(1,719,483)	
53	Data processing services	4,784,407		1,900,818		(2,883,589)	
61	Community services	158,613		51,045		(107,568)	
72	Interest on long-term debt	13,429,984				(13,429,984)	
81	Facilities acquisition and construction	1,945,181				(1,945,181)	
93	Payments related to shared services arrangements	3,785,417				(3,785,417)	
95	Payments to Juvenile Justice Alternative Education Programs	90,400				(90,400)	
97	Payments to Tax Increment Fund	6,941,779				(6,941,779)	
TG	Total governmental activities	\$ 180,953,670	\$ 4,895,575	\$ 29,524,140	\$ 5,172,741	(141,361,214)	

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	50,533,105
DT	Property taxes, levied for debt service	12,832,311
SF	State-aid formula grants	94,000,926
GC	Grants and contributions not restricted	1,063,821
IE	Investment earnings	361,178
MI	Miscellaneous	806,274
TR	Total general revenues, special items, and transfers	159,597,615
CN	Change in net assets	18,236,401
NB	Net assets - beginning	78,766,846
NE	Net assets - ending	\$ 97,003,247

See Notes to the Financial Statements

ALVIN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2010

<u>Data Control Codes</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Assets			
1110 Cash and temporary investments	\$ 54,679,417	\$ 5,526,137	\$ 33,695,637
Receivables:			
1220 Property taxes - delinquent	4,252,660	941,821	
1230 Allowance for uncollectible taxes (credit)	(831,082)	(176,986)	
1240 Receivables from other governments	9,239,585	100,111	
1250 Accrued interest	3,191		
1260 Due from other funds	1,081,726		6,993,648
1290 Other receivables	346,298		108
1300 Inventories, at cost	521,487		
1410 Prepaid expenses	22,085		
1000 Total Assets	<u>\$ 69,315,367</u>	<u>\$ 6,391,083</u>	<u>\$ 40,689,393</u>
Liabilities and Fund Equity			
Liabilities:			
2110 Accounts payable	\$ 246,371	\$	\$ 1,105,478
2140 Interest payable		15,187	
2150 Payroll deduction and withholdings payable	116,467		
2160 Accrued wages payable	2,195,384		
2170 Due to other funds	11,964,202		383,732
2180 Payable to other governments	535,330	103,487	
2190 Due to student and employee groups	21,831		
2200 Accrued expenses	555,853		
2300 Deferred revenues	3,549,109	764,835	
2000 Total Liabilities	<u>19,184,547</u>	<u>883,509</u>	<u>1,489,210</u>
Fund Balance:			
Reserved for:			
3410 Investments in inventories	521,487		
3420 Retirement of funded indebtedness		5,507,574	
3430 Prepaid items	22,085		
3440 Encumbrances	324,085		9,907,394
3450 Food service operations			
3470 Capital acquisition program			29,292,789
Unreserved, Designated for:			
3530 Capital expenditures for equipment	5,604,510		
3540 Self insurance	1,000,000		
3590 Other purposes	8,693,738		
Unreserved, Undesignated Reported in:			
3600 General fund	33,964,915		
3610 Special revenue funds			
3000 Total Fund Balances	<u>50,130,820</u>	<u>5,507,574</u>	<u>39,200,183</u>
4000 Total Liabilities and Fund Balances	<u>\$ 69,315,367</u>	<u>\$ 6,391,083</u>	<u>\$ 40,689,393</u>

See Notes to Financial Statements.

Exhibit C-1

Other Governmental Funds	Total Governmental Funds
\$ 4,749,819	\$ 98,651,010
	5,194,481
	(1,008,068)
733,253	10,072,949
	3,191
1,908,631	9,984,005
1,734	348,140
120,272	641,759
7,206	29,291
<u>\$ 7,520,915</u>	<u>\$ 123,916,758</u>
\$ 318,678	\$ 1,670,527
	15,187
(17)	116,450
224,525	2,419,909
2,895,483	15,243,417
	638,817
	21,831
	555,853
	4,313,944
<u>3,438,669</u>	<u>24,995,935</u>
120,272	641,759
	5,507,574
7,206	29,291
	10,231,479
1,695,002	1,695,002
	29,292,789
	5,604,510
	1,000,000
	8,693,738
	33,964,915
<u>2,259,766</u>	<u>2,259,766</u>
<u>4,082,246</u>	<u>98,920,823</u>
<u>\$ 7,520,915</u>	<u>\$ 123,916,758</u>

(This page intentionally left blank.)

ALVIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET ASSETS
August 31, 2010

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds	\$ 98,920,823
	Amounts reported for governmental <i>activities</i> in the statement of net assets (A-1) are different because:	
	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
1	Capital assets at historical cost, net of accumulated depreciation, where applicable	277,591,026
	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).	
2		4,186,413
	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.	
3		1,992,386
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
4	General obligation bonds	(287,665,000)
5	Premiums on issuance	(4,448,173)
6	Deferred loss on refunding	3,670,007
7	Accreted interest on premium compound interest bonds	(2,708,432)
8	Maintenance tax notes payable	(4,405,000)
9	Accrued compensated absences	(914,206)
10	Accrued interest payable	(567,670)
11	Addition of Internal Service fund net assets	<u>11,351,073</u>
19	Total net assets - governmental activities	<u><u>\$ 97,003,247</u></u>

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2010

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenues				
5700	Local, intermediate, and out-of-state	\$ 52,178,863	\$ 12,954,261	\$ 124,645
5800	State program revenues	92,709,018	7,655,311	
5900	Federal program revenues	1,917,744		
5020	Total revenues	<u>146,805,625</u>	<u>20,609,572</u>	<u>124,645</u>
Expenditures				
Current:				
0011	Instruction	70,686,600		3,349,259
0012	Instruction resources and media services	2,149,134		235
0013	Curriculum and instructional staff development	725,827		
0021	Instructional leadership	1,110,183		
0023	School leadership	6,643,540		
0031	Guidance, counseling and evaluation services	2,615,727		
0033	Health services	1,171,617		
0034	Student transportation	6,111,671		2,454,735
0035	Food services	12,822		10,065
0036	Extracurricular activities	2,699,184		
0041	General administration	4,522,632		1,800
0051	Plant maintenance and operations	14,032,909		16,345
0052	Security and monitoring services	1,475,121		352,095
0053	Data processing services	1,442,469		1,424,006
0061	Community services	75,448		
Debt service:				
0071	Principal on long-term debt	450,000	5,760,000	
0072	Interest on long-term debt	185,050	13,062,464	
0073	Bond issuance costs and fees		264,827	
Capital outlay:				
0081	Facilities acquisition and construction	7,650		11,266,144
Intergovernmental:				
0093	Payments related to shared services arrangements	3,785,417		
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	90,400		
0097	Payments to tax increment fund	6,154,658	787,121	
6030	Total Expenditures:	<u>126,148,059</u>	<u>19,874,412</u>	<u>18,874,684</u>
1100	Excess (deficiency) of revenues over expenditures	<u>20,657,566</u>	<u>735,160</u>	<u>(18,750,039)</u>
Other Financing Sources (Uses):				
7901	Refunding bonds issued		22,195,000	
7912	Sale of real or personal property	64,076		
7915	Transfers in	900,219		5,754,436
7916	Premium or discount on issuance of bonds		2,133,316	
7949	Other resources	30,180		
8911	Transfers out	(12,654,436)		
8949	Payment to Bond Refunding Escrow Agent		(24,305,143)	
7080	Total other financing sources and uses	<u>(11,659,961)</u>	<u>23,173</u>	<u>5,754,436</u>
1200	Net change in fund balances	8,997,605	758,333	(12,995,603)
0100	Fund Balance - September 1 (Beginning)	<u>41,133,215</u>	<u>4,749,241</u>	<u>52,195,786</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 50,130,820</u>	<u>\$ 5,507,574</u>	<u>\$ 39,200,183</u>

See Notes to the Financial Statements.

Exhibit C-3

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,602,418	\$ 69,860,187
1,013,579	101,377,908
21,293,235	23,210,979
<u>26,909,232</u>	<u>194,449,074</u>
11,652,625	85,688,484
254,905	2,404,274
344,630	1,070,457
659,494	1,769,677
913,882	7,557,422
1,617,067	4,232,794
8,916	1,180,533
5,392	8,571,798
7,682,712	7,705,599
983,098	3,682,282
255,497	4,779,929
188,669	14,237,923
178,886	2,006,102
1,697,057	4,563,532
46,048	121,496
	6,210,000
	13,247,514
	264,827
	11,273,794
	3,785,417
	90,400
	<u>6,941,779</u>
<u>26,488,878</u>	<u>191,386,033</u>
<u>420,354</u>	<u>3,063,041</u>
	22,195,000
	64,076
	6,654,655
	2,133,316
	30,180
(900,219)	(13,554,655)
	<u>(24,305,143)</u>
<u>(900,219)</u>	<u>(6,782,571)</u>
<u>(479,865)</u>	<u>(3,719,530)</u>
<u>4,562,111</u>	<u>102,640,353</u>
<u>\$ 4,082,246</u>	<u>\$ 98,920,823</u>

(This page intentionally left blank.)

