

**ALVIN  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**For The Year Ended August 31, 2011**



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**CERTIFICATE OF THE BOARD**

**Alvin Independent School District**

Name of School District

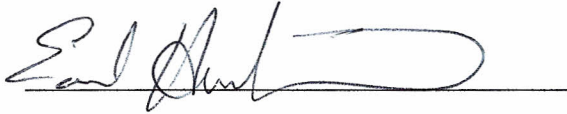
**Brazoria**

County

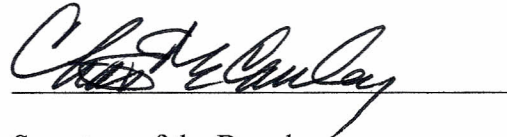
**020-901**

Co.– Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2011, at a meeting of the board of trustees of such school district on December 13, 2011.



President of 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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, 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 should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 and pages 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual fund financial statements and required Texas Education Agency ("the TEA") schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual fund financial statements, required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Nell Larson, AC  
Texas City, Texas  
December 13, 2011

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

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## **ALVIN INDEPENDENT SCHOOL DISTRICT**

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

As management of the Alvin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2011.

#### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$87,349,289 (*net assets*). Of this amount, \$66,508,617 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets decreased by \$9,653,958.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$105,595,934, an increase of \$6,675,111 in comparison with the prior year. The increase in governmental fund balances was primarily due to the increase in the capital projects fund balance of \$3,489,338. The general fund balance increased by \$5,508,636. The debt service fund balance decreased by \$2,324,629.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$29,379,990, or 25 percent of total general fund expenditures.
- The District's total long-term debt increased by \$34,359,381 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 14 through 15 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 through 22 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, Worker's Compensation Funds and Property & Casualty Insurance.

The basic proprietary fund financial statements can be found on pages 23 through 25 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 26 through 27 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 28 through 50 of this report.

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

**Other Information.** The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 56 through 75 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 \$87,349,289 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 \$13,437,882 less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	<b>2011</b>	<b>2010</b>
Current and other assets	\$ 143,574,184	\$ 123,227,346
Capital and non current assets	296,091,731	278,582,959
<b>Total Assets</b>	<b>439,665,915</b>	<b>401,810,305</b>
Current liabilities	21,460,920	8,310,733
Long term liabilities	330,855,706	296,496,325
<b>Total Liabilities</b>	<b>352,316,626</b>	<b>304,807,058</b>
<b>Net Assets:</b>		
Invested in capital assets net of related debt	13,437,882	25,935,429
Restricted	7,402,790	9,786,985
Unrestricted	66,508,617	61,280,833
<b>Total Net Assets</b>	<b>\$ 87,349,289</b>	<b>\$ 97,003,247</b>

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

Net assets of \$7,402,790 are restricted for state and federal programs, food service, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* \$66,508,617 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 decreased by \$9,653,958 during the current fiscal year primarily due to a decrease State aid.

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

	<u>2011</u>	<u>2010</u>
<b>Program Revenues</b>		
Charges for services	\$ 4,922,440	\$ 4,895,575
Operating grants	33,692,988	29,524,140
Capital grants		5,172,741
<b>General Revenues</b>		
Property taxes	64,599,502	63,365,416
State aid	62,919,907	94,000,926
Grants and contributions not restricted	1,585,422	1,063,821
Interest earnings	574,092	361,178
Other	248,791	806,274
<b>Total Revenues</b>	<u>168,543,142</u>	<u>199,190,071</u>
<b>Expenses</b>		
Instruction	88,552,327	90,368,110
Instructional resources and media services	2,656,384	2,596,791
Curriculum and staff development	1,052,978	1,062,613
Instructional leadership	1,793,949	1,769,448
School leadership	7,703,374	7,720,501
Guidance, counseling, and evaluation services	4,613,929	4,306,867
Health services	1,175,196	1,198,178
Student transportation	8,098,651	6,802,786
Food service	8,966,386	8,212,591
Extracurricular activities	4,740,847	4,845,658
General administration	5,091,874	4,006,331
Plant, maintenance and operations	13,618,479	14,957,666
Security and monitoring services	1,737,964	1,970,349
Data processing services	4,373,584	4,784,407
Community services	231,428	158,613
Interest on long-term debt	14,760,457	13,429,984
Facilities acquisition and construction	1,079,628	1,945,181
Payments related to shared services arrangements	3,949,205	3,785,417
Payments to Juvenile Justice Alternative Education Programs	72,500	90,400
Payments to Tax Increment Fund	3,927,960	6,941,779
<b>Total Expenses</b>	<u>178,197,100</u>	<u>180,953,670</u>
Increase (Decrease) in Net Assets	(9,653,958)	18,236,401
<b>Beginning net assets</b>	97,003,247	78,766,846
<b>Ending Net Assets</b>	<u>\$ 87,349,289</u>	<u>\$ 97,003,247</u>



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

**Governmental Activities** decreased the District's net assets by \$9,653,958. Key elements of this increase are as follows:

Revenues are generated primarily from three sources. Grants and contributions program and general revenues totaling \$35,278,410 represent 21 percent of total revenues, state aid totaling \$62,919,907 represents 37 percent of total revenue and property taxes \$64,599,502 represent 38 percent of total revenues. The remaining revenues \$5,745,323 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 \$88,552,327, which represents 50 percent of total expenses. Plant maintenance and operations \$13,618,479 represents 8 percent of total expenses. The Interest on long-term debt \$14,760,457 represents 8 percent of total expenses. The remaining individual functional categories of expenses are each 6 percent or less of total expenses.

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

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

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned 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 \$105,595,934, an increase of \$6,675,111 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, unassigned fund balance of the general fund was \$29,379,990, while total fund balance reached \$55,639,456. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 47 percent of that same amount.

The fund balance of the District's general fund increased by \$5,508,636 during the current fiscal year primarily due to increased local tax revenues resulting from increased property values and an excellent total collection rate, and re-payment of advance of funds to capital project fund, along with saving from conservative practices used.

The debt service fund has a total fund balance of \$3,182,945, all of which is restricted for the payment of debt service. The net decrease in the debt service fund balance during the current year totaled \$2,324,629 due to a budget decision to draw down on fund balance.

The capital projects fund has a total fund balance of \$42,689,521. The net increase in fund balance of \$3,489,338, which was primarily due to remaining funds from the current year bond sale will be expensed in future years. The District has total proceeds of \$40,830,000 received during the year. Over half of the capital expenditures were for the building and construction of Junior High number six Rodeo Palms and the replacement of Mark Twain primary/elementary. Other expenses include ongoing bus purchases, technology purchases and upgrades, paving/parking lot projects, approved bond projects at various campuses including over \$1.7 million spent on an additional agricultural facility in Manvel. The remaining fund balance is restricted 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 increased in the General Fund by over \$6,310,128 million due to a transfer from Capital Projects Funds that was acquired with a Resolution Reimbursement for a possible third high school.
- Fund balance was increased in the General Fund by \$1,394,742 for SHARS revenue that was received from the 2008-2009 cost report.

**Capital Assets and Long-term Debt**

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of August 31, 2011, amounts to \$296,091,731 (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 \$18,499,972.

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

- Purchase land and begin construction of Mark Twain primary replacement as an elementary campus.
- Begin construction of junior high school number six, Rodeo Palms Jr. High.
- Complete construction payments and purchase furniture, fixtures and equipment for Elementary number 14, York Elementary.
- Purchases of buses.

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

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

	<b>Balance August 31, 2010</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance August 31, 2011</b>
Land	\$ 31,287,381	\$ 1,596,684	\$	\$ 32,884,065
Construction in progress	5,219,122	13,359,617	(4,163,784)	14,414,955
Buildings and improvements	284,817,411	10,945,258	4,100,358	299,863,027
Furniture and equipment	25,227,904	2,660,350	(825,103)	27,063,151
	<u>346,551,818</u>	<u>28,561,909</u>	<u>(888,529)</u>	<u>374,225,198</u>
Less accumulated depreciation for:				
Buildings and improvements	(57,808,274)	(7,647,695)	49,379	(65,406,590)
Furniture and equipment	(11,151,785)	(2,319,268)	744,176	(12,726,877)
	<u>(68,960,059)</u>	<u>(9,966,963)</u>	<u>793,555</u>	<u>(78,133,467)</u>
Governmental Capital Assets	<u>\$ 277,591,759</u>	<u>\$ 18,594,946</u>	<u>\$ (94,974)</u>	<u>\$ 296,091,731</u>

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

**Long-term Debt.** At the end of the current fiscal year, the District had \$325,285,000 in bonded debt outstanding, an increase of \$33,215,000 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 "Aa2" 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, 2011, are as follows:

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

	<b>Balance August 31, 2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2011</b>
General obligation bonds	\$ 287,665,000	\$ 40,830,000	\$ (7,145,000)	\$ 321,350,000
Less deferred amounts:				
For issuance premiums/discounts	4,448,173	1,635,505	(405,907)	5,677,771
Gain or loss on refunding bonds	(3,670,007)		290,371	(3,379,636)
Accreted interest on premium				
compound interest bonds	2,708,432	88,152	(620,000)	2,176,584
Maintenance tax notes	4,405,000		(470,000)	3,935,000
Accrued compensated absences	939,727	264,702	(108,442)	1,095,987
	<u>\$ 296,496,325</u>	<u>\$ 42,818,359</u>	<u>\$ (8,458,978)</u>	<u>\$ 330,855,706</u>

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

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

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

The District's elected and appointed officials consider many factors when preparing the fiscal-year 2012 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 8.8%; the state of Texas averaged 8.4% while the Houston area was at 8.5%.
- With this, Alvin ISD continues to experience growth due to location, affordability, a tax credit and low interest rates. The recent surge in enrollment growth is also related to the changes in housing patterns due to increases in rental occupancy such as in newly developed multiple family housing units. Alvin ISD's enrollment is predicted to grow at 4.0% next year for a total of 18,976 students. According to demographer studies, the District will likely add over 4,072 additional students over the next five year period.
- The tax rate for tax year 2011, fiscal year 2012 is \$1.3441. The Maintenance and Operations portion is \$1.0400 and the Interest and Sinking portion is \$.304100. Due to the sale in 2010 of \$40,300,000 in bonds that were approved in the 2009 Bond election, there was a need to increase the Interest and Sinking portion (the portion that pays down the debt) of the rate.
- General fund expenditures are currently budgeted to increase by \$12,280,879 over the actual 2010-2011 expenditures. However the current budget is \$879,275 less than the 2010-2011 approved budget Major factors causing this increase include:
  - Additional personnel costs, salaries and benefits for teaching and support positions due to increased enrollment. Along with the opening of the District 14<sup>th</sup> Elementary school, York Elementary.