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

Exhibit C-4

For the Year Ended August 31, 2010

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (3,719,530)
	Amounts reported for governmental activities in the statement of activities (B-1) 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. This amount includes donated capital assets of \$5,172,741.	9,872,922
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.	(95,750)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(500,627)
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	(2,133,316)
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.	6,210,000
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.	(22,195,000)
7	Payment to escrow agent for payment of refunded bonds	24,305,143
8	Bond issuance costs paid during the current year will be amortized over the life of the bonds.	264,827
	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	(6,096)
10	Increase in long-term portion of accrued compensated absences	(38,486)
11	Accreted interest on capital appreciation bonds and amortization of bond premiums, discounts and issuance costs	(176,374)
12	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds (see D-3).	<u>6,448,688</u>
	Change in net assets of governmental activities (see B-2)	<u>\$ 18,236,401</u>

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
August 31, 2010

Exhibit D-1

<u>Data Control Codes</u>		<u>Governmental Activities - Internal Service Funds</u>
	Assets	
	Current Assets:	
1110-75	Cash and cash equivalents	\$ 7,235,808
	Receivables:	
1250	Accrued interest receivable	6,938
1260	Due from other funds	5,000,000
1290	Other receivables	37,224
1300	Inventories, at cost	22,237
	Total Current Assets	<u>12,302,207</u>
	Non-current Assets:	
	Land, Buildings and Equipment:	
1540	Furniture and equipment	39,301
1573	Accumulated depreciation - Equipment	(38,568)
1910	Long-term investments, at fair value	991,200
	Total Non-current Assets	<u>991,933</u>
1000	Total Assets	<u>13,294,140</u>
	Liabilities and Net Assets	
	Current Liabilities:	
2110	Accounts payable	460,017
2160	Accrued wages payable	5,034
2170	Due to other funds	610
2180	Payable to other governments	37,551
2200	Accrued expenses	1,439,855
	Total Current Liabilities	<u>1,943,067</u>
2000	Total Liabilities	<u>1,943,067</u>
	Net Assets:	
3200	Investments in capital assets, net of debt	733
3300	Unrestricted net assets	11,350,340
3900	Total Net Assets	<u>\$ 11,351,073</u>

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended August 31, 2010

Exhibit D-2

Data Control Codes	Governmental Activities - Internal Service Funds
Operating Revenues	
5749 Miscellaneous revenue from local sources	\$ 2,832
5754 Interfund services provided and used	14,374,385
5020 Total Operating Revenues	<u>14,377,217</u>
Operating Expenses	
6100 Payroll costs	159,621
6200 Purchased and contracted services	84,843
6300 Supplies and materials	60,531
6400 Claims expense and other operating expenses	14,561,837
6449 Depreciation	400
6030 Total Operating Expenses	<u>14,867,232</u>
1200 Operating Income (Loss)	<u>(490,015)</u>
Non-Operating Revenues (Expenses)	
7020 Investment earnings	38,697
Total Non-operating Revenues (Expenses)	<u>38,697</u>
Income (Loss) before Transfers	(451,318)
Transfers	
7915 Transfers in	9,618,966
8911 Transfers out	(2,718,966)
1200 Change in Net Assets	<u>6,448,682</u>
0100 Net Assets - September 1 (Beginning)	<u>4,902,391</u>
3300 Net Assets - August 31 (Ending)	<u>\$ 11,351,073</u>

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2010

Exhibit D-3

	Governmental Activities - Internal Service Funds
	<u> </u>
Cash Flows from Operating Activities:	
Cash receipts from customers and with other funds	\$ 9,377,410
Cash payments to suppliers for goods and services	(17,272,320)
Cash payments to employees	(156,747)
Net Cash Provided by (Used for) Operating Activities	<u>(8,051,657)</u>
Cash Flows from Non-Capital Financing Activities:	
Advances from other funds	9,618,966
Advances to other funds	(2,718,966)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>6,900,000</u>
Cash Flows from Investing Activities:	
Investment proceeds	(724,883)
Interest on investments	39,138
Net Cash Provided by Investing Activities	<u>(685,745)</u>
Net Increase in Cash and Cash Equivalents	(1,837,402)
Cash and Cash Equivalents at Beginning of Year	<u>9,073,210</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,235,808</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (490,015)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	400
Change in Assets and Liabilities:	
Decrease (increase) in Receivables	193
Decrease (increase) in Interfund Receivables	(4,992,375)
Decrease (increase) in Inventories	(9,503)
Increase (decrease) in Accounts Payable	12,355
Increase (decrease) in Accrued Wages Payable	1,843
Increase (decrease) in Interfund Payables	(2,512,546)
Increase (decrease) in Payables to Other Governments	(156,837)
Increase (decrease) in Accrued Expenses	94,828
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,051,657)</u>

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

August 31, 2010

Exhibit E-1

<u>Data Control Codes</u>		810	865
		<u>Scholarship Fund</u>	<u>Student Activity Fund</u>
	Assets		
1110	Cash and cash equivalents	\$ 56,321	\$ 113,053
	Receivables:		
1250	Interest receivable	128	
1260	Due from other Funds		260,022
1290	Other receivables		211
1410	Deferred expenses		2,132
	Total receivables	<u>128</u>	<u>262,365</u>
	Total Assets	<u>56,449</u>	<u>\$ 375,418</u>
	Liabilities		
2110	Accounts payable		\$ 24,006
2190	Due to others		351,412
2000	Total Liabilities		<u>\$ 375,418</u>
	Net Assets		
3590	Reserved - other	<u>\$ 56,449</u>	

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended August 31, 2010

Exhibit E-2

	810 Scholarship Fund
Additions	
Earnings on investments	\$ 1,008
Total additions	<u>1,008</u>
Deductions	
Scholarships awarded	<u>500</u>
Total deductions	500
Change in net assets	508
Net assets beginning of year	<u>55,941</u>
Net assets end of year	<u><u>\$ 56,449</u></u>

See Notes to the 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 funds* are used to account for the operations of the District's health and workers' compensation self-insurance funds, in addition to printing and property deductible funds to provide to services to other departments 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, 2010. 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, 2010, are shown below:

	Cash and Deposits	Money Market & Certificates	External Investment Pools	Investment Securities	Total
Governmental Funds					
General Fund	\$ 3,237,777	\$ 30,487,974	\$ 18,958,986	\$ 1,994,680	\$ 54,679,417
Debt Service Fund	79		5,526,058		5,526,137
Capital Projects Fund	8,370		33,687,267		33,695,637
Non-major Funds	1,039,521	1,431,517	2,278,781		4,749,819
	<u>4,285,747</u>	<u>31,919,491</u>	<u>60,451,092</u>	<u>1,994,680</u>	<u>98,651,010</u>
Internal Service Funds	<u>3,725,187</u>	<u>2,352,193</u>	<u>1,158,428</u>	<u>991,200</u>	<u>8,227,008</u>
Total Government Wide Statements	8,010,934	34,271,684	61,609,520	2,985,880	106,878,018
Fiduciary Funds	<u>126,479</u>	<u>42,895</u>			<u>169,374</u>
Total Cash and Investments	<u>\$ 8,137,413</u>	<u>\$ 34,314,579</u>	<u>\$ 61,609,520</u>	<u>\$ 2,985,880</u>	<u>\$ 107,047,392</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 2010, the District invested in U.S. Government Agency securities, the State of Texas ("Texpool"), TEXAS Term/TEXAS Daily, Texas CLASS and Texas Association of School Boards Lone Star Investment Pool. TexPool, Lone Star, TEXAS Term/TEXAS Daily and 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/TEXAS Daily and Texas 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.

Note 2 - Deposits and Investments (continued)

Investments (continued)

TEXAS Term/TEXAS Daily is a local government investment pool created by 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 program administrator is Cutwater Investor Services Corp. There is no regulatory oversight by the State of Texas over TEXAS Term / TEXAS Daily, Texas CLASS, or Lone Star. Investments with Merrill Lynch are money markets mutual funds with the underlying investments primarily invested in bond mutual funds.

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

Investment Type	Fair Market Value	Weighted Average Maturity (Days)	S & P Credit Quality Ratings
Local Government Investment Pools:			
Lone Star	\$ 374,170	52	AAA
Texas CLASS	40,347,131	30	AAAm
TEXAS Daily	3,226,778	50	AAAf
TEXAS Term	13,100,000	53	AAAm
TexPool	4,561,441	28	AAAm
Total	<u>61,609,520</u>		
Investment Securities:			
Commercial Paper - G.E.	1,994,680	176	AA+
FNMA	991,200	441	AAA
Total	<u>2,985,880</u>		
Time Deposits and Money Market Mutual Funds:			
Certificates of Deposits	42,895	68	Not rated
UBS	13	1	Not rated
Merrill Lynch	34,271,671	1	Not rated
	<u>34,314,579</u>		
Total Investments	<u><u>\$ 98,909,979</u></u>		

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

The District had Collateralized Mortgage Obligations (CMOs) and Strips from prior years that are considered derivative-type investments. The District sold and reinvestment fund in local government pools and the District did not experience losses related to the transactions.