**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**

## ALVIN INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

## STATEMENT OF NET ASSETS

August 31, 2011

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>Assets</b>	
1110	Cash and temporary investments	\$ 127,503,341
1225	Property taxes receivables, net	4,169,817
1240	Due from other governments	8,470,721
1250	Accrued interest	50,924
1267	Due from fiduciary funds	7,528
1290	Other receivables, net	341,013
1300	Inventories	603,281
1410	Deferred expenses	151,132
1420	Capital bond and other debt issuance costs	2,276,427
	Capital assets not subject to depreciation:	
1510	Land	32,884,065
1580	Construction in progress	14,414,955
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	234,456,437
1530	Furniture and equipment, net	14,336,274
1000	<b>Total Assets</b>	<u>439,665,915</u>
	<b>Liabilities</b>	
2110	Accounts payable	4,032,168
2140	Interest payable	605,487
2150	Payroll deductions and withholdings	188,273
2160	Accrued wages payable	2,401,893
2177	Due to fiduciary funds	347,970
2180	Due to other governments	11,474,109
2190	Due to student groups	101,347
2200	Accrued expenditures	2,183,933
2300	Unearned revenue	125,740
	Noncurrent Liabilities:	
2501	Due within one year	9,567,987
2502	Due in more than one year	321,287,719
2000	<b>Total Liabilities</b>	<u>352,316,626</u>
	<b>Net Assets</b>	
3200	Invested in capital assets, net of related debt	13,437,882
	Restricted for:	
3820	Federal and state programs	389,988
3840	Food service	2,004,813
3850	Debt service	3,318,778
3870	Campus activity	1,689,211
3900	Unrestricted	66,508,617
3000	<b>Total net assets</b>	<u>\$ 87,349,289</u>

See Notes to the Financial Statements

ALVIN INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 For the Year Ended August 31, 2011

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 Governmental Activities		
	<b>Governmental activities</b>						
11	Instruction	\$ 88,552,327	\$ 869,712	\$ 22,824,097	\$	\$	(64,858,518)
12	Instructional resources and media services	2,656,384	198,355	96,930			(2,361,099)
13	Curriculum and staff development	1,052,978	15,258	214,760			(822,960)
21	Instructional leadership	1,793,949		223,155			(1,570,794)
23	School leadership	7,703,374		472,288			(7,231,086)
31	Guidance, counseling, and evaluation services	4,613,929		1,903,389			(2,710,540)
33	Health services	1,175,196		90,612			(1,084,584)
34	Student transportation	8,098,651		852,017			(7,246,634)
35	Food service	8,966,386	3,078,175	5,542,907			(345,304)
36	Extracurricular activities	4,740,847	618,206	170,844			(3,951,797)
41	General administration	5,091,874		299,791			(4,792,083)
51	Plant, maintenance and operations	13,618,479	112,218	463,377			(13,042,884)
52	Security and monitoring services	1,737,964	30,516	85,641			(1,621,807)
53	Data processing services	4,373,584		408,779			(3,964,805)
61	Community services	231,428		44,401			(187,027)
72	Interest on long-term debt	14,760,457					(14,760,457)
81	Facilities acquisition and construction	1,079,628					(1,079,628)
93	Payments related to shared services arrangements	3,949,205					(3,949,205)
95	Payments to Juvenile Justice Alternative Education Programs	72,500					(72,500)
97	Payments to Tax Increment Fund	3,927,960					(3,927,960)
<b>TG</b>	<b>Total governmental activities</b>	<u>\$ 178,197,100</u>	<u>\$ 4,922,440</u>	<u>\$ 33,692,988</u>	<u>\$</u>		<u>(139,581,672)</u>

Data Control Codes		
	<b>General revenues:</b>	
	Taxes:	
<b>MT</b>	Property taxes, levied for general purposes	51,556,450
<b>DT</b>	Property taxes, levied for debt service	13,043,052
<b>SF</b>	State-aid formula grants	62,919,907
<b>GC</b>	Grants and contributions not restricted	1,585,422
<b>IE</b>	Investment earnings	574,092
<b>MI</b>	Miscellaneous	248,791
<b>TR</b>	<b>Total general revenues, special items, and transfers</b>	<u>129,927,714</u>
<b>CN</b>	Change in net assets	(9,653,958)
<b>NB</b>	<b>Net assets - beginning</b>	<u>97,003,247</u>
<b>NE</b>	<b>Net assets - ending</b>	<u>\$ 87,349,289</u>

See Notes to the Financial Statements

**ALVIN INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

August 31, 2011

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Assets</b>			
1110 Cash and temporary investments	\$ 61,570,240	\$ 3,668,889	\$ 44,526,866
Receivables:			
1220 Property taxes - delinquent	4,269,290	875,732	
1230 Allowance for uncollectible taxes (credit)	(840,793)	(134,412)	
1240 Receivables from other governments	4,621,411	74,777	
1250 Accrued interest	8,855		24,444
1260 Due from other funds	4,102,594	8,009	1,701,111
1290 Other receivables	93,251		
1300 Inventories, at cost	478,748		
1410 Prepaid expenses	23,930		
1000 <b>Total Assets</b>	<b>\$ 74,327,526</b>	<b>\$ 4,492,995</b>	<b>\$ 46,252,421</b>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
2110 Accounts payable	\$ 267,262	\$	\$ 3,179,168
2150 Payroll deduction and withholdings payable	188,273		
2160 Accrued wages payable	2,210,560		
2170 Due to other funds	940,418		383,732
2180 Payable to other governments	10,900,011	568,730	
2190 Due to student and employee groups	773		
2200 Accrued expenses	628,170		
2300 Deferred revenues	3,552,603	741,320	
2000 <b>Total Liabilities</b>	<b>18,688,070</b>	<b>1,310,050</b>	<b>3,562,900</b>
<b>Fund Balance:</b>			
<b>Non-spendable:</b>			
3410 Non-spendable - inventories	478,748		
3430 Non-spendable - prepaid items	23,930		
<b>Restricted:</b>			
3450 Restricted - grant funds			
3470 Restricted - capital acquisitions and obligations			42,689,521
3480 Restricted - debt service		3,182,945	
3490 Restricted - other			
<b>Committed:</b>			
3525 Committed - retirement of loans/notes payable	2,000,000		
3530 Committed - capital expenditures for equipment	22,756,788		
3540 Committed - self insurance	1,000,000		
3545 Committed - other			
<b>Unassigned:</b>			
3600 Unassigned	29,379,990		
3000 <b>Total Fund Balances</b>	<b>55,639,456</b>	<b>3,182,945</b>	<b>42,689,521</b>
4000 <b>Total Liabilities and Fund Balances</b>	<b>\$ 74,327,526</b>	<b>\$ 4,492,995</b>	<b>\$ 46,252,421</b>

See Notes to Financial Statements.



*Exhibit C-1*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,051,752	\$ 114,817,747
	5,145,022
	(975,205)
3,774,533	8,470,721
	33,299
1,493,282	7,304,996
210,538	303,789
105,820	584,568
71,152	95,082
<u>\$ 10,707,077</u>	<u>\$ 135,780,019</u>
\$ 109,585	\$ 3,556,015
	188,273
189,851	2,400,411
6,316,627	7,640,777
5,368	11,474,109
	773
	628,170
1,634	4,295,557
<u>6,623,065</u>	<u>30,184,085</u>
105,820	584,568
71,152	95,082
2,347,689	2,347,689
	42,689,521
	3,182,945
	2,000,000
	22,756,788
	1,000,000
1,559,351	1,559,351
	29,379,990
<u>4,084,012</u>	<u>105,595,934</u>
<u>\$ 10,707,077</u>	<u>\$ 135,780,019</u>

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET ASSETS**  
*August 31, 2011*

*Exhibit C-2*

<b>Data Control Codes</b>		
	<b>Total fund balance, governmental funds</b>	\$ 105,595,934
	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.	
<b>1</b>	Capital assets at historical cost, net of accumulated depreciation, where applicable	296,055,069
	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	
<b>2</b>		4,169,817
	Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds.	
<b>3</b>		2,276,427
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
<b>4</b>	General obligation bonds	(321,350,000)
<b>5</b>	Premiums on issuance	(5,677,771)
<b>6</b>	Deferred loss on refunding	3,379,636
<b>7</b>	Accreted interest on premium compound interest bonds	(2,176,584)
<b>8</b>	Maintenance tax notes payable	(3,935,000)
<b>9</b>	Accrued compensated absences	(1,088,003)
<b>10</b>	Accrued interest payable	(605,487)
<b>11</b>	Addition of Internal Service fund net assets	<u>10,705,251</u>
<b>19</b>	<b>Total net assets - governmental activities</b>	<u><u>\$ 87,349,289</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, 2011**

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ 52,264,176	\$ 13,184,123	\$ 200,049
5800	State program revenues	62,301,466	7,001,677	
5900	Federal program revenues	2,029,949	416,749	
5020	<b>Total revenues</b>	<u>116,595,591</u>	<u>20,602,549</u>	<u>200,049</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	62,864,736		1,673,323
0012	Instruction resources and media services	2,100,362		170,466
0013	Curriculum and instructional staff development	851,692		
0021	Instructional leadership	1,662,776		
0023	School leadership	7,469,766		21,875
0031	Guidance, counseling and evaluation services	2,874,849		5,116
0033	Health services	1,142,246		10,440
0034	Student transportation	6,596,374		1,603,093
0035	Food services	17,055		30,746
0036	Extracurricular activities	2,805,426		19,998
0041	General administration	4,952,494		2,922
0051	Plant maintenance and operations	11,436,085		1,377,815
0052	Security and monitoring services	1,533,894		59,508
0053	Data processing services	3,164,506		649,261
0061	Community services	156,719		
<b>Debt service:</b>				
0071	Principal on long-term debt	470,000	7,145,000	
0072	Interest on long-term debt	166,591	15,057,773	
0073	Bond issuance costs and fees		175,008	254,693
<b>Capital outlay:</b>				
0081	Facilities acquisition and construction	100,245		26,740,710
<b>Intergovernmental:</b>				
0093	Payments related to shared services arrangements	3,949,205		
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	72,500		
0097	Payments to tax increment fund	3,132,440	795,520	
6030	<b>Total Expenditures:</b>	<u>117,519,961</u>	<u>23,173,301</u>	<u>32,619,966</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(924,370)</u>	<u>(2,570,752)</u>	<u>(32,419,917)</u>
<b>Other Financing Sources (Uses):</b>				
7911	Capital-related debt issued (regular bonds)			40,830,000
7912	Sale of real or personal property	60,683		
7915	Transfers in	6,310,141	35,311	
7916	Premium or discount on issuance of bonds		210,812	1,424,693
7949	Other resources	62,182		
8911	Transfers out			(6,345,438)
7080	<b>Total other financing sources and uses</b>	<u>6,433,006</u>	<u>246,123</u>	<u>35,909,255</u>
1200	Net change in fund balances	5,508,636	(2,324,629)	3,489,338
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>50,130,820</u>	<u>5,507,574</u>	<u>39,200,183</u>
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 55,639,456</u>	<u>\$ 3,182,945</u>	<u>\$ 42,689,521</u>

See Notes to the Financial Statements.

*Exhibit C-3*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,041,677	\$ 70,690,025
1,046,621	70,349,764
24,971,798	27,418,496
<u>31,060,096</u>	<u>168,458,285</u>
19,154,097	83,692,156
188,325	2,459,153
206,168	1,057,860
122,541	1,785,317
34,378	7,526,019
1,649,504	4,529,469
2,688	1,155,374
396,528	8,595,995
8,433,743	8,481,544
393,890	3,219,314
22,318	4,977,734
	12,813,900
33,004	1,626,406
387,075	4,200,842
34,071	190,790
	7,615,000
	15,224,364
	429,701
	26,840,955
	3,949,205
	72,500
	3,927,960
<u>31,058,330</u>	<u>204,371,558</u>
<u>1,766</u>	<u>(35,913,273)</u>
	40,830,000
	60,683
	6,345,452
	1,635,505
	62,182
	(6,345,438)
	<u>42,588,384</u>
<u>1,766</u>	<u>6,675,111</u>
<u>4,082,246</u>	<u>98,920,823</u>
<u>\$ 4,084,012</u>	<u>\$ 105,595,934</u>

**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, 2011*

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ 6,675,111
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
<b>1</b>	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.	18,612,278
<b>2</b>	Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or (loss) 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.	(148,236)
<b>3</b>	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(16,596)
<b>4</b>	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	(1,635,505)
<b>5</b>	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	7,615,000
<b>6</b>	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.	(40,830,000)
<b>7</b>	Payment to escrow agent for payment of refunded bonds	
<b>8</b>	Bond issuance costs paid during the current year will be amortized over the life of the bonds.	429,701
	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:	
<b>9</b>	Increase in long-term portion of accrued compensated absences	(173,796)
<b>10</b>	Accreted interest on capital appreciation bonds and amortization of bond premiums, discounts and issuance costs	463,907
<b>11</b>	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-2).	(645,822)
	<b>Change in net assets of governmental activities (see B-2)</b>	<u>\$ (9,653,958)</u>

See Notes to the Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**August 31, 2011**

*Exhibit D-1*

<u>Data Control Codes</u>		<u>Governmental Activities - Internal Service Funds</u>
	<b>Assets</b>	
	<b>Current Assets:</b>	
1110-75	Cash and cash equivalents	\$ 12,685,594
	Receivables:	
1250	Accrued interest receivable	17,625
1290	Other receivables	37,224
1300	Inventories, at cost	18,713
1410	Deferred expenses	56,050
	<b>Total Current Assets</b>	<u>12,815,206</u>
	<b>Non-current Assets:</b>	
	Land, Buildings and Equipment:	
1540	Furniture and equipment	71,380
1573	Accumulated depreciation - Equipment	<u>(34,718)</u>
	<b>Total Non-current Assets</b>	<u>36,662</u>
1000	<b>Total Assets</b>	<u>12,851,868</u>
	<b>Liabilities and Net Assets</b>	
	<b>Current Liabilities:</b>	
2110	Accounts payable	476,153
2160	Accrued wages payable	1,482
2170	Due to other funds	4,661
2180	Payable to other governments	100,574
2200	Accrued expenses	1,563,747
	<b>Total Current Liabilities</b>	<u>2,146,617</u>
2000	<b>Total Liabilities</b>	<u>2,146,617</u>
	<b>Net Assets:</b>	
3200	Investments in capital assets, net of debt	36,662
3300	Unrestricted net assets	10,668,589
3900	<b>Total Net Assets</b>	<u>\$ 10,705,251</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, 2011*

*Exhibit D-2*

<u>Data Control Codes</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>Operating Revenues</b>	
5749 Miscellaneous revenue from local sources	\$ 974
5754 Interfund services provided and used	15,977,226
5020 <b>Total Operating Revenues</b>	<u>15,978,200</u>
<b>Operating Expenses</b>	
6100 Payroll costs	121,544
6200 Purchased and contracted services	105,584
6300 Supplies and materials	69,292
6400 Claims expense and other operating expenses	16,362,550
6449 Depreciation	4,311
6030 <b>Total Operating Expenses</b>	<u>16,663,281</u>
1200 <b>Operating Income (Loss)</b>	<u>(685,081)</u>
<b>Non-Operating Revenues (Expenses)</b>	
7020 Investment earnings	39,273
<b>Total Non-operating Revenues (Expenses)</b>	<u>39,273</u>
Income (Loss) before Transfers	(645,808)
<b>Transfers</b>	
8911 Transfers out	(14)
1200 Change in Net Assets	<u>(645,822)</u>
0100 <b>Net Assets - September 1 (Beginning)</b>	<u>11,351,073</u>
3300 <b>Net Assets - August 31 (Ending)</b>	<u>\$ 10,705,251</u>

See Notes to the Financial Statements.



**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended August 31, 2011

*Exhibit D-3*

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>	
Cash receipts from customers and with other funds	\$ 20,978,200
Cash payments to suppliers for goods and services	(16,375,291)
Cash payments to employees	(132,655)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>4,470,254</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Advances to other funds	(14)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>(14)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(40,240)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>(40,240)</u>
<b>Cash Flows from Investing Activities:</b>	
Investment proceeds	991,200
Interest on investments	28,586
<b>Net Cash Provided by Investing Activities</b>	<u>1,019,786</u>
Net Increase in Cash and Cash Equivalents	5,449,786
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>7,235,808</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 12,685,594</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (685,081)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	4,311
Change in Assets and Liabilities:	
Decrease (increase) in Receivables	
Decrease (increase) in Interfund Receivables	5,000,000
Decrease (increase) in Inventories	3,524
Decrease (increase) in Other Assets	(56,050)
Increase (decrease) in Accounts Payable	16,136
Increase (decrease) in Accrued Wages Payable	(3,552)
Increase (decrease) in Interfund Payables	4,047
Increase (decrease) in Payables to Other Governments	63,023
Increase (decrease) in Accrued Expenses	123,896
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 4,470,254</u>

See Notes to the Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
 August 31, 2011

*Exhibit E-1*

<b>Data Control Codes</b>		<b>810</b>	<b>865</b>	<b>Total</b>
		<b>Scholarship Fund</b>	<b>Student Activity Fund</b>	
	<b>Assets</b>			
1110	Cash and cash equivalents	\$ 55,944	\$ 153,097	\$ 209,041
	<b>Receivables:</b>			
1250	Interest receivable	10		10
1260	Due from other funds		348,492	348,492
1290	Other receivables		18	18
1410	Deferred expenses		955	955
	<b>Total receivables</b>	<u>10</u>	<u>349,465</u>	<u>349,475</u>
	<b>Total Assets</b>	<u>\$ 55,954</u>	<u>\$ 502,562</u>	<u>\$ 558,516</u>
	<b>Liabilities</b>			
2110	Accounts payable		\$ 15,723	\$ 15,723
2170	Due to other funds		8,050	8,050
2190	Due to others		478,789	478,789
2000	<b>Total Liabilities</b>		<u>\$ 502,562</u>	<u>\$ 502,562</u>
	<b>Net Assets</b>			
3590	Reserved - other	<u>\$ 55,954</u>		<u>\$ 55,954</u>

See Notes to the Financial Statements.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
*For the Year Ended August 31, 2011*

*Exhibit E-2*

	<b>810 Scholarship Fund</b>
<b>Additions</b>	
Earnings on investments	\$ 205
<b>Total additions</b>	<u>205</u>
<b>Deductions</b>	
Scholarships awarded	<u>700</u>
<b>Total deductions</b>	<u>700</u>
Change in net assets	(495)
<b>Net assets beginning of year</b>	<u>56,449</u>
<b>Net assets end of year</b>	<u><u>\$ 55,954</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 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, workers' compensation and property & casualty as self-insurance funds, in addition printing fund, which provides 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, 2011. 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 non-spendable 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**

Beginning with fiscal year 2011, Alvin Independent School District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

**Non-spendable fund balance** – amounts that are not in spendable form or are required to be maintained intact. As such, then inventory and prepaid items have been properly classified in the Governmental Fund Balance Sheet (Exhibit C-1).

**Restricted fund balance** – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed fund balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reposted as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.

**Assigned fund balance** – amounts the District intends to use for a specific purpose. The District did not choose to delegate assignment authority.

**Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balance for the District's governmental funds has been restated to reflect the above classifications.



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

**Fund Equity (continued)**

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. The District has adopted a policy of spending and availability of fund balance shall be to reduce funds from the listed areas in the following order: Restricted, committed, assigned and unassigned. Negative amounts shall not be reported for restricted, committed or assigned funds.

The District policy is to target a yearly unassigned general fund balance between 17 percent (60 days) and 25 percent (90 days) of total operating expenditures.

**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, 2011, are shown below:

	<b>Cash and Deposits</b>	<b>Money Market &amp; Certificates of Deposit</b>	<b>External Investment Pools</b>	<b>Investment Securities</b>	<b>Commerical Paper</b>	<b>Total</b>
<b>Governmental Funds</b>						
General Fund	\$ 2,618,215	\$ 25,858,333	\$ 25,574,219	\$	\$ 7,519,473	\$ 61,570,240
Debt Service Fund	27		3,668,862			3,668,889
Capital Projects Fund	6,890		19,107,737		25,412,239	44,526,866
Non-major Funds	1,133,159	1,635,691	2,282,902			5,051,752
	<u>3,758,291</u>	<u>27,494,024</u>	<u>50,633,720</u>		<u>32,931,712</u>	<u>114,817,747</u>
<b>Internal Service Funds</b>	556,403	3,007,921	8,122,570	998,700		12,685,594
<b>Total Government Wide Statements</b>	4,314,694	30,501,945	58,756,290	998,700	32,931,712	127,503,341
<b>Fiduciary Funds</b>	181,046	27,995				209,041
<b>Total Cash and Investments</b>	<u>\$ 4,495,740</u>	<u>\$ 30,529,940</u>	<u>\$ 58,756,290</u>	<u>\$ 998,700</u>	<u>\$ 32,931,712</u>	<u>\$ 127,712,382</u>

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

**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 2011, 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 Board's 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.

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.

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

**Investments (continued)**

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

	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>S &amp; P Credit Quality Ratings</u>
<b>Investment Type</b>			
Local Government Investment Pools:			
Lone Star	\$ 374,712	38	AAA
Texas CLASS	28,496,092	40	AAAm
TEXAS Daily	11,318,010	55	AAAm
TEXAS Term	14,500,000	71	AAAf
TexPool	4,067,476	46	AAAm
<b>Total</b>	<u>58,756,290</u>		
Investment Securities:			
Commercial Paper	32,931,712	60	A-1
FNMA	998,700	76	AA+
<b>Total</b>	<u>33,930,412</u>		
Time Deposits and Money Market Mutual Funds:			
Certificates of Deposits	27,995	41	Not rated
Merrill Lynch	30,501,945	1	Not rated
	<u>30,529,940</u>		
<b>Total Investments</b>	<u>\$ 123,216,642</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.