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, 2010 the District's exposure to interest rate risk as measured by the maturities by investment type is summarized below:

	Fair Market Value	Less than 1 Year	1 to 5 Years
Lone Star	\$ 374,170	\$ 374,170	\$
Texas CLASS	40,347,131	40,347,131	
TEXAS Daily	3,226,778	3,226,778	
TEXAS Term	13,100,000	13,100,000	
TexPool	4,561,441	4,561,441	
Commercial Paper	1,994,680	1,994,680	
FNMA	991,200		991,200
Certificate of Deposits	42,895	42,895	
UBS	13	13	
Merrill Lynch	34,271,671	34,271,671	
	<u>\$ 98,909,979</u>	<u>\$ 97,918,779</u>	<u>\$ 991,200</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, 2010 consisted of the following:

Investment Type	Fair Market Value	Percentage of Portfolio
Local Government Investment Pools:		
Texas CLASS	\$ 40,347,131	40.79%
TEXAS Term	13,100,000	13.24%
Money Market Mutual Fund:		
Merrill Lynch	34,271,671	34.65%

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 decrease in the fair value of investments for the year ended August 31, 2010 is included in investment income as follows:

Investment earnings	\$ 738,590
Net decrease in investment values	<u>(377,665)</u>
Total investment earnings	<u><u>\$ 360,925</u></u>

Note 3 - Receivables

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Property Taxes	\$ 4,252,660	\$ 941,821	\$	\$	\$	\$	\$ 5,194,481
Due from other governments	9,239,585	100,111		733,253			10,072,949
Accrued Interest	3,191				6,938	128	10,257
Other	346,298		108	1,734	37,224	211	385,575
Gross Receivables	13,841,734	1,041,932	108	734,987	44,162	339	15,663,262
Less allowance for doubtful accounts	(831,082)	(176,986)					(1,008,068)
Net Total Receivables	\$ 13,010,652	\$ 864,946	\$ 108	\$ 734,987	\$ 44,162	\$ 339	\$ 14,655,194

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)	\$ 3,421,578	\$	\$ 3,421,578
Delinquent property taxes receivable (Debt Service Fund)	764,835		764,835
Advanced collection of fees (General Fund)		127,531	127,531
Grant funds received prior to meeting all eligibility requirements			
	<u>\$ 4,186,413</u>	<u>\$ 127,531</u>	<u>\$ 4,313,944</u>

Note 4 - Capital Assets

The District's capital asset activity for the year ended August 31, 2010 is as follows:

	<u>Balance August 31, 2009</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance August 31, 2010</u>
Capital assets, not being depreciated				
Land	\$ 23,605,600	\$ 7,681,781	\$	\$ 31,287,381
Construction in progress	98,144	5,120,978		5,219,122
Total Capital assets, not being depreciated	<u>23,703,744</u>	<u>12,802,759</u>		<u>36,506,503</u>
Capital assets, being depreciated				
Buildings and improvements	282,081,988	2,776,616	(41,193)	284,817,411
Furniture and equipment	21,953,872	3,802,088	(567,357)	25,188,603
Media center equipment	39,301			39,301
Total capital assets, being depreciated	<u>304,075,161</u>	<u>6,578,704</u>	<u>(608,550)</u>	<u>310,045,315</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,357,368)	(7,475,350)	24,444	(57,808,274)
Furniture and equipment	(9,568,382)	(2,033,192)	488,357	(11,113,217)
Media center equipment	(38,168)	(400)		(38,568)
Total accumulated depreciation	<u>(59,963,918)</u>	<u>(9,508,942)</u>	<u>512,801</u>	<u>(68,960,059)</u>
Governmental capital assets	\$ 267,814,987	\$ 9,872,521	\$ (95,749)	\$ 277,591,759

Note 4 - Capital Assets (continued)

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

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 4,480,770
Instructional resources and media services	178,910
School leadership	117,582
Guidance, counseling and evaluation services	58,346
Health services	11,156
Student transportation	948,627
Food Services	495,685
Extracurricular activities	1,591,541
General administration	53,768
Plant maintenance and operations	1,016,666
Security and monitoring services	116,267
Data processing services	403,531
Community services	36,093
	<u>\$ 9,508,942</u>

Internal service fund capital assets, net of depreciation, totaled \$733.

Construction Commitments

The District has active construction projects as of August 31, 2010. 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>
Alvin High School Athletics	\$ 29,900	\$ 7,780	\$ 22,120
Alvin Jr. High School #6	1,279,175	827,838	451,337
Ag. Science Facility #2 Manvel	41,660	66,438	(24,778)
Mark Twain Replacement	910,000	227,500	682,500
Alvin ISD Elementary #14	13,321,992	4,089,566	9,232,426
Manvel High School Phase 2	20,751,476		20,751,476
	<u>\$ 36,334,203</u>	<u>\$ 5,219,122</u>	<u>\$ 31,115,081</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, 2010, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,081,726	\$ 11,964,202
Capital Projects Fund	6,993,648	383,732
Nonmajor Governmental Funds	1,908,631	2,895,483
Internal Service Funds	5,000,000	610
Trust and Agency Funds	260,022	
	<u>\$ 15,244,027</u>	<u>\$ 15,244,027</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a schedule of the District’s transfers for the year ended August 31, 2010.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 5,754,436
General Fund	Health Insurance Fund	1,900,000
General Fund	Property & Casualty Deductible	5,000,000
Special Revenue Fund	General Fund	900,219
Workers Compensation Self-Insurance	Health Insurance Fund	2,718,966
		<u>\$ 16,273,621</u>

Transfers were made from the General Fund and Workers’ Compensation Fund to cover deficits in the Health Insurance Fund. A transfer was made from the General Fund to the Capital Projects Fund for land and equipment purchases and facilities improvements. A transfer from the General Fund to the Property and Casualty Deductible Fund was to set up reserves for future insurance deductible requirements. A transfer from the Special Revenue Fund to the General Fund was to close out High School Allotment Fund.

Note 6 - Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2010, was as follows:

	Balance August 31, 2009	Additions	Retirements	Balance August 31, 2010	Due Within One Year
General obligation bonds	\$ 292,940,000	\$ 21,205,333	\$ (26,480,333)	\$ 287,665,000	\$ 6,145,000
Less deferred amounts:					
For issuance premiums/discounts	3,581,384	1,143,649	(276,860)	4,448,173	
Gain or loss on refunding bonds	(1,688,367)	(2,165,160)	183,520	(3,670,007)	
Accreted interest on premium					
compound interest bonds	2,099,468	1,093,964	(485,000)	2,708,432	620,000
Maintenance tax notes	4,855,000		(450,000)	4,405,000	470,000
Accrued compensated absences	884,217	163,835	(108,325)	939,727	67,697
	<u>\$ 302,671,702</u>	<u>\$ 21,441,621</u>	<u>\$ (27,616,998)</u>	<u>\$ 296,496,325</u>	<u>\$ 7,302,697</u>

In April 2010, the District issued \$22,195,000 of School District Unlimited Tax Refunding Bonds, Series 2010. The bonds interest rates range from 2.00% to 4.00%. The proceeds from the issuance were used to purchase U.S. and State and Local Government Securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payment on the refunded bonds. As a result, the refundable bonds are considered to be defeased and the related liability for the bonds has been removed from the District's liabilities.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,165,160. This amount is netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the new debt. The refunding was undertaken to reduce total debt service payments and resulted in an economic gain of \$1,023,634.

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:

Issue	Original issuance amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Unlimited Tax School Building Bonds, Series 2001A	\$ 16,735,000	3.50% to 4.75%	2021	\$ 525,000
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	2,585,000
Unlimited Tax School Building Bonds, Series 2004A	34,100,000	3.25% to 5.25%	2027	17,525,000
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	59,970,000
Unlimited Tax School Building Bonds, Series 2006	71,990,000	4.00% to 5.50%	2033	70,490,000
Unlimited Tax School Building and Refunding Bonds, Series 2007	85,935,000	4.00% to 5.00%	2033	85,295,000
Unlimited Tax Refunding Bonds, Series 2010	22,195,000	2.00% to 4.00%	2025	22,195,000
				<u>\$ 287,665,000</u>

Note 6 - Long-term Liabilities (continued)

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

Year Ending			
August 31,	Principal	Interest	Totals
2011	\$ 6,145,000	\$ 12,737,021	\$ 18,882,021
2012	7,905,000	12,417,209	20,322,209
2013	6,095,000	12,098,096	18,193,096
2014	9,000,000	11,757,940	20,757,940
2015	9,390,000	11,366,802	20,756,802
2016	9,790,000	10,965,027	20,755,027
2017	10,235,000	10,522,190	20,757,190
2018	10,705,000	10,050,909	20,755,909
2019	11,185,000	9,572,621	20,757,621
2020	11,675,000	9,078,999	20,753,999
2021	12,195,000	8,561,650	20,756,650
2022	12,735,000	8,016,408	20,751,408
2023	13,295,000	7,444,474	20,739,474
2024	13,895,000	6,828,213	20,723,213
2025	14,565,000	6,161,873	20,726,873
2026	15,255,000	5,471,364	20,726,364
2027	15,920,000	4,805,077	20,725,077
2028	16,575,000	4,096,146	20,671,146
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	380,925	16,375,925
	<u>\$ 287,665,000</u>	<u>\$ 171,031,896</u>	<u>\$ 458,696,896</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:

Series	Accreted Value	Principal	Accreted Interest	Maturity Value	Maturity Dates
2007	\$ 2,128,124	\$ 415,000	\$ 1,713,124	\$ 2,290,000	2011 & 2013
2010	1,050,308	55,000	995,308	1,090,000	2012 & 2013
	<u>\$ 3,178,432</u>	<u>\$ 470,000</u>	<u>\$ 2,708,432</u>	<u>\$ 3,380,000</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	\$ 4,405,000
				<u>\$ 4,405,000</u>

Annual requirements to amortize the Maintenance Tax Notes and Contractual Obligations outstanding as of August 31, 2010, follow:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 4,405,000</u>	<u>\$ 744,100</u>	<u>\$ 5,149,100</u>

Prior Year Refunding of General Obligation Bonds

In prior years, the District defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future debt service payments are not included in the District's financial statements. As of August 31, 2010, the amount of defeased debt outstanding amount to \$37,105,000.