On August 5, 2011, Standard & Poor lowered the long-term sovereign debt rating of the United States of America from AAA to AA+. Subsequently, on August 8, 2011, Standard and Poor's lowered the long-term credit rating for the Government Sponsored Enterprises (GSE's), including Fannie Mae (FNMA) from AAA to AA+.

**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, 2011 the District's exposure to interest rate risk as measured by the maturities by investment type is summarized below:

	<b>Fair Market Value</b>	<b>Less than 1 Year</b>
Lone Star	\$ 374,712	\$ 374,712
Texas CLASS	28,496,092	28,496,092
TEXAS Daily	11,318,010	11,318,010
TEXAS Term	14,500,000	14,500,000
TexPool	4,067,476	4,067,476
Commercial Paper	32,931,712	32,931,712
FNMA	998,700	998,700
Certificate of Deposits	27,995	27,995
Merrill Lynch	30,501,945	30,501,945
	<u>\$ 123,216,642</u>	<u>\$ 123,216,642</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, 2011 consisted of the following:

<b>Investment Type</b>	<b>Fair Market Value</b>	<b>Percentage of Portfolio</b>
Local Government Investment Pools:		
Texas CLASS	\$ 28,496,092	23.13%
TEXAS Daily	11,318,010	9.19%
TEXAS Term	14,500,000	11.77%
Investment Securities:		
Commerical Paper	32,931,712	26.73%
Money Market Mutual Fund:		
Merrill Lynch	30,501,945	24.75%

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, 2011 is included in investment income as follows:

Investment earnings	\$ 591,681
Net decrease in investment values	<u>(17,589)</u>
Total investment earnings	<u><u>\$ 574,092</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	\$ 4,269,290	\$ 875,732	\$	\$	\$	\$	\$ 5,145,022
Due from other governments	4,621,411	74,777		3,774,533			8,470,721
Accrued Interest	8,855		24,444		17,625	10	50,934
Other	93,251			210,538	37,224	18	341,031
Gross Receivables	8,992,807	950,509	24,444	3,985,071	54,849	28	14,007,708
Less allowance for doubtful accounts	(840,793)	(134,412)					(975,205)
<b>Net Total Receivables</b>	<b>\$ 8,152,014</b>	<b>\$ 816,097</b>	<b>\$ 24,444</b>	<b>\$ 3,985,071</b>	<b>\$ 54,849</b>	<b>\$ 28</b>	<b>\$ 13,032,503</b>

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)	\$ 3,428,497	\$	\$ 3,428,497
Delinquent property taxes receivable (Debt Service Fund)	741,320		741,320
Advanced collection of fees (General Fund)		124,106	124,106
Grant funds received prior to meeting all eligibility requirements		1,634	1,634
	<u>\$ 4,169,817</u>	<u>\$ 125,740</u>	<u>\$ 4,295,557</u>

**Note 4 - Capital Assets**

The District's capital asset activity for the year ended August 31, 2011 is as follows:

	<u>Balance August 31, 2010</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance August 31, 2011</u>
Capital assets, not being depreciated				
Land	\$ 31,287,381	\$ 1,596,684	\$	\$ 32,884,065
Construction in progress	5,219,122	13,359,617	(4,163,784)	14,414,955
<b>Total Capital assets, not being depreciated</b>	<u>36,506,503</u>	<u>14,956,301</u>	<u>(4,163,784)</u>	<u>47,299,020</u>
Capital assets, being depreciated				
Buildings and improvements	284,817,411	10,945,258	4,100,358	299,863,027
Furniture and equipment	25,188,603	2,620,110	(816,942)	26,991,771
Media center equipment	39,301	40,240	(8,161)	71,380
<b>Total capital assets, being depreciated</b>	<u>310,045,315</u>	<u>13,605,608</u>	<u>3,275,255</u>	<u>326,926,178</u>
Less accumulated depreciation for:				
Buildings and improvements	(57,808,274)	(7,647,695)	49,379	(65,406,590)
Furniture and equipment	(11,113,217)	(2,314,957)	736,015	(12,692,159)
Media center equipment	(38,568)	(4,311)	8,161	(34,718)
<b>Total accumulated depreciation</b>	<u>(68,960,059)</u>	<u>(9,966,963)</u>	<u>793,555</u>	<u>(78,133,467)</u>
<b>Governmental capital assets</b>	<u>\$ 277,591,759</u>	<u>\$ 18,594,946</u>	<u>\$ (94,974)</u>	<u>\$ 296,091,731</u>

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

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

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 4,553,485
Instructional resources and media services	182,834
School leadership	118,174
Guidance, counseling and evaluation services	58,321
Health services	11,174
Student transportation	1,148,490
Food Services	496,832
Extracurricular activities	1,643,926
General administration	97,869
Plant maintenance and operations	1,038,476
Security and monitoring services	131,008
Data processing services	448,400
Community services	37,974
	<u>\$ 9,966,963</u>

Internal service fund capital assets, net of depreciation, totaled \$36,662.

**Construction Commitments**

The District has active construction projects as of August 31, 2011. 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>
Redeo Palms Hunior High	\$ 21,113,720	\$ 10,550,798	\$ 10,562,922
Mark Twain Elementary	15,403,000	3,864,157	11,538,843
	<u>\$ 36,516,720</u>	<u>\$ 14,414,955</u>	<u>\$ 22,101,765</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, 2011, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 4,102,594	\$ 940,418
Debt Service Fund	8,009	
Capital Projects Fund	1,701,111	383,732
Nonmajor Governmental Funds	1,493,282	6,316,627
Internal Service Funds		4,661
Trust and Agency Funds	348,492	8,050
	<u>\$ 7,653,488</u>	<u>\$ 7,653,488</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, 2011.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 6,310,127
Workers Compensation Self-Insurance	General Fund	14
Capital Projects Fund	Debt Service Fund	35,311
		<u>\$ 6,345,452</u>

Transfers were made from the Capital Projects Fund to General fund for re-payment of advanced funds used for purchases of land and equipment purchases and facilities improvements.



**Note 6 - Long-term Liabilities**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended August 31, 2011, was as follows:

	<u>Balance August 31, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2011</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 287,665,000	\$ 40,830,000	\$ (7,145,000)	\$ 321,350,000	\$ 8,905,000
Less deferred amounts:					
For issuance premiums/discounts	4,448,173	1,635,505	(405,907)	5,677,771	
Gain or loss on refunding bonds	(3,670,007)		290,371	(3,379,636)	
Accreted interest on premium					
compound interest bonds	2,708,432	88,152	(620,000)	2,176,584	80,000
Maintenance tax notes	4,405,000		(470,000)	3,935,000	495,000
Accrued compensated absences	939,727	264,702	(108,442)	1,095,987	87,987
	<u>\$ 296,496,325</u>	<u>\$ 42,818,359</u>	<u>\$ (8,458,978)</u>	<u>\$ 330,855,706</u>	<u>\$ 9,567,987</u>

In December 2010, the District issued \$11,330,000 of Unlimited Schoolhouse Bonds, Series 2010A. and \$29,500,00 of Unlimited Schoolhouse, Taxable, Series 2010B, also known as direct payment Build America Bonds. The bonds interest rates range from 3.00% to 5.09%. Proceeds from the bonds will be used to provide fund for (i) the construction, acquisition and equipment of school buildings in the District, the purchase of necessary sites for school buildings and the purchase of school buses and (ii) the payment of the cost incurred in connection with the issuance of the bonds.

Direct payment Build America Bonds provide a direct reimbursement of 35 percent of the interest paid on the bonds. The District received reimbursement totaling \$416,749 during the fiscal year.

**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:

<u>Issue</u>	<u>Original issuance amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Unlimited Tax School Building Bonds, Series 2001A	\$ 16,735,000	3.50% to 4.75%	2021	\$ 270,000
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	1,330,000
Unlimited Tax School Building Bonds, Series 2004A	34,100,000	3.25% to 5.25%	2027	16,730,000
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	58,265,000
Unlimited Tax School Building Bonds, Series 2006	71,990,000	4.00% to 5.50%	2033	69,000,000
Unlimited Tax School Building and Refunding Bonds, Series 2007	85,935,000	4.00% to 5.00%	2033	84,740,000
Unlimited Tax Refunding Bonds, Series 2010	22,195,000	2.00% to 4.00%	2025	22,105,000
Unlimited Tax Schoolhouse Bonds, Series 2010A	11,330,000	3.00% to 5.00%	2020	10,330,000
Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B	29,500,000	3.78% to 5.09%	2035	29,500,000
				<u>\$ 321,350,000</u>

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

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

<b>Year Ending</b>			
<b>August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2012	\$ 8,905,000	\$ 13,839,864	\$ 22,744,864
2013	7,145,000	13,469,502	20,614,502
2014	10,015,000	13,082,795	23,097,795
2015	10,455,000	12,644,732	23,099,732
2016	10,910,000	12,188,333	23,098,333
2017	11,410,000	11,688,121	23,098,121
2018	11,940,000	11,156,589	23,096,589
2019	12,485,000	10,614,926	23,099,926
2020	13,045,000	10,054,554	23,099,554
2021	13,610,000	10,900,572	24,510,572
2022	14,195,000	10,364,299	24,559,299
2023	14,805,000	9,803,695	24,608,695
2024	15,460,000	9,200,897	24,660,897
2025	16,175,000	8,532,716	24,707,716
2026	16,915,000	7,840,770	24,755,770
2027	17,635,000	7,176,115	24,811,115
2028	18,400,000	6,520,332	24,920,332
2029	19,250,000	5,834,763	25,084,763
2030	20,120,000	5,117,253	25,237,253
2031	16,930,000	4,501,036	21,431,036
2032	17,685,000	3,832,383	21,517,383
2033	18,495,000	3,108,382	21,603,382
2034	2,635,000	2,774,173	5,409,173
2035	2,730,000	2,776,936	5,506,936
	<u>\$ 321,350,000</u>	<u>\$ 207,023,738</u>	<u>\$ 528,373,738</u>

**Accreted Interest on Premium Compound Interest Bonds**

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

<b>Series</b>	<b>Accreted Value</b>	<b>Principal</b>	<b>Accreted Interest</b>	<b>Maturity Value</b>	<b>Maturity Dates</b>
2007	\$ 1,435,141	\$ 270,000	\$ 1,165,141	\$ 1,525,000	2013
2010	1,066,443	55,000	1,011,443	1,090,000	2012 & 2013
	<u>\$ 2,501,584</u>	<u>\$ 325,000</u>	<u>\$ 2,176,584</u>	<u>\$ 2,615,000</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	\$ 3,935,000
				<u>\$ 3,935,000</u>