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	\$ 50,938,752	\$ 12,927,291	\$	\$	\$ 63,866,043
Investment Income	159,346	26,970	124,392	11,520	322,228
Co-curricular student activities	203,878			1,455,733	1,659,611
Food Sales				3,134,723	3,134,723
Other	876,887		253	442	877,582
	<u>\$ 52,178,863</u>	<u>\$ 12,954,261</u>	<u>\$ 124,645</u>	<u>\$ 4,602,418</u>	<u>\$ 69,860,187</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, 2010, follows:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Indirect Costs:		
Title I, Part A	84.010A	\$ 46,502
Title I, Part A - School Improvement ARRA	84.389A	15,846
Title I, Part D, Subpart 2	84.010A	1,946
Title I, Part D, Subpart 2 ARRA	84.389A	641
IDEA-B Formula	84.027A	44,680
IDEA-B Preschool	84.173A	1,072
IDEA-B Formula ARRA	84.391A	32,032
IDEA-B Preschool ARRA	84.392A	999
Carl D. Perkins Basic Grant	84.048A	2,623
Title II, Part A, Teacher/Principal Training	84.367A	9,840
Title II, Part D, Enhancing Education	84.318X	422
Title II, Part D, Enhancing Education ARRA	84.386A	636
Title III, Part A LEP	84.365A	3,768
Title IV, Part A, Safe & Drug Free Schools	84.186A	859
Fuel Reimbursement	N/A	216,962
ROTC	N/A	73,082
Medicaid Administrative Claims (MAC)	93.778	34,396
School Health and Related Service Program	N/A	1,431,438
		<u>\$ 1,917,744</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, under the TRS Publications heading.

Funding Policy

State law provides a state contribution rate of 6.400% and 6.644% for fiscal year 2010 for fiscal years 2008 and 2009 a state contribution rate of 6.58% and for 2010, 2009 and 2008 a member contribution rate of 6.4%. In certain instances, the reporting district is required to make all or a portion of the state's 6.400% and 6.644% contribution for fiscal years 2010 and 6.58 % contribution for fiscal years 2009 and 2008. 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

Contributions for the retirement plan for the employees of the District represent 100% of the annual pension cost. Contributions made by the State, District and Employees, and the District's annual covered payroll for the fiscal years 2008, 2009 and 2010 are as follows (stated in \$ millions):

Fiscal Year	Contributions Required and Made				Totals	Annual Covered Payroll
	State	District	Employees			
2008	\$ 3.967	\$ 1.119	\$ 4.949	\$ 10.035	\$ 77.308	
2009	5.282	0.432	5.561	11.275	86.844	
2010	5.720	0.384	5.954	12.058	93.025	

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, 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 2010, 2009, and 2008. 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 percent.

Contributions made by the State, District and Employees for the years 2010, 2009, and 2008, are as follows (stated in \$ millions):

Fiscal Year	Contributions Required and Made				Annual Covered Payroll
	State	District	Employees	Totals	
2008	\$ 0.727	\$ 0.470	\$ 0.502	\$ 1.699	\$ 77.308
2009	0.821	0.525	0.564	1.910	86.844
2010	0.886	0.556	0.597	2.039	93.025

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, 2010, 2009 and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$239,424, \$199,062 and \$179,094 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, 2010, 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.

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 Districts contribution expense for benefits during the year totaled \$7,241,324. Estimates of claims payable and of claims incurred but not reported at August 31, 2010, 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, 2010. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements and damage awards, the process used in computing claims liability is an estimate. Analysis of claims liability, for the fiscal year 2008, 2009 and 2010, is as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2008	\$ 994,566	\$ 11,445,279	\$ 11,645,277	\$ 794,568
2009	794,568	12,850,537	12,866,911	778,194
2010	778,194	14,027,435	13,934,252	871,377

Workers’ Compensation

During the year ended August 31, 2010, 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.

Note 11 - Risk Management (continued)

Analysis of claims liability, for the fiscal year 2008, 2009 and 2010, is as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2008	\$ 920,785	\$ 355,231	\$ 349,434	\$ 926,582
2009	926,582	202,567	568,700	560,449
2010	560,449	534,402	534,402	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.

Note 12 - Compensated Absences (continued)

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, 2010, the District accrued a total of \$163,835 and paid out of \$108,325. The total ending amount of unpaid compensated balances at August 31, 2010 is \$939,727.

Note 13 - 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 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 \$3,785,417 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 \$90,400 to place students in a JJAEP in the fiscal year 2009-2010.

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, 2010, was zero and has not recorded any amount in the government-wide financial statements.

Note 17 – Attendance Incentive, Recruitment and Retention Plan for Employees

The District offers its employees the opportunity to participate in an attendance Incentive plan. The **Attendance Incentive, Recruitment and Retention Plan for Employees** is designed to reward employees for reaching certain attendance and campus goals, enhance employees' retirement savings and provide an incentive to recruit and retain employees. This is a "401(a)" plan as defined under the Internal Revenue Code. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The District provides neither administrative services nor investment advice for the plan. Accordingly, no assets or liabilities are reported in the financial statement of the District.

Note 18 - Subsequent Event

During the month of December 2010 the District's Board of Trustees voted unanimously to hire Dr. Fred Brent as the new Superintendent of Alvin ISD.

Required Supplementary Information

(This page intentionally left blank)

ALVIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2010

Exhibit G-1

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local revenues	\$ 51,639,302	\$ 52,023,516	\$ 52,178,863	\$ 155,347
5800	State program revenues	70,947,397	89,894,130	92,709,018	2,814,888
5900	Federal program revenues	405,000	481,800	1,917,744	1,435,944
5020	Total revenues	<u>122,991,699</u>	<u>142,399,446</u>	<u>146,805,625</u>	<u>4,406,179</u>
Expenditures					
Current:					
0011	Instruction	69,814,845	73,175,366	70,686,600	2,488,766
0012	Instruction resources and media services	1,674,948	2,316,336	2,149,134	167,202
0013	Curriculum and instructional staff development	839,302	838,309	725,827	112,482
0021	Instructional leadership	1,373,931	1,369,849	1,110,183	259,666
0023	School leadership	6,717,631	7,114,585	6,643,540	471,045
0031	Guidance, counseling and evaluation services	2,839,776	2,918,297	2,615,727	302,570
0033	Health services	1,929,427	1,267,325	1,171,617	95,708
0034	Student transportation	6,972,772	6,969,401	6,111,671	857,730
0035	Food services	565	30,595	12,822	17,773
0036	Extracurricular activities	3,180,928	3,198,777	2,699,184	499,593
0041	General administration	3,572,062	4,921,708	4,522,632	399,076
0051	Plant maintenance and operations	12,707,093	15,045,481	14,032,909	1,012,572
0052	Security and monitoring services	1,420,550	1,677,199	1,475,121	202,078
0053	Data processing services	257,880	2,248,063	1,442,469	805,594
0061	Community services	122,635	126,662	75,448	51,214
Debt Service:					
0071	Principal on long-term debt	450,000	450,000	450,000	
0171	Interest on long-term debt	154,703	204,703	185,050	19,653
Capital outlay:					
0081	Facilities acquisition and construction		93,712	7,650	86,062
Intergovernmental:					
0093	Payments related to shared services arrangements	5,050,090	4,190,090	3,785,417	404,673
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	151,054	226,054	90,400	135,654
0097	Payments to tax increment fund	3,208,376	6,208,376	6,154,658	53,718
6030	Total Expenditures	<u>122,438,568</u>	<u>134,590,888</u>	<u>126,148,059</u>	<u>8,442,829</u>
1100	Excess (deficiency) of revenues over expenditures	<u>553,131</u>	<u>7,808,558</u>	<u>20,657,566</u>	<u>12,849,008</u>
Other Financing Sources (Uses):					
7912	Sale of real and personal property			64,076	64,076
7915	Transfers in		2,700	900,219	897,519
7949	Other resources			30,180	30,180
8911	Transfers out			(12,654,436)	(12,654,436)
7080	Total other financing sources and uses		<u>2,700</u>	<u>(11,659,961)</u>	<u>(11,662,661)</u>
1200	Net change in fund balances	553,131	7,811,258	8,997,605	1,186,347
100	Fund balances - beginning	<u>41,133,215</u>	<u>41,133,215</u>	<u>41,133,215</u>	
3000	Fund balances - ending	<u>\$ 41,686,346</u>	<u>\$ 48,944,473</u>	<u>\$ 50,130,820</u>	<u>\$ 1,186,347</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Exhibit G-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, 2010.

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, 2009. 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 \$324,085 for the General Fund.

Other Supplementary Information

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2010

Data Control Codes	204	211	215	
	Title IV, Part A - Safe & Drug Free	ESEA Title I Part A	ESEA, Title I Part D	
Assets				
1110	Cash and temporary investments	\$	\$ 144,149	\$
	Receivables:			
1240	Receivables from other governments	1,509	117,644	7,166
1260	Due from other funds			
1290	Other receivables			
1310	Inventories, at cost			
1410	Prepaid expenses			
1000	Total Assets	\$ 1,509	\$ 261,793	\$ 7,166
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$	\$	\$ 130
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable		65,875	1,200
2170	Due to other funds	1,509	195,918	5,836
2000	Total Liabilities	1,509	261,793	7,166
Fund Balance:				
Reserved for:				
3410	Investments in inventories			
3430	Prepaid items			
3450	Food service operations			
Unreserved, Undesignated Reported in:				
3610	Special revenue funds			
3000	Total Fund Balances			
4000	Total Liabilities and Fund Balance	\$ 1,509	\$ 261,793	\$ 7,166

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
\$	\$	\$ 1,896,906	\$	\$	\$	\$
71,043	6,681	196,731 2,673 816 120,272	2,514	2,824 13,891	32,250	
<u>\$ 71,043</u>	<u>\$ 6,681</u>	<u>\$ 2,217,398</u>	<u>\$ 2,514</u>	<u>\$ 16,715</u>	<u>\$ 32,250</u>	<u>\$</u>
\$ 9,913	\$	\$ 279,875 (62)	\$	\$	\$	\$
17,500		109,534		730	9,759	
43,630	6,681	12,777	2,514	15,985	22,491	
<u>71,043</u>	<u>6,681</u>	<u>402,124</u>	<u>2,514</u>	<u>16,715</u>	<u>32,250</u>	
		120,272				
		1,695,002				
		1,815,274				
<u>\$ 71,043</u>	<u>\$ 6,681</u>	<u>\$ 2,217,398</u>	<u>\$ 2,514</u>	<u>\$ 16,715</u>	<u>\$ 32,250</u>	<u>\$</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2010

Data Control Codes	263	266	279
	Title III Part A - LEP	ARRA 2009 Title XIV SFSF	Title II, Part D Technology ARRA
Assets			
1110	Cash and temporary investments	\$	\$
	Receivables:		
1240	Receivables from other governments	22,451	25,062
1260	Due from other funds		5,334
1290	Other receivables		518,498
1310	Inventories, at cost		
1410	Prepaid expenses		
1000	Total Assets	<u>\$ 22,451</u>	<u>\$ 543,560</u>
		<u>\$ 5,334</u>	
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	Accounts payable	\$	\$
2150	Payroll deduction and withholdings payable		
2160	Accrued wages payable	1,026	479
2170	Due to other funds	21,425	4,855
2000	Total Liabilities	<u>22,451</u>	<u>543,560</u>
			<u>5,334</u>
Fund Balance:			
Reserved for:			
3410	Investments in inventories		
3430	Prepaid items		
3450	Food service operations		
Unreserved, Undesignated Reported in:			
3610	Special revenue funds		
3000	Total Fund Balances		
4000	Total Liabilities and Fund Balance	<u>\$ 22,451</u>	<u>\$ 543,560</u>
			<u>\$ 5,334</u>

283	284	285	286	287	289	385
IDEA B Formula ARRA	IDEA B Preschool ARRA	ESEA Title I Part A ARRA	Title I Part D ARRA	Homeless Education Disaster Assistance	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired
\$	\$	\$	\$	\$	\$ 239,559	\$
82,612	3,577	14,184	1,288	86,140	6,737 942,365	
<u>\$ 82,612</u>	<u>\$ 3,577</u>	<u>\$ 14,184</u>	<u>\$ 1,288</u>	<u>\$ 86,140</u>	<u>\$ 1,188,661</u>	<u>\$</u>
\$ 8,264	\$ 2,200	\$ 197	\$	\$	\$	\$
17,439						
56,909	1,377	13,987	1,288	86,140	1,188,661	
<u>82,612</u>	<u>3,577</u>	<u>14,184</u>	<u>1,288</u>	<u>86,140</u>	<u>1,188,661</u>	
<u>\$ 82,612</u>	<u>\$ 3,577</u>	<u>\$ 14,184</u>	<u>\$ 1,288</u>	<u>\$ 86,140</u>	<u>\$ 1,188,661</u>	<u>\$</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2010

Data Control Codes	390 Early Childhood LEP Summer	392 Noneducational Community Based Support	394 Pregnancy Education and Parenting
Assets			
1110	\$	\$	\$
Receivables:			
1240		103	
1260			
1290			
1310			
1410			
1000	\$	\$ 103	\$
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	\$	\$	\$
2150			
2160			
2170		103	
2000	\$	\$ 103	\$
Fund Balance:			
Reserved for:			
3410			
3430			
3450			
Unreserved, Undesignated Reported in:			
3610			
3000	\$	\$ 103	\$
4000	\$	\$ 103	\$

397	401	404	409	411	426	427
Advanced Placement Incentive	Optional Extended Year	Student Success Initiative	Basic Skills / High School Students	Technology Allotment	Tx Ed Excellent Grant	Texas Fitness Now
\$ 27,667	\$	\$	\$	\$ 354,551	\$	\$
	11,865	12,498	23,040			
<u>\$ 27,667</u>	<u>\$ 11,865</u>	<u>\$ 12,498</u>	<u>\$ 23,040</u>	<u>\$ 354,551</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$	\$	\$	\$
	11,865	12,498	23,040			
	<u>11,865</u>	<u>12,498</u>	<u>23,040</u>			
<u>27,667</u>				<u>354,551</u>		
<u>27,667</u>				<u>354,551</u>		
<u>\$ 27,667</u>	<u>\$ 11,865</u>	<u>\$ 12,498</u>	<u>\$ 23,040</u>	<u>\$ 354,551</u>	<u>\$</u>	<u>\$</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2010

	428	429	461
Data Control Codes	High School Allotment	State Funded Special Revenue	Campus Activity Funds
Assets			
1110	\$	\$ 121	\$ 2,086,866
Receivables:			
1240			Receivables from other governments
1260		409,565	21,639
1290			918
1310			Inventories, at cost
1410			7,206
1410			Prepaid expenses
1000	\$	\$ 409,686	\$ 2,116,629
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	\$	\$	\$ 18,099
2150			45
2160			983
2170		155,435	466,999
2000		155,435	486,126
Fund Balance:			
Reserved for:			
3410			Investments in inventories
3430			7,206
3450			Prepaid items
			Food service operations
Unreserved, Undesignated Reported in:			
3610		254,251	1,623,297
3000		254,251	1,630,503
4000	\$	\$ 409,686	\$ 2,116,629

**Total Nonmajor
Governmental
Funds**

\$	4,749,819
	733,253
	1,908,631
	1,734
	120,272
	7,206
\$	<u>7,520,915</u>

\$	318,678
	(17)
	224,525
	2,895,483
	<u>3,438,669</u>

	120,272
	7,206
	1,695,002
	<u>2,259,766</u>
	<u>4,082,246</u>
\$	<u>7,520,915</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2010

<u>Data Control Codes</u>	204	211	215
	Title IV, Part A - Safe & Drug Free	ESEA Title I Part A	ESEA, Title I Part D
Revenues			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues			
5900 Federal program revenues	53,669	2,385,471	109,955
5020 Total Revenues	<u>53,669</u>	<u>2,385,471</u>	<u>109,955</u>
Expenditures			
Current:			
0011 Instruction	49,436	2,135,076	108,394
0012 Instruction resources and media services		7,563	
0013 Curriculum and instructional staff development		70,523	
0021 Instructional leadership		124,721	1,561
0023 School leadership		37,503	
0031 Guidance, counseling and evaluation services	4,233	2,435	
0033 Health services		7,650	
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 Total Expenditures	<u>53,669</u>	<u>2,385,471</u>	<u>109,955</u>
1100 Excess (deficiency) of revenues over expenditures			
Other Financing Sources (Uses)			
8911 Transfers out			
7080 Total other financing sources and uses			
1200 Net change in fund balances			
0100 Fund balance - September 1 (beginning)			
3000 Fund balance - August 31 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

224	225	240	243	244	255	262
IDEA B Formula	IDEA B Preschool	National School Lunch and Breakfast Program	Vocational Ed - Tech Prep	Vocational Ed - Basic	ESEA Title II, Part A	Enhancing Ed Through Technology
\$	\$	\$ 3,138,365 49,159	\$	\$	\$	\$
<u>2,477,510</u>	<u>55,369</u>	<u>4,889,574</u>	<u>2,514</u>	<u>136,405</u>	<u>516,886</u>	<u>25,889</u>
<u>2,477,510</u>	<u>55,369</u>	<u>8,077,098</u>	<u>2,514</u>	<u>136,405</u>	<u>516,886</u>	<u>25,889</u>
1,388,039	53,931		1,664	89,173	475,974	13,026
35,147	1,438		170	3,538	15,343	12,863
154,740						
1,675						
897,909			680	43,694		
		7,682,712				
					25,569	
<u>2,477,510</u>	<u>55,369</u>	<u>7,682,712</u>	<u>2,514</u>	<u>136,405</u>	<u>516,886</u>	<u>25,889</u>
		394,386				
		394,386				
		1,420,888				
<u>\$</u>	<u>\$</u>	<u>\$ 1,815,274</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2010