Annual requirements to amortize the Maintenance Tax Notes and Contractual Obligations outstanding as of August 31, 2011, follow:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$ 3,935,000</u>	<u>\$ 577,300</u>	<u>\$ 4,512,300</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, 2011, 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	\$ 51,549,531	\$ 13,066,567	\$	\$	\$ 64,616,098
Investment Income	209,729	117,556	200,049	7,485	534,819
Co-curricular student activities	206,238			1,525,809	1,732,047
Food Sales				3,017,937	3,017,937
Other	298,678			490,446	789,124
	<u>\$ 52,264,176</u>	<u>\$ 13,184,123</u>	<u>\$ 200,049</u>	<u>\$ 5,041,677</u>	<u>\$ 70,690,025</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, 2011, follows:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
<b>Indirect Costs:</b>		
Title I, Part A	84.010A	\$ 37,427
Title I, Part A - School Improvement ARRA	84.389A	5,675
Title I, Part D, Subpart 2	84.010A	1,320
Title I, Part D, Subpart 2 ARRA	84.389A	645
IDEA-B Formula	84.027A	42,616
IDEA-B Preschool	84.173A	930
IDEA-B Formula ARRA	84.391A	11,990
IDEA-B Preschool ARRA	84.392A	551
Career and Technical Basic Grant	84.048A	2,421
ESEA Title II, Part A	84.367A	9,037
Title II, Part D, Enhancing Education ARRA	84.386A	165
Title III, Part A LEP	84.365A	3,943
Fuel Reimbursement	N/A	170,169
ROTC	N/A	71,608
Medicaid Administrative Claims (MAC)	93.778	20,807
School Health and Related Service Program	N/A	1,650,645
		<u>\$ 2,029,949</u>

**Note 9 - Defined Benefit Pension Plan**

**Plan Description**

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

**Funding Policy**

State law provides a state contribution rate of 6.644% for fiscal year 2011, 2010 for 6.58% for fiscal years 2009. For 2011, 2010 and 2009 a member contribution rate of 6.4%. In certain instances, the reporting district is required to make all or a portion of the 6.644% contribution for fiscal years 2011 and 2010 and 6.58 % contribution for fiscal years 2009. 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. Actuarial implications of the funding provided in this manner are determined by the system's actuary.

**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 2009, 2010 and 2011 are as follows (stated in \$ millions):

Fiscal Year	Contributions Required and Made				Annual Covered Payroll
	State	District	Employees	Totals	
2009	\$ 5.282	\$ 0.432	\$ 5.561	\$ 11.275	\$ 86.844
2010	5.720	0.384	5.954	12.058	93.025
2011	5.967	0.420	6.152	12.539	96.126

The contributions made by the state on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

**Note 10 - Retiree Health Plan**

**Plan Description**

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

**Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The state of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing percentage of payroll set at 0.55% for the fiscal year 2011, 2010, and 2009. 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 2011, 2010, and 2009, are as follows (stated in \$ millions):

<b>Fiscal Year</b>	<b>Contributions Required and Made</b>				<b>Annual Covered Payroll</b>
	<b>State</b>	<b>District</b>	<b>Employees</b>	<b>Totals</b>	
2009	\$ 0.821	\$ 0.525	\$ 0.564	\$ 1.910	\$ 86.844
2010	0.886	0.556	0.597	2.039	93.025
2011	0.909	0.581	0.625	2.115	96.126

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, 2011, 2010 and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$222,817, \$239,424, and \$199,062 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, 2011, 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 \$7,322,999. Estimates of claims payable and of claims incurred but not reported at August 31, 2011, 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, 2011. 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 2009, 2010 and 2011, is as follows:

<b>Fiscal Year</b>	<b>Beginning of Year Accrual</b>	<b>Current Year Estimates</b>	<b>Claims Payments</b>	<b>End of Year Accrual</b>
2009	\$ 794,568	\$ 12,850,537	\$ 12,866,911	\$ 778,194
2010	778,194	14,027,435	13,934,252	871,377
2011	871,377	15,671,952	15,597,156	946,173

**Workers’ Compensation**

During the year ended August 31, 2011, 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 2009, 2010 and 2011, is as follows:

<b>Fiscal Year</b>	<b>Beginning of Year Accrual</b>	<b>Current Year Estimates</b>	<b>Claims Payments</b>	<b>End of Year Accrual</b>
2009	\$ 926,582	\$ 202,567	\$ 568,700	\$ 560,449
2010	560,449	568,700	568,700	560,449
2011	560,449	681,562	625,517	616,494

**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, 2011, the District accrued a total of \$264,702 and paid out \$108,442. The total ending amount of unpaid compensated balances at August 31, 2011, is \$1,095,987.

**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 \$3,949,205 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 \$72,600 to place students in a JJAEP in the fiscal year 2010-2011.

The District is a part of a vision cooperative that serves three area districts (Alvin, Pearland and Santa Fe). The District provides direct instruction and support services, such as Brailled material, and equipment) for students identified with vision impairments for all three districts. In addition an Orientation and Mobility (O&M) cooperative serves Alvin, Angleton, Pearland and Santa Fe school districts. The District provides related service to all students who require O&M services for all three districts.

**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, 2011, 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 - Fund Equity**

According to District policy, as prescribed by GASB Statement No 54, the Board may establish commitments of fund balance from time to time in order to meet specific District needs. A summary of committed fund balance as of August 31, 2011, for all governmental types follows:

	General Fund	Other Governmental Funds
	<u>                    </u>	<u>                    </u>
Committed Fund Balance		
Committed - retirement of loans/note payable	\$ 2,000,000	\$
Committed - capital expenditures for equipment		
Capital request	3,381,720	
Maintenance reserve	19,375,068	
	<u>22,756,788</u>	
Committed - self insurance	1,000,000	
Committed - other (campus activity funds)		1,559,351
Total Committed	<u>\$ 25,756,788</u>	<u>\$ 1,559,351</u>

## **Required Supplementary Information**

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**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended August 31, 2011

Exhibit G-1

Data Control Codes	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	
	Original	Final	Actual Amounts, Budgetary Basis		
<b>Revenues</b>					
5700	Local revenues	\$ 55,372,336	\$ 53,172,336	\$ 52,264,176	\$ (908,160)
5800	State program revenues	62,363,593	78,403,961	62,301,466	(16,102,495)
5900	Federal program revenues	12,944,186	2,588,342	2,029,949	(558,393)
5020	<b>Total revenues</b>	<u>130,680,115</u>	<u>134,164,639</u>	<u>116,595,591</u>	<u>(17,569,048)</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	79,777,805	66,584,676	62,864,736	3,719,940
0012	Instruction resources and media services	1,637,897	2,292,784	2,100,362	192,422
0013	Curriculum and instructional staff development	726,095	951,318	851,692	99,626
0021	Instructional leadership	943,984	1,789,123	1,662,776	126,347
0023	School leadership	5,786,602	7,707,618	7,469,766	237,852
0031	Guidance, counseling and evaluation services	2,391,172	2,946,615	2,874,849	71,766
0033	Health services	1,278,511	1,212,284	1,142,246	70,038
0034	Student transportation	7,037,256	7,344,744	6,596,374	748,370
0035	Food services		55,000	17,055	37,945
0036	Extracurricular activities	2,859,563	3,130,500	2,805,426	325,074
0041	General administration	5,751,825	5,473,628	4,952,494	521,134
0051	Plant maintenance and operations	10,899,813	11,915,071	11,436,085	478,986
0052	Security and monitoring services	1,400,835	1,676,282	1,533,894	142,388
0053	Data processing services	956,708	3,453,031	3,164,506	288,525
0061	Community services	140,070	174,570	156,719	17,851
<b>Debt Service:</b>					
0071	Principal on long-term debt	591,700	485,109	470,000	15,109
0171	Interest on long-term debt		166,591	166,591	
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction		246,120	100,245	145,875
<b>Intergovernmental:</b>					
0093	Payments related to shared services arrangements	5,050,089	4,050,089	3,949,205	100,884
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	151,054	201,054	72,500	128,554
0097	Payments to tax increment fund	3,299,136	3,299,136	3,132,440	166,696
6030	<b>Total Expenditures</b>	<u>130,680,115</u>	<u>125,155,343</u>	<u>117,519,961</u>	<u>7,635,382</u>
1100	Excess (deficiency) of revenues over expenditures		<u>9,009,296</u>	<u>(924,370)</u>	<u>(9,933,666)</u>
<b>Other Financing Sources (Uses):</b>					
7912	Sale of real and personal property			60,683	60,683
7915	Transfers in			6,310,141	6,310,141
7949	Other resources			62,182	62,182
7080	<b>Total other financing sources and uses</b>			<u>6,433,006</u>	<u>6,433,006</u>
1200	Net change in fund balances		9,009,296	5,508,636	(3,500,660)
100	<b>Fund balances - beginning</b>	<u>50,130,820</u>	<u>50,130,820</u>	<u>50,130,820</u>	
3000	<b>Fund balances - ending</b>	<u>\$ 50,130,820</u>	<u>\$ 59,140,116</u>	<u>\$ 55,639,456</u>	<u>\$ (3,500,660)</u>

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, 2011.

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, 2010. 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 \$14,458 for the General Fund.

## **Other Supplementary Information**

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2011**

Data Control Codes	ESEA Title I Part A	ESEA, Title I Part D	IDEA B Formula
<b>Assets</b>			
1110	\$ 9,469	\$ 5,481	\$
Receivables:			
1240	143,729	4,140	463,608
1260	82,423	1,724	
1290			1,085
1310			
1410			
1000	\$ 235,621	\$ 11,345	\$ 464,693
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	\$	\$ 130	\$ 12,757
2160	8,583		31,632
2170	227,038	11,215	420,304
2180			
2300			
2000	235,621	11,345	464,693
<b>Fund Balance:</b>			
<b>Non-spendable:</b>			
3410			
3430			
<b>Restricted:</b>			
3450			
<b>Committed:</b>			
3545			
3000			
4000	\$ 235,621	\$ 11,345	\$ 464,693



225	240	243	244	255	263	266
IDEA B Preschool	National School Lunch and Breakfast Program	Career and Technical - Preparation	Career and Technical - Basic	ESEA Title II, Part A	Title III Part A - LEP	ARRA Title XIV SFSF
\$	\$ 1,882,145	\$	\$	\$ 2,502	\$	\$ 39,932
5,512	205,586 2,673 21,254 105,820		11,391	44,016 9,329	19,203	2,698,130 292,842
<u>\$ 5,512</u>	<u>\$ 2,217,478</u>	<u>\$</u>	<u>\$ 11,391</u>	<u>\$ 55,847</u>	<u>\$ 19,203</u>	<u>\$ 3,030,904</u>
\$	\$ 66,071	\$	\$	\$	\$	\$
667	130,500		644	6,117	1,100	
4,845	16,094		10,747	49,730	18,103	3,030,904
<u>5,512</u>	<u>212,665</u>		<u>11,391</u>	<u>55,847</u>	<u>19,203</u>	<u>3,030,904</u>
	105,820					
	1,898,993					
	2,004,813					
<u>\$ 5,512</u>	<u>\$ 2,217,478</u>	<u>\$</u>	<u>\$ 11,391</u>	<u>\$ 55,847</u>	<u>\$ 19,203</u>	<u>\$ 3,030,904</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**August 31, 2011**

<u>Data Control Codes</u>	<b>279</b>	<b>282</b>	<b>283</b>
	<b>Title II, Part D Technology ARRA</b>	<b>Propane Fleet Pilot ARRA</b>	<b>IDEA B Formula ARRA</b>
<b>Assets</b>			
1110	\$	\$	\$
Receivables:			
1240		130,528	15,122
1260		163,160	
1290			
1310			
1410			
1000	<b>Total Assets</b>	<b>\$ 293,688</b>	<b>\$ 15,122</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	\$	\$	\$
2160			
2170		293,688	15,122
2180			
2300			
2000	<b>Total Liabilities</b>	<b>293,688</b>	<b>15,122</b>
<b>Fund Balance:</b>			
<b>Non-spendable:</b>			
3410			
3430			
<b>Restricted:</b>			
3450			
<b>Committed:</b>			
3545			
3000	<b>Total Fund Balances</b>	<b>\$ 293,688</b>	<b>\$ 15,122</b>
4000	<b>Total Liabilities and Fund Balance</b>	<b>\$ 293,688</b>	<b>\$ 15,122</b>

284	285	286	289	385	392	394
IDEA B Preschool ARRA	ESEA Title I Part A ARRA	Title I Part D ARRA	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired	Noneducational Community Based Support	Pregnancy Education and Parenting
\$	\$	\$	\$ 653,682	\$	\$	\$
	21,978		3,087			
			529,876			
<u>\$</u>	<u>\$ 21,978</u>	<u>\$</u>	<u>\$ 1,186,645</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$	\$	\$	\$	\$	\$	\$
	21,978		1,185,011			
			1,634			
	<u>21,978</u>		<u>1,186,645</u>			
<u>\$</u>	<u>\$ 21,978</u>	<u>\$</u>	<u>\$ 1,186,645</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
*August 31, 2011*

<b>Data Control Codes</b>	<b>397</b>	<b>403</b>	<b>404</b>
<b>Data Control Codes</b>	<b>Advanced Placement Incentive</b>	<b>Avid College Readiness</b>	<b>Student Success Initiative</b>
<b>Assets</b>			
1110	Cash and temporary investments	\$ 20,065	\$
Receivables:			
1240	Receivables from other governments		1,022
1260	Due from other funds		7,481
1290	Other receivables		
1310	Inventories, at cost		
1410	Prepaid expenses		
1000	<b>Total Assets</b>	<u>\$ 20,065</u>	<u>\$ 7,481</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	Accounts payable	\$	\$
2160	Accrued wages payable		
2170	Due to other funds		1,022
2180	Due to other governments		7,481
2300	Deferred revenues		
2000	<b>Total Liabilities</b>	<u>1,022</u>	<u>7,481</u>
<b>Fund Balance:</b>			
<b>Non-spendable:</b>			
3410	Non-spendable - inventories		
3430	Non-spendable - prepaid items		
<b>Restricted:</b>			
3450	Restricted - grants funds	20,065	
<b>Committed:</b>			
3545	Committed - other		
3000	<b>Total Fund Balances</b>	<u>20,065</u>	
4000	<b>Total Liabilities and Fund Balance</b>	<u>\$ 20,065</u>	<u>\$ 7,481</u>

409	411	427	429	459	461	
Basic Skills / High School Students	Technology Allotment	Texas Fitness Now	State Funded Special Revenue	SSA - Vision and O & M	Campus Activity Funds	Total Nonmajor Governmental Funds
\$	\$ 198,938	\$	\$ 121	\$	\$ 2,239,417	\$ 5,051,752
						3,774,533
			409,565		1,690	1,493,282
			102,840	54,867	30,492	210,538
						105,820
					71,152	71,152
<u>\$</u>	<u>\$ 198,938</u>	<u>\$</u>	<u>\$ 512,526</u>	<u>\$ 54,867</u>	<u>\$ 2,342,751</u>	<u>\$ 10,707,077</u>
\$	\$ 24,662	\$	\$	\$ 240	\$ 5,725	\$ 109,585
				9,831	777	189,851
	53,236		258,275	44,796	647,038	6,316,627
	5,368					5,368
						1,634
<u>\$</u>	<u>83,266</u>	<u>\$</u>	<u>258,275</u>	<u>54,867</u>	<u>653,540</u>	<u>6,623,065</u>
						105,820
					71,152	71,152
	115,672		254,251		58,708	2,347,689
					1,559,351	1,559,351
	115,672		254,251		1,689,211	4,084,012
<u>\$</u>	<u>\$ 198,938</u>	<u>\$</u>	<u>\$ 512,526</u>	<u>\$ 54,867</u>	<u>\$ 2,342,751</u>	<u>\$ 10,707,077</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, 2011*

	211	215	224
<b>Data Control Codes</b>	<b>ESEA Title I Part A</b>	<b>ESEA, Title I Part D</b>	<b>IDEA B Formula</b>
<b>Revenues</b>			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues			
5900 Federal program revenues	2,090,617	74,754	2,848,572
5020 <b>Total Revenues</b>	<u>2,090,617</u>	<u>74,754</u>	<u>2,848,572</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction	1,919,893	73,193	1,256,410
0012 Instruction resources and media services			
0013 Curriculum and instructional staff development	32,946		64,442
0021 Instructional leadership	112,676	1,561	4,590
0023 School leadership	22,099		2,005
0031 Guidance, counseling and evaluation services	450		1,520,995
0033 Health services	2,553		
0034 Student transportation			
0035 Food service			
0036 Extracurricular activities			
0041 General administration			
0052 Security and monitoring services			
0053 Data processing services			
0061 Community services			130
6030 <b>Total Expenditures</b>	<u>2,090,617</u>	<u>74,754</u>	<u>2,848,572</u>
1200 Net change in fund balances			
0100 <b>Fund balance - September 1 (beginning)</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
3000 <b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

225	240	243	244	255	263	266
<b>IDEA B Preschool</b>	<b>National School Lunch and Breakfast Program</b>	<b>Career and Technical - Preparation</b>	<b>Career and Technical - Basic</b>	<b>ESEA Title II, Part A</b>	<b>Title III Part A LEP</b>	<b>ARRA Title XIV SFSF</b>
\$	\$ 3,081,497 283,904	\$	\$	\$	\$	\$
71,504	5,257,881	3,327	139,833	506,207	220,469	12,350,586
71,504	8,623,282	3,327	139,833	506,207	220,469	12,350,586
71,504		3,327	96,234	480,299	103,452	12,350,586
				5,537	46,908	
					640	
			43,599		360	
					69,109	
	8,433,743					
				20,371		
71,504	8,433,743	3,327	139,833	506,207	220,469	12,350,586
	189,539					
	1,815,274					
\$	\$ 2,004,813	\$	\$	\$	\$	\$

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2011*

<b>Data Control Codes</b>		<b>279</b>	<b>282</b>	<b>283</b>
		<b>Title II, Part D Technology ARRA</b>	<b>Propane Fleet Pilot ARRA</b>	<b>IDEA B Formula ARRA</b>
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	9,472	293,688	688,212
5020	<b>Total Revenues</b>	<u>9,472</u>	<u>293,688</u>	<u>688,212</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	9,472		673,415
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development			2,350
0021	Instructional leadership			
0023	School leadership			
0031	Guidance, counseling and evaluation services			12,447
0033	Health services			
0034	Student transportation		293,688	
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0052	Security and monitoring services			
0053	Data processing services			
0061	Community services			
6030	<b>Total Expenditures</b>	<u>9,472</u>	<u>293,688</u>	<u>688,212</u>
1200	Net change in fund balances			
0100	<b>Fund balance - September 1 (beginning)</b>	<u>          </u>	<u>          </u>	<u>          </u>
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>



284	285	286	289	385	392	394
IDEA B Preschool ARRA	ESEA Title I Part A ARRA	Title I Part D ARRA	Federally Funded Special Revenue Funds	State Supplemental Visually Impaired	Noneducational Community Based Support	Pregnancy Education and Parenting
\$	\$	\$	\$	\$	\$	\$
				32,000	3,499	30,442
31,619	328,255	36,949	19,853			
31,619	328,255	36,949	19,853	32,000	3,499	30,442
31,384	317,821	36,949	18,013	32,000		
235	6,420					
	3,074					
	940		1,840			
					3,499	30,442
31,619	328,255	36,949	19,853	32,000	3,499	30,442
\$	\$	\$	\$	\$	\$	\$

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2011*

<b>Data Control Codes</b>		<b>397</b>	<b>403</b>	<b>404</b>
		<b>Advanced Placement Incentive</b>	<b>Avid College Readiness</b>	<b>Student Success Initiative</b>
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues	9,900	22,300	74,807
5900	Federal program revenues			
5020	<b>Total Revenues</b>	9,900	22,300	74,807
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	2,092	10,090	74,068
0012	Instruction resources and media services			739
0013	Curriculum and instructional staff development	15,410	8,168	
0021	Instructional leadership			
0023	School leadership		2,051	
0031	Guidance, counseling and evaluation services		1,991	
0033	Health services			
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0052	Security and monitoring services			
0053	Data processing services			
0061	Community services			
6030	<b>Total Expenditures</b>	17,502	22,300	74,807
1200	Net change in fund balances	(7,602)		
0100	<b>Fund balance - September 1 (beginning)</b>	27,667		
3000	<b>Fund balance - August 31 (ending)</b>	\$ 20,065	\$	\$

409	411	427	429	459	461	
Basic Skills / High School Students	Technology Allotment	Texas Fitness Now	State Funded Special Revenue	SSA - Vision and O & M	Campus Activity Funds	Total-Other Governmental Funds
\$ 2,960	\$ 473,145	\$ 10,824	\$ 102,840	\$ 430,057	\$ 1,530,123	\$ 5,041,677
						1,046,621
						24,971,798
<u>2,960</u>	<u>473,145</u>	<u>10,824</u>	<u>102,840</u>	<u>430,057</u>	<u>1,530,123</u>	<u>31,060,096</u>
2,960	310,565	10,824		427,966	841,580	19,154,097
					187,586	188,325
	12,511			2,091	9,150	206,168
						122,541
	1,873				3,210	34,378
					913	1,649,504
					135	2,688
			102,840			396,528
						8,433,743
					393,890	393,890
					1,947	22,318
					33,004	33,004
	387,075					387,075
						34,071
<u>2,960</u>	<u>712,024</u>	<u>10,824</u>	<u>102,840</u>	<u>430,057</u>	<u>1,471,415</u>	<u>31,058,330</u>
	(238,879)				58,708	1,766
	354,551		254,251		1,630,503	4,082,246
<u>\$</u>	<u>\$ 115,672</u>	<u>\$</u>	<u>\$ 254,251</u>	<u>\$</u>	<u>\$ 1,689,211</u>	<u>\$ 4,084,012</u>