Data Control Codes		263	266	279
		Title III Part A - LEP	ARRA 2009 Title XIV SFSF	Title II, Part D Technology ARRA
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	198,140	7,725,062	32,698
5020	Total Revenues	<u>198,140</u>	<u>7,725,062</u>	<u>32,698</u>
	Expenditures			
	Current:			
0011	Instruction	106,556	4,027,785	32,698
0012	Instruction resources and media services		65,454	
0013	Curriculum and instructional staff development	25,022	13,915	
0021	Instructional leadership	1,105	354,289	
0023	School leadership	35	857,872	
0031	Guidance, counseling and evaluation services	65,422	102,743	
0033	Health services			
0034	Student transportation		5,392	
0035	Food service			
0036	Extracurricular activities		150,831	
0041	General administration		229,356	
0051	Plant maintenance and operations		90,739	
0052	Security and monitoring services		150,156	
0053	Data processing services		1,676,530	
0061	Community services			
6030	Total Expenditures	<u>198,140</u>	<u>7,725,062</u>	<u>32,698</u>
1100	Excess (deficiency) of revenues over expenditures			
	Other Financing Sources (Uses)			
8911	Transfers out			
7080	Total other financing sources and uses			
1200	Net change in fund balances			
0100	Fund balance - September 1 (beginning)			
3000	Fund balance - August 31 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

283	284	285	286	287	289	385
IDEA B Formula ARRA	IDEA B Preschool ARRA	ESEA Title I Part A ARRA	Title I Part D ARRA	Homeless Education Disaster Assistance	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired
\$	\$	\$	\$	\$	\$	\$
						27,000
1,614,755	49,578	787,013	31,647	84,704	116,396	
<u>1,614,755</u>	<u>49,578</u>	<u>787,013</u>	<u>31,647</u>	<u>84,704</u>	<u>116,396</u>	<u>27,000</u>
1,052,175	48,451	713,674	31,647	83,589	21,605	27,000
64,040	1,127	43,837			1,350	
233		21,730		1,115		
498,307		7,772				
					89,791	
					3,650	
<u>1,614,755</u>	<u>49,578</u>	<u>787,013</u>	<u>31,647</u>	<u>84,704</u>	<u>116,396</u>	<u>27,000</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2010

Data Control Codes		390	392	394
		Early Childhood LEP Summer	Noneducational Community Based Support	Pregnancy Education and Parenting
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues		9,934	36,114
5900	Federal program revenues			
5020	Total Revenues		<u>9,934</u>	<u>36,114</u>
	Expenditures			
	Current:			
0011	Instruction	2,032		
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development			
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		9,934	36,114
6030	Total Expenditures	<u>2,032</u>	<u>9,934</u>	<u>36,114</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(2,032)</u>		
	Other Financing Sources (Uses)			
8911	Transfers out			
7080	Total other financing sources and uses			
1200	Net change in fund balances	(2,032)		
0100	Fund balance - September 1 (beginning)	<u>2,032</u>		
3000	Fund balance - August 31 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

397	401	404	409	411	426	427
Advanced Placement Incentive	Optional Extended Year	Student Success Initiative	Basic Skills / High School Students	Technology Allotment	Tx Ed Excellent Grant	Texas Fitness Now
\$ 34,481	\$ 49,865	\$ 124,981	\$ 270	\$ 497,824	\$ 164,657	\$ 19,262
<u>34,481</u>	<u>49,865</u>	<u>124,981</u>	<u>270</u>	<u>497,824</u>	<u>164,657</u>	<u>19,262</u>
1,896	49,865	124,981	270	149,887	159,304	19,262
27,691						
					3,089	
					1,544	
					720	
				20,527		
<u>29,587</u>	<u>49,865</u>	<u>124,981</u>	<u>270</u>	<u>170,414</u>	<u>164,657</u>	<u>19,262</u>
<u>4,894</u>				<u>327,410</u>		
4,894				327,410		
<u>22,773</u>				<u>27,141</u>		
<u>\$ 27,667</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 354,551</u>	<u>\$</u>	<u>\$</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2010

Data Control Codes		428	429	461
		High School Allotment	State Funded Special Revenue	Campus Activity Funds
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$ 1,464,053
5800	State program revenues		32	
5900	Federal program revenues			
5020	Total Revenues		32	1,464,053
	Expenditures			
	Current:			
0011	Instruction			685,235
0012	Instruction resources and media services		43	181,845
0013	Curriculum and instructional staff development			28,626
0021	Instructional leadership			
0023	School leadership			5,936
0031	Guidance, counseling and evaluation services			100
0033	Health services			546
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			832,267
0041	General administration			572
0051	Plant maintenance and operations			8,139
0052	Security and monitoring services			25,080
0053	Data processing services			
0061	Community services			
6030	Total Expenditures		43	1,768,346
1100	Excess (deficiency) of revenues over expenditures		(11)	(304,293)
	Other Financing Sources (Uses)			
8911	Transfers out	(900,219)		
7080	Total other financing sources and uses	(900,219)		
1200	Net change in fund balances	(900,219)	(11)	(304,293)
0100	Fund balance - September 1 (beginning)	900,219	254,262	1,934,796
3000	Fund balance - August 31 (ending)	\$	\$ 254,251	\$ 1,630,503

**Total-Other
Governmental
Funds**

\$	4,602,418
	1,013,579
	<u>21,293,235</u>
	<u>26,909,232</u>
	11,652,625
	254,905
	344,630
	659,494
	913,882
	1,617,067
	8,916
	5,392
	7,682,712
	983,098
	255,497
	188,669
	178,886
	1,697,057
	46,048
	<u>26,488,878</u>
	<u>420,354</u>
	<u>(900,219)</u>
	<u>(900,219)</u>
	(479,865)
	<u>4,562,111</u>
\$	<u><u>4,082,246</u></u>

(This page intentionally left blank.)

Internal Service Funds

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
August 31, 2010

Data Control Codes		752	753	773
		Print Shop	Health Insurance	Workers' Comp Self- Insurance
	Assets			
	Current Assets:			
1110	Cash and cash equivalents	\$ 263,372	\$ 3,081,107	\$ 3,891,329
	Receivables:			
1250	Accrued interest receivable			6,938
1260	Due from other funds			
1290	Other receivables		64	37,160
1300	Inventories, at cost	22,237		
	Total Current Assets	<u>285,609</u>	<u>3,081,171</u>	<u>3,935,427</u>
	Non-current Assets:			
	Capital Assets:			
1530	Furniture and equipment	39,301		
1573	Accumulated depreciation - Equipment	(38,568)		
1910	Long-term investments, at fair value			991,200
	Total Non-current Assets	<u>733</u>		<u>991,200</u>
1000	Total Assets	<u>286,342</u>	<u>3,081,171</u>	<u>4,926,627</u>
	Liabilities			
	Current Liabilities:			
2110	Accounts payable	3,515	206,086	250,416
2160	Accrued wages payable	3,796	1,238	
2170	Due to other funds	610		
2180	Payable to other governments		37,551	
2200	Accrued expenses	8,029	871,377	560,449
	Total current liabilities	<u>15,950</u>	<u>1,116,252</u>	<u>810,865</u>
2000	Total Liabilities	<u>15,950</u>	<u>1,116,252</u>	<u>810,865</u>
	Net Assets			
3200	Investments in capital assets, net of debt	733		
3300	Unrestricted net assets	269,659	1,964,919	4,115,762
3000	Total Net Assets	<u>\$ 270,392</u>	<u>\$ 1,964,919</u>	<u>\$ 4,115,762</u>

Exhibit H-3

755	
Property & Casualty Insurance	Total
\$	\$ 7,235,808
	6,938
5,000,000	5,000,000
	37,224
	22,237
<u>5,000,000</u>	<u>12,302,207</u>
	39,301
	(38,568)
	991,200
	<u>991,933</u>
<u>5,000,000</u>	<u>13,294,140</u>
	460,017
	5,034
	610
	37,551
	<u>1,439,855</u>
	<u>1,943,067</u>
	<u>1,943,067</u>
	733
5,000,000	11,350,340
<u>\$ 5,000,000</u>	<u>\$ 11,351,073</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, 2010

Data Control Codes	752 Print Shop	753 Health Insurance	773 Workers' Comp Self- Insurance
Operating Revenues			
5749	Miscellaneous revenue from local sources	\$	\$ 2,832
5754	Interfund services provided and used	274,146	1,370,619
5020	Total operating revenues	<u>274,146</u>	<u>1,373,451</u>
Operating Expenses			
6100	Payroll costs	100,984	58,637
6200	Purchased and contracted services	63,243	21,600
6300	Supplies and materials	60,531	
6400	Claims expense and other operating expenses		14,027,435
6449	Depreciation	400	534,402
6030	Total Operating Expenses	<u>225,158</u>	<u>14,107,672</u>
1200	Operating Income (Loss)	<u>48,988</u>	<u>(1,378,052)</u>
Non-Operating Revenues (Expenses)			
7020	Investment earnings		2,625
	Total Nonoperating Revenues		<u>36,072</u>
	Income (Loss) before Transfers	48,988	(1,375,427)
Transfers			
7915	Transfers in		4,618,966
8911	Transfers out		(2,718,966)
1200	Change in Net Assets	48,988	3,243,539
0100	Net Assets - September 1 (Beginning)	<u>221,404</u>	<u>(1,278,620)</u>
3300	Net Assets - August 31 (Ending)	<u>\$ 270,392</u>	<u>\$ 1,964,919</u>
		<u>\$ 4,115,762</u>	