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## **Internal Service Funds**

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
*August 31, 2011*

<b>Data Control Codes</b>		<b>752</b>	<b>753</b>	<b>773</b>
		<b>Print Shop</b>	<b>Health Insurance</b>	<b>Workers' Comp Self- Insurance</b>
	<b>Assets</b>			
	<b>Current Assets:</b>			
1110	Cash and cash equivalents	\$ 193,189	\$ 1,812,330	\$ 5,672,486
	Receivables:			
1250	Accrued interest receivable			17,625
1290	Other receivables		64	37,160
1300	Inventories, at cost	18,713		
1410	Deferred expenses		56,050	
	<b>Total Current Assets</b>	<u>211,902</u>	<u>1,868,444</u>	<u>5,727,271</u>
	<b>Non-current Assets:</b>			
	<b>Capital Assets:</b>			
1530	Furniture and equipment	71,380		
1573	Accumulated depreciation - Equipment	(34,718)		
	<b>Total Non-current Assets</b>	<u>36,662</u>		
1000	<b>Total Assets</b>	<u>248,564</u>	<u>1,868,444</u>	<u>5,727,271</u>
	<b>Liabilities</b>			
	<b>Current Liabilities:</b>			
2110	Accounts payable	1,662	224,075	250,416
2160	Accrued wages payable	1,022	460	
2170	Due to other funds	787	3,874	
2180	Payable to other governments		100,574	
2200	Accrued expenses	1,080	946,173	616,494
	<b>Total current liabilities</b>	<u>4,551</u>	<u>1,275,156</u>	<u>866,910</u>
2000	<b>Total Liabilities</b>	<u>4,551</u>	<u>1,275,156</u>	<u>866,910</u>
	<b>Net Assets</b>			
3200	Investments in capital assets, net of debt	36,662		
3300	Unrestricted net assets	207,351	593,288	4,860,361
3000	<b>Total Net Assets</b>	<u>\$ 244,013</u>	<u>\$ 593,288</u>	<u>\$ 4,860,361</u>

*Exhibit H-3*

<b>755</b>	
<b>Property &amp; Casualty Insurance</b>	<b>Total</b>
\$ 5,007,589	\$ 12,685,594
	17,625
	37,224
	18,713
	56,050
<u>5,007,589</u>	<u>12,815,206</u>
	71,380
	(34,718)
	<u>36,662</u>
<u>5,007,589</u>	<u>12,851,868</u>
	476,153
	1,482
	4,661
	100,574
	<u>1,563,747</u>
	<u>2,146,617</u>
	<u>2,146,617</u>
	36,662
<u>5,007,589</u>	<u>10,668,589</u>
<u>\$ 5,007,589</u>	<u>\$ 10,705,251</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, 2011*

<b>Data Control Codes</b>	<b>752 Print Shop</b>	<b>753 Health Insurance</b>	<b>773 Workers' Comp Self- Insurance</b>
<b>Operating Revenues</b>			
5749	Miscellaneous revenue from local sources	\$	\$ 974
5754	Interfund services provided and used	222,900	14,355,267
5020	<b>Total operating revenues</b>	<u>222,900</u>	<u>14,355,267</u>
<b>Operating Expenses</b>			
6100	Payroll costs	89,892	31,652
6200	Purchased and contracted services	85,784	19,800
6300	Supplies and materials	69,292	
6400	Claims expense and other operating expenses		15,680,988
6449	Depreciation	4,311	
6030	<b>Total Operating Expenses</b>	<u>249,279</u>	<u>15,732,440</u>
1200	Operating Income (Loss)	<u>(26,379)</u>	<u>(1,377,173)</u>
<b>Non-Operating Revenues (Expenses)</b>			
7020	Investment earnings		5,542
	<b>Total Nonoperating Revenues</b>		<u>5,542</u>
	<b>Income (Loss) before Transfers</b>	<u>(26,379)</u>	<u>(1,371,631)</u>
<b>Transfers</b>			
8911	Transfers out		(14)
1200	Change in Net Assets	<u>(26,379)</u>	<u>(1,371,631)</u>
0100	<b>Net Assets - September 1 (Beginning)</b>	<u>270,392</u>	<u>1,964,919</u>
3300	<b>Net Assets - August 31 (Ending)</b>	<u>\$ 244,013</u>	<u>\$ 593,288</u>
		<u>\$ 4,860,361</u>	



*Exhibit H-4*

<b>755 Property &amp; Casualty Insurance</b>	<b>Total</b>
\$	\$ 974
	15,977,226
	15,978,200
	121,544
	105,584
	69,292
	16,362,550
	4,311
	16,663,281
	(685,081)
7,589	39,273
7,589	39,273
7,589	(645,808)
	(14)
7,589	(645,822)
5,000,000	11,351,073
\$ 5,007,589	\$ 10,705,251

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
*For the Year Ended August 31, 2011*

	<u>Print Shop</u>	<u>Health Insurance</u>	<u>Workers' Comp Self-Insurance</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers and with other funds	\$ 222,900	\$ 14,355,267	\$ 1,400,033
Cash payments to suppliers for goods and services	(152,618)	(15,597,156)	(625,517)
Cash payments to employees	(100,225)	(32,430)	
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(29,943)</u>	<u>(1,274,319)</u>	<u>774,516</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Advances to other funds			(14)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>			<u>(14)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of capital assets	(40,240)		
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>(40,240)</u>		
<b>Cash Flows from Investing Activities:</b>			
Investment proceeds			991,200
Interest on investments		5,542	15,455
<b>Net Cash Provided by Investing Activities</b>		<u>5,542</u>	<u>1,006,655</u>
Net Increase in Cash and Cash Equivalents	(70,183)	(1,268,777)	1,781,157
<b>Cash and Cash Equivalents at Beginning of Year</b>	263,372	3,081,107	3,891,329
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 193,189</u>	<u>\$ 1,812,330</u>	<u>\$ 5,672,486</u>
<b>Reconciliation to Balance Sheet</b>			
Cash and Cash Equivalents	\$ 193,189	\$ 1,812,330	\$ 5,672,486
<b>Cash and Cash Equivalents per Balance Sheet</b>	<u>\$ 193,189</u>	<u>\$ 1,812,330</u>	<u>\$ 5,672,486</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (26,379)	\$ (1,377,173)	\$ 718,471
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	4,311		
Change in Assets and Liabilities:			
Decrease (increase) in Receivables			
Decrease (increase) in Interfund Receivables			
Decrease (increase) in Inventories	3,524		
Decrease (increase) in Deferred Expenses		(56,050)	
Increase (decrease) in Accounts Payable	(1,853)	17,989	
Increase (decrease) in Accrued Wages Payable	(2,774)	(778)	
Increase (decrease) in Interfund Payables	173	3,874	
Increase (decrease) in Payables to Other Governments		63,023	
Increase (decrease) in Accrued Expenses	(6,945)	74,796	56,045
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ (29,943)</u>	<u>\$ (1,274,319)</u>	<u>\$ 774,516</u>

*Exhibit H-5*

<u>Property &amp; Casualty Insurance</u>	<u>Total</u>
\$ 5,000,000	\$ 20,978,200
	(16,375,291)
	(132,655)
<u>5,000,000</u>	<u>4,470,254</u>
	(14)
	(14)
	(40,240)
	(40,240)
	991,200
7,589	28,586
<u>7,589</u>	<u>1,019,786</u>
5,007,589	5,449,786
	7,235,808
<u>\$ 5,007,589</u>	<u>\$ 12,685,594</u>
<u>\$ 5,007,589</u>	<u>\$ 12,685,594</u>
<u>\$ 5,007,589</u>	<u>\$ 12,685,594</u>
\$	\$ (685,081)
	4,311
5,000,000	5,000,000
	3,524
	(56,050)
	16,136
	(3,552)
	4,047
	63,023
	<u>123,896</u>
<u>\$ 5,000,000</u>	<u>\$ 4,470,254</u>

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## **Required TEA Schedules**

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
*For the Year Ended August 31, 2011*

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>10 Beginning Balance 9/1/10</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2002 and prior	Various	Various	Various	\$ 415,183
2003	1.426217	0.159899	\$ 1,463,112,571	114,013
2004	1.426201	0.199899	1,687,419,452	121,309
2005	1.441200	0.234800	2,124,752,100	155,180
2006	1.441000	0.264800	2,482,291,828	170,350
2007	1.317700	0.228200	3,271,284,300	213,167
2008	1.040000	0.288200	3,967,086,809	270,027
2009	1.040000	0.288200	4,559,307,338	513,060
2010	1.040000	0.264100	4,805,508,857	1,399,279
2011	1.040000	0.264100	4,872,422,130	
<b>1000 Totals</b>				<u><u>\$ 3,371,568</u></u>

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

\$ \_\_\_\_\_ \$ \_\_\_\_\_

*Exhibit J-1*

<b>20</b>	<b>30</b>	<b>30a</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/11</b>
\$	\$ 12,848	\$ 2,071	\$ (74,655)	\$ 325,609
	4,641	520	(570)	108,282
	6,483	909	(470)	113,447
	12,603	2,053	(647)	139,877
	27,579	5,068	3,366	141,069
	47,524	8,230	44,431	201,844
	73,922	20,485	41,296	216,916
	181,670	50,344	23,568	304,614
	751,779	190,908	75,362	531,954
<u>63,541,257</u>	<u>49,686,988</u>	<u>12,617,628</u>		<u>1,236,641</u>
<u>\$ 63,541,257</u>	<u>\$ 50,806,037</u>	<u>\$ 12,898,216</u>	<u>\$ 111,681</u>	<u>3,320,253</u>
				<u>1,824,769</u>
				<u>\$ 5,145,022</u>
<u>\$</u>	<u>\$ 3,132,440</u>	<u>\$ 795,520</u>	<u>\$</u>	<u>\$</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COSTS FOR 2012-2013**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**(UNAUDITED)**  
**For the Year Ended August 31, 2011**

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	\$ 2,258	\$	\$ 242,758	\$ 2,305,273	\$ 909	\$ 50,631	\$ 2,601,829
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				970			970
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							
6211	Legal Services					181,531		181,531
6212	Audit Services				79,719			79,719
6213	Tax Appraisal and Collection (Appraisal district costs only from function 99)		480,260					480,260
6214	Lobbying							
621X	Other Prof. Services	4,550			6,690	10,500		21,740
6220	Tuition and Transfer Payments							
6230	Education Service Centers			325	449	19,159		19,933
6240	Contr. Maint. and Repair					2,946		2,946
6250	Utilities							
6260	Rentals				5,372		11,888	17,260
6290	Miscellaneous Contr.				54,919	53		54,972
6320	Textbooks and Reading	113		519	259	533		1,424
6330	Testing Materials							
63XX	Other Supplies Materials			14,211	76,575	32,035		122,821
6410	Travel, Subsistence, Stipends	10,834		6,020	16,026	17,876		50,756
6420	Ins. and Bonding Costs				1,216,802			1,216,802
6430	Election Costs	15,023						15,023
6490	Miscellaneous Operating	2,594		3,086	21,791	8,080	121,906	157,457
6500	Debt Service							
6600	Capital Outlay							
6000	TOTAL	\$ 35,372	\$ 480,260	\$ 266,919	\$ 3,784,845	\$ 273,622	\$ 184,425	\$ 5,025,443