Exhibit H-4

755 Property & Casualty Insurance	Total
\$	\$ 2,832
	14,374,385
	14,377,217
	159,621
	84,843
	60,531
	14,561,837
	400
	14,867,232
	(490,015)
	38,697
	38,697
	(451,318)
5,000,000	9,618,966
	(2,718,966)
5,000,000	6,448,682
	4,902,391
\$ 5,000,000	\$ 11,351,073

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended August 31, 2010

	Print Shop	Health Insurance	Workers' Comp Self-Insurance
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash receipts from customers and with other funds	\$ 274,146	\$ 12,729,620	\$ 1,373,644
Cash payments to suppliers for goods and services	(121,527)	(14,740,516)	(2,410,277)
Cash payments to employees	(98,680)	(58,067)	
Net Cash Provided by (Used for) Operating Activities	53,939	(2,068,963)	(1,036,633)
Cash Flows from Non-Capital Financing Activities:			
Advances from other funds		4,618,966	
Advances to other funds			(2,718,966)
Net Cash Provided by (Used for) Non-Capital Financing Activities		4,618,966	(2,718,966)
Cash Flows from Investing Activities:			
Investment proceeds		71,906	(796,789)
Interest on investments		2,761	36,377
Net Cash Provided by Investing Activities		74,667	(760,412)
Net Increase in Cash and Cash Equivalents	53,939	2,624,670	(4,516,011)
Cash and Cash Equivalents at Beginning of Year	209,433	456,437	8,407,340
Cash and Cash Equivalents at End of Year	\$ 263,372	\$ 3,081,107	\$ 3,891,329
Reconciliation to Balance Sheet			
Cash and Cash Equivalents	\$ 263,372	\$ 3,081,107	\$ 3,891,329
Cash and Cash Equivalents per Balance Sheet	\$ 263,372	\$ 3,081,107	\$ 3,891,329
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 48,988	\$ (1,378,052)	\$ 839,049
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	400		
Change in Assets and Liabilities:			
Decrease (increase) in Receivables			193
Decrease (increase) in Interfund Receivables	7,625		
Decrease (increase) in Inventories	(9,503)		
Increase (decrease) in Accounts Payable	3,515	12,519	(3,679)
Increase (decrease) in Accrued Wages Payable	1,273	570	
Increase (decrease) in Interfund Payables	(4)	(640,346)	(1,872,196)
Increase (decrease) in Payables to Other Governments		(156,837)	
Increase (decrease) in Accrued Expenses	1,645	93,183	
Net Cash Provided by (Used for) Operating Activities	\$ 53,939	\$ (2,068,963)	\$ (1,036,633)

Exhibit H-5

Property & Casualty Insurance	Total
\$ (5,000,000)	\$ 9,377,410
	(17,272,320)
	(156,747)
<u>(5,000,000)</u>	<u>(8,051,657)</u>
5,000,000	9,618,966
	(2,718,966)
<u>5,000,000</u>	<u>6,900,000</u>
	(724,883)
	39,138
	<u>(685,745)</u>
	(1,837,402)
	9,073,210
<u>\$</u>	<u>\$ 7,235,808</u>
<u>\$</u>	<u>\$ 7,235,808</u>
\$	\$ (490,015)
	400
	193
(5,000,000)	(4,992,375)
	(9,503)
	12,355
	1,843
	(2,512,546)
	(156,837)
	94,828
<u>\$ (5,000,000)</u>	<u>\$ (8,051,657)</u>

(This page intentionally left blank.)

Required TEA Schedules

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2010

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 9/1/09</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2001 and prior	Various	Various	Various	\$ 508,298
2002	1.426001	0.139999	\$ 1,323,641,134	76,721
2003	1.426217	0.159899	1,463,112,571	120,296
2004	1.426201	0.199899	1,687,419,452	134,489
2005	1.441200	0.234800	2,124,752,100	177,398
2006	1.441000	0.264800	2,482,291,828	207,211
2007	1.317700	0.228200	3,271,284,300	307,726
2008	1.040000	0.288200	3,967,086,809	535,079
2009	1.040000	0.288200	4,559,307,338	1,658,487
2010	1.040000	0.264100	4,805,508,857	
1000 Totals				<u><u>\$ 3,725,705</u></u>

9000 Portion of Row 1000 for Taxes Paid into Tax
Increment Zone Under Chapter 311, Tax Code
(Function 97)

\$ \$

Exhibit J-1

20	30	30a	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/10
\$	\$ 15,517	\$ 3,337	\$ (144,653)	\$ 344,791
	4,903	482	(944)	70,392
	5,464	612	(207)	114,013
	10,680	1,497	(1,003)	121,309
	32,956	5,369	16,107	155,180
	43,792	8,048	14,979	170,350
	89,905	15,570	10,916	213,167
	214,610	59,472	9,030	270,027
	836,150	231,711	(77,566)	513,060
<u>62,668,641</u>	<u>48,861,447</u>	<u>12,407,915</u>	<u></u>	<u>1,399,279</u>
<u>\$ 62,668,641</u>	<u>\$ 50,115,424</u>	<u>\$ 12,734,013</u>	<u>\$ (173,341)</u>	<u>3,371,568</u>
				<u>1,822,913</u>
				<u>\$ 5,194,481</u>
<u>\$</u>	<u>\$ 3,095,700</u>	<u>\$ 787,064</u>	<u>\$</u>	<u>\$</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COSTS FOR 2011-2012
GENERAL AND SPECIAL REVENUE FUNDS
(UNAUDITED)
For the Year Ended August 31, 2010

Exhibit J-2

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 997	\$	\$ 246,527	\$ 2,258,861	\$ 906	\$ 60,452	\$ 2,567,743
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							
6211	Legal Services					301,433		301,433
6212	Audit Services				80,000			80,000
6213	Tax Appraisal and Collection (Appraisal district costs only from function 99)		520,947					520,947
6214	Lobbying							
621X	Other Prof. Services	1,750		30	56,172		595	58,547
6220	Tuition and Transfer Payments							
6230	Education Service Centers				120	19,134		19,254
6240	Contr. Maint. and Repair					1,630		1,630
6250	Utilities							
6260	Rentals					121	19,775	19,896
6290	Miscellaneous Contr.	294		1820	86,371	1,601		90,086
6320	Textbooks and Reading	78		35	137	275		525
6330	Testing Materials							
63XX	Other Supplies Materials	1,058		9,114	122,911	22,185	1,811	157,079
6410	Travel, Subsistence, Stipends	8,630		6,827	20,640	18,774		54,871
6420	Ins. and Bonding Costs				25,000			25,000
6430	Election Costs	12,558						12,558
6490	Miscellaneous Operating	342		3,743	894,062	9,141	23,524	930,812
6500	Debt Service							
6600	Capital Outlay							
6000	TOTAL	\$ 25,707	\$ 520,947	\$ 268,096	\$ 3,544,274	\$ 375,200	\$ 106,157	\$ 4,840,381

Total expenditures/expenses for General and Special Revenue Funds
 (plus Food Service Enterprise Fund if present) 9 152,636,937

LESS: Deductions of Unallowable Costs
 Fiscal Year

Total Capital Outlay (6600)	10	2,176,210
Total Debt & Lease (6500)	11	635,050
Plant Maintenance (Function 51, 6100-6400)	12	13,934,325
Food (Function 35, 6341 and 6499)	13	2,870,898
Stipends (6413)	14	
Column 4 (above) - Total Indirect Cost		3,544,274
Subtotal:		23,160,757
Net Allowed Direct Cost		129,476,180

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	283,583,586
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	25,188,603
Historical Cost of Furniture & Equipment over 16 years old	19	195,339
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	\$1,165,359

(8) Note A - \$60,452 in Function 53 expenditures are included in this report on administrative costs.

\$0 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

ALVIN INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)
GENERAL FUND
August 31, 2010

Exhibit J-3

Data Control Code	Explanation	Amount
1	Total General Fund Balance 8-31-2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 50,130,820
2	Total Reserved Fund Balance 8-31-2010 (from Exhibit C-1 - total of object 3400s for the General Fund only)	867,657
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	15,298,248
4	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	3,097,585
5	Estimate of two month's average cash disbursements during the fiscal year	28,483,690
6	Estimate of delayed payments from state sources (58xx)	4,921,648
7	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	
8	Estimate of delayed payments from federal sources (59xx)	977,993
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds).	6,337,147
10	Adjustment to meet Board Policy	
11	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9+10)	<u>59,983,968</u>
12	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1-11)	<u>\$ (9,853,148)</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
For the Year Ended August 31, 2010

Exhibit J-4

Data Control Codes		Child Nutrition			Variance Favorable (Unfavorable)
		Budget		Actual	
		Original	Final		
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 3,261,534	\$ 3,261,534	\$ 3,138,365	\$ (123,169)
5800	State Program Revenues	51,000	51,000	49,159	(1,841)
5900	Federal Program Revenues	5,004,000	5,004,000	4,889,574	(114,426)
5020	Total Revenues	<u>8,316,534</u>	<u>8,316,534</u>	<u>8,077,098</u>	<u>(239,436)</u>
Expenditures					
Current:					
0035	Food Services	8,316,534	8,316,534	7,682,712	633,822
6030	Total Expenditures	<u>8,316,534</u>	<u>8,316,534</u>	<u>7,682,712</u>	<u>633,822</u>
1100	Excess (Deficiency) Revenues Over Expenditures			394,386	394,386
0100	Fund Balance - September 1 (Beginning)	<u>1,420,888</u>	<u>1,420,888</u>	<u>1,420,888</u>	
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,420,888</u>	<u>\$ 1,420,888</u>	<u>\$ 1,815,274</u>	<u>\$ 394,386</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended August 31, 2010

Exhibit J-5

Data Control Codes		Debt Service Fund			
		Budget			Variance Favorable (Unfavorable)
		Original	Final	Actual	
	Revenues				
5700	Local, Intermediate, and Out-of-State	\$ 13,475,039	\$ 13,475,039	\$ 12,954,261	\$ (520,778)
5800	State Program Revenues	7,288,700	8,162,875	7,655,311	(507,564)
5020	Total Revenues	<u>20,763,739</u>	<u>21,637,914</u>	<u>20,609,572</u>	<u>(1,028,342)</u>
	Expenditures				
	Current:				
0035	Food Services				
	Debt Service:				
0071	Principal	5,760,000	5,760,000	5,760,000	
0072	Interest and Fiscal Agent Fees	12,500,055	14,178,741	13,327,291	851,450
	Intergovernmental:				
0090	Payments to tax increment fund	825,000	825,000	787,121	37,879
6030	Total Expenditures	<u>19,085,055</u>	<u>20,763,741</u>	<u>19,874,412</u>	<u>889,329</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>1,678,684</u>	<u>874,173</u>	<u>735,160</u>	<u>(139,013)</u>
	Other Financing Sources (Uses):				
7901	Refunding bonds issued		23,184,666	22,195,000	(989,666)
7916	Premium or discount on issuance of bonds		1,143,650	2,133,316	989,666
8949	Payment to Bond Refunding Escrow Agent		(24,305,143)	(24,305,143)	
7080	Total other financing sources and uses		<u>23,173</u>	<u>23,173</u>	
1200	Increase (Decrease) in Fund Balance	1,678,684	897,346	758,333	(139,013)
0100	Fund Balance - September 1 (Beginning)	<u>4,749,241</u>	<u>4,749,241</u>	<u>4,749,241</u>	
3000	Fund Balance - August 31 (Ending)	<u>\$ 6,427,925</u>	<u>\$ 5,646,587</u>	<u>\$ 5,507,574</u>	<u>\$ (139,013)</u>

(This page intentionally left blank)

Federal Awards Section

(This page intentionally left blank)



**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, the business-type 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The significant deficiency identified is item #10-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

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



Houston, Texas
December 14, 2010



Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Alvin Independent School District's (the "District") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended 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
December 14, 2010

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2010

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 identified that are not considered to be material weaknesses?	Yes 10-01
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies 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 - School Improvement	84.010A
Title I, Part A - Improving Basic Program ARRA	84.389A
Title I, Part D, Subpart 2	84.010A
Title I, Part D, Subpart 2 ARRA	84.389A
Special Education Cluster:	
IDEA-B Formula	84.027A
IDEA-B Formula ARRA	84.391A
IDEA-B Preschool	84.173A
IDEA-B Preschool ARRA	84.392A
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Title XIV, SFSF ARRA	83.394A
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$646,877
Auditee qualified as low-risk auditee?	No

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2010

II. Financial Statement Findings

Significant Deficiencies

Finding 10-01 General Ledger Reconciliations and Review

Criteria: Internal controls should be in place to assure that balances reported in District's financial statements reflect actual amounts. The purpose of key account reconciliations is to ensure that account balances are correct and to provide an appropriate level of accountability over major assets.

Condition: Audit adjusting entries were necessary to reflect actual amounts at fiscal year-end for state funding receivable and on-behalf reconciliations.

Effect: Misstatements in the financial statement balances.

Cause: Reconciliations should be properly prepared and reviewed for accuracy.

Recommendation: Management should develop and implement closing procedures and controls that minimize the risk of material misstatement in the financial statements. Someone other than the person responsible for preparing the year end reconciliations should then be reviewed and approved as well as any necessary adjusting entries to the general ledger. Additionally, periodically during the year reconciliations should be reviewed along with a comparison of balances to balances in the general ledger accounts.

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2010

III. Federal Awards Findings and Questioned Costs

None noted

IV. Status of Prior Year Findings

Finding #	Corrective Action Taken
Finding 09-01 - Year-end close out procedures - prepaid items	Partially resolved. The District has implemented close-out procedures.

V. Corrective Action Plan

Finding 10-01: General Ledger Reconciliations and Review	Contact Person: Cheryl Ryan, Director of Finance Response: Year-end close out procedures are continuing to be updated and implemented. The process will include review reconciliations and schedules to ensure accurate financial reporting. Estimated Completion Date: Continuous
---	---

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2010

Exhibit K-1
(Page 1 of 2)

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Education				
Direct Program:				
S383A090016	<i>Homeless Education Disaster Assistance</i>	287	84.383A	\$ 84,704
Passed Through State Department of Education:				
10691001020901	<i>Title IV, Part A, Safe & Drug Free Schools</i>	204	84.186A	54,528
10610101020901	<i>Title I, Part A - School Improvement*</i>	211	84.010A	2,315,754
11610101020901	<i>Title I, Part A - School Improvement*</i>	211	84.010A	116,219
10551001020901	<i>Title I, Part A-Improving Basic Program ARRA *</i>	285	84.389A	802,859
10610103020901	<i>Title I, Part D, Subpart 2 *</i>	215	84.010A	111,901
10551003020901	<i>Title I, Part D, Subpart 2 ARRA *</i>	286	84.389A	32,288
10660001020916000	<i>IDEA-B Formula **</i>	224	84.027A	2,522,190
10554001020901	<i>IDEA-B Formula ARRA **</i>	283	84.391A	1,646,787
106610010209016600	<i>IDEA-B Preschool **</i>	225	84.173A	56,441
10555001020901	<i>IDEA-B Preschool ARRA **</i>	284	84.392A	50,577
10420006020901	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	136,204
11420006020901	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	2,824
10694501020901	<i>Title II, Part A, Teacher/Principal Training</i>	255	84.367A	517,010
11694501020901	<i>Title II, Part A, Teacher/Principal Training</i>	255	84.367A	9,716
10630001020901	<i>Title II, Part D, Enhancing Education</i>	262	84.318X	26,311
10553001020901	<i>Title II, Part D, Enhancing Education ARRA</i>	279	84.386A	33,334
10671001020901	<i>Title III, Part A LEP</i>	263	84.365A	201,908
10557001020901	<i>Title XIV, SFSF ARRA</i>	266	84.394A	7,725,062
69550902	<i>Early Childhood LEP Summer</i>	289	84.369A	17,451
Total passed through State Department of Education				<u>16,379,364</u>
Passed through Texas Higher Education Coordinating:				
<i>Board to North Harris Montgomery Community</i>				
101714	<i>College Tech Prep</i>	243	84.243A	<u>2,514</u>
Passed through Region 4 Education Service Center:				
<i>Advanced Placement Program</i>				
		289	84.330C	<u>2,529</u>
Total U.S. Department of Education				<u>16,469,111</u>

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2010

Exhibit K-1
(Page 2 of 2)

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Agriculture				
Passed Through Texas Department of Agriculture:				
<i>Non cash assistance (commodities)</i>				
71301001	<i>National School Lunch Program ***</i>	240	10.555	\$ 103,164
Passed Through State Department of Education:				
71301001	<i>National School Lunch Program ***</i>	240	10.555	3,672,101
71401001	<i>School Breakfast Program ***</i>	240	10.553	<u>1,114,309</u>
Total U.S. Department of Agriculture				<u><u>4,889,574</u></u>
U.S. Department of Health and Human Services				
Direct Program:				
None	<i>Medicaid Administrative Claims (MAC)</i>	199	93.778	<u>34,396</u>
U.S. Department of Defense				
Direct Program:				
	<i>ROTC</i>	199	12.000	<u>73,082</u>
U.S. Department of Homeland Security				
Passed through Texas Department of Public Safety:				
039-U6DUX-00	<i>Public Assistance - Hurricane Ike</i>	289	97.036	<u>92,766</u>
U.S. Department of Justice				
Direct Program:				
15040401754	<i>Bulletproof Vest</i>	289	16.607	<u>3,650</u>
Total Expenditures of Federal Awards				<u><u>\$ 21,562,579</u></u>

- * Title I, Part A Cluster
- ** Special Education Cluster
- *** Child Nutrition Cluster

ALVIN INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2010

Exhibit K-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 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

Note 3 - 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:

Total Expenditures of Federal Awards	\$ 21,562,579
Add:	
School Health and Related Services Program	1,431,438
Fuel reimbursement	216,962
Reconciled Balance	<u><u>\$ 23,210,979</u></u>
Related Expenditures on Exhibit C-3	
General Fund	\$ 1,917,744
Special Revenue Funds	21,293,235
	<u><u>\$ 23,210,979</u></u>

DO NOT PRINT THIS PAGE

ALVIN INDEPENDENT SCHOOL DISTRICT	
<i>Required Responses to Selected School First Indicators</i>	
<i>SCHEDULE L-1</i>	
<i>YEAR ENDED AUGUST 31, 2010</i>	
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?	No
Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$2,708,432