Total expenditures/expenses for General and Special Revenue Funds  
 (plus Food Service Enterprise Fund if present)

9 \$ 148,578,291

LESS: Deductions of Unallowable Costs  
 Fiscal Year

Total Capital Outlay (6600)	10	\$ 2,176,210
Total Debt & Lease (6500)	11	636,591
Plant Maintenance (Function 51, 6100-6400)	12	11,206,030
Food (Function 35, 6341 and 6499)	13	3,251,721
Stipends (6413)	14	
Column 4 (above) - Total Indirect Cost		3,784,845
Subtotal:		21,055,397
Net Allowed Direct Cost		\$ 127,522,894

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	\$ 297,739,459
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	26,991,771
Historical Cost of Furniture & Equipment over 16 years old	19	195,339
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	\$1,200,261

(8) Note A - \$50,631 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**  
**BUDGETARY COMPARISON SCHEDULE**  
**CHILD NUTRITION FUND**  
For the Year Ended August 31, 2011

Exhibit J-4

Data Control Codes		Child Nutrition			Variance Favorable (Unfavorable)
		Budget		Actual	
		Original	Final		
<b>Revenues</b>					
5700	Local, Intermediate, and Out-of-State	\$ 3,446,900	\$ 3,575,200	\$ 3,081,497	\$ (493,703)
5800	State Program Revenues	49,500	54,500	283,904	229,404
5900	Federal Program Revenues	5,064,660	5,281,360	5,257,881	(23,479)
5020	<b>Total Revenues</b>	<u>8,561,060</u>	<u>8,911,060</u>	<u>8,623,282</u>	<u>(287,778)</u>
<b>Expenditures</b>					
<b>Current:</b>					
0035	Food Services	8,561,060	9,265,574	8,433,743	831,831
6030	<b>Total Expenditures</b>	<u>8,561,060</u>	<u>9,265,574</u>	<u>8,433,743</u>	<u>831,831</u>
1100	Excess (Deficiency) Revenues Over Expenditures		(354,514)	189,539	544,053
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>1,815,274</u>	<u>1,815,274</u>	<u>1,815,274</u>	
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 1,815,274</u>	<u>\$ 1,460,760</u>	<u>\$ 2,004,813</u>	<u>\$ 544,053</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
For the Year Ended August 31, 2011

Exhibit J-5

Data Control Codes	Debt Service Fund				
	Budget			Variance Favorable (Unfavorable)	
	Original	Final	Actual		
<b>Revenues</b>					
5700	Local, Intermediate, and Out-of-State	\$ 13,895,294	\$ 13,131,494	\$ 13,184,123	\$ 52,629
5800	State Program Revenues	6,511,731	7,825,531	7,001,677	(823,854)
5900	Federal Program Revenues			416,749	416,749
5020	<b>Total Revenues</b>	<u>20,407,025</u>	<u>20,957,025</u>	<u>20,602,549</u>	<u>(354,476)</u>
<b>Expenditures</b>					
<b>Current:</b>					
<b>Debt Service:</b>					
0071	Principal	7,145,000	7,145,000	7,145,000	
0072	Interest and Fiscal Agent Fees	12,477,025	15,312,304	15,232,781	79,523
<b>Intergovernmental:</b>					
0090	Payments to tax increment fund	785,000	1,505,000	795,520	709,480
6030	<b>Total Expenditures</b>	<u>20,407,025</u>	<u>23,962,304</u>	<u>23,173,301</u>	<u>789,003</u>
1100	Excess (Deficiency) Revenues Over Expenditures		<u>(3,005,279)</u>	<u>(2,570,752)</u>	<u>434,527</u>
<b>Other Financing Sources (Uses):</b>					
7915	Transfers in		35,311	35,311	
7916	Premium or discount on issuance of bonds		210,812	210,812	
7080	<b>Total other financing sources and uses</b>		<u>246,123</u>	<u>246,123</u>	
1200	Increase (Decrease) in Fund Balance		(2,759,156)	(2,324,629)	434,527
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>5,507,574</u>	<u>5,507,574</u>	<u>5,507,574</u>	
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 5,507,574</u>	<u>\$ 2,748,418</u>	<u>\$ 3,182,945</u>	<u>\$ 434,527</u>

## **Federal Awards Section**

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alvin Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2011. 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***

Management of the District is responsible for establishing and maintaining effective 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 a 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.

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 direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #11-01 and #11-02.

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

This report is intended solely for the information and use of the board of trustees, management, others within the entity, 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.



Texas City, Texas  
December 13, 2011

**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 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, 2011. The District's major federal programs are identified in the summary of auditors' 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, 2011.

***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.

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

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item #11-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

### *Closing*

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.



Texas City, Texas  
December 13, 2011



**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended August 31, 2011*

**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?	No
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?	Yes, Item #11-03
Type of auditors' report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) (2-7) OMB Circular A-133?	No

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
<b>Title I, Part A Cluster:</b>	
Title I, Part A - Improving Basic Program	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
<b>Special Education Cluster:</b>	
IDEA-B Formula	84.027A
IDEA-B Formula ARRA	84.391A
IDEA-B Preschool	84.173A
IDEA-B Preschool ARRA	84.392A
<b>Title III, Part A LEP</b>	84.365A
<b>Propane Fleet Pilot Program ARRA</b>	81.086
<b>Title XIV, SFSF ARRA</b>	83.394A
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$755,428
Auditee qualified as low-risk auditee?	No

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended August 31, 2011**

**II. Financial Statement Findings**

**Significant Deficiencies**

**Finding #11-01 Non-Compliance with TEA Spending Requirements**

**Criteria:** Per Section 4.6.5 of the Texas Education Agency Financial Accountability System Resource Guide, Districts are required to spend 55 percent of their State Compensatory Education allotment. As such, internal controls should be in place that would ensure these requirements are met.

**Condition:** The District failed to meet Texas Education Agency State Compensatory Education Program 55 percent spending requirements by an estimated amount of \$279,700.

**Effect:** Non-compliance with state agency requirements.

**Cause:** The District failed to expend an amount equal to the required TEA spending requirement. Districts are allowed to re-distribute additional amount for compliance, but those amount were insufficient to meet the requirement.

**Recommendation:** Management should develop and implement controls that minimize the risk of non-compliance with state spending requirements. Procedures should include a monitoring and review of controls over spending requirements.

**Finding #11-02 Non-Compliance with State Competitive Bidding Requirements**

**Criteria:** Internal controls should be in place to assure that state competitive bidding requirements are followed and in the District is in compliance.

**Condition:** The District failed to compliance the state bidding requirement for accepting submission with certain timeframes.

**Effect:** Non-compliance with state bidding requirements.

**Cause:** The District accepted a vendor bid after the designed timeframe to submission, subsequently the vendor was accepted as a District awarded vendor.

**Recommendation:** Management should develop and implement controls that minimize the risk of non-compliance with state bidding requirements. Procedures should include a monitoring and review of controls over requirements should be ongoing.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended August 31, 2011**

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

**Finding #11-03 Grant Management (Tracking) System**

**Criteria:** The District should have a centralized system where the Business Department is made aware of all grants for which the District applies, receives and expends funds. Controls over grants will provide added assurance that all federal, state and local grants are properly identified and recorded on the general ledger.

**Condition:** The District does not have a centralized system for all grant activity. At times, the only method to identify new grants is when the Business Office enters cash receipts or reviews invoices prior to disbursement. As such, federal grants are not always properly classified as federal, state or local until much research is done by the Business Office.

**Effect:** This lack of notice may cause additional delay or failed to properly account for grants, which in turn could result in non-compliance with grant requirement and loss of current and future grant funding.

**Questioned Costs:** None

**Cause:** There appear to be a lack of communication between department applying, receiving and expending grant funds.

**Recommendation:** All grants applied for, grant funds received and expended should be managed by the Business Office. A concerted effort should be made among all District departments to implement this process.

**IV. Status of Prior Year Findings**

**Finding #**

**Corrective Action Taken**

**Finding #10-01** – General Ledger Reconciliation and Review

**Partially resolved.** 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. The District has implemented close-out procedures.

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended August 31, 2011**

**V. Corrective Action Plan**

**Finding #11-01:** Non-Compliance with State Spending Requirements

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

**Response:** Procedures will be revised and monitored for future compliance.

**Estimated Completion Date:** January 2012

**Finding #11-02:** Non-Compliance with State Competitive Bidding Requirements

**Contact Person:** Mickie Dietrich, Director of Purchasing

**Response:** Procedures will be revised and monitored for future compliance.

**Estimated Completion Date:** January 2012

**Finding #11-03:** Grant Management (Tracking) System

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

**Response:** Procedures will be developed for a centralization of grant awards and notice will be sent throughout the District.

**Estimated Completion Date:** January 2012

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2011*

*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
<b>Passed Through State Department of Education:</b>				
11610101020901	<i>Title I, Part A - Improving Basic Programs *</i>	211	84.010A	\$ 1,990,255
12610101020901	<i>Title I, Part A - Improving Basic Programs *</i>	211	84.010A	137,789
10551001020901	<i>Title I, Part A - Improving Basic Program ARRA *</i>	285	84.389A	333,930
11610103020901	<i>Title I, Part D, Subpart 2 *</i>	215	84.010A	74,310
12610103020901	<i>Title I, Part D, Subpart 2 *</i>	215	84.010A	1,764
10551003020901	<i>Title I, Part D, Subpart 2 ARRA *</i>	286	84.389A	37,594
11660001020916000	<i>IDEA-B Formula **</i>	224	84.027A	2,891,188
10554001020901	<i>IDEA-B Formula ARRA **</i>	283	84.391A	700,202
116610010209016000	<i>IDEA-B Preschool **</i>	225	84.173A	72,434
10555001020901	<i>IDEA-B Preschool ARRA **</i>	284	84.392A	32,170
11420006020901	<i>Career and Technical Basic Grant</i>	244	84.048A	130,863
11420006020901	<i>Career and Technical Basic Grant</i>	244	84.048A	11,391
11694501020901	<i>ESEA Title II, Part A</i>	255	84.367A	486,135
12694501020901	<i>ESEA Title II, Part A</i>	255	84.367A	29,109
10553001020901	<i>Title II, Part D, Enhancing Education ARRA</i>	279	84.386A	9,637
11671001020901	<i>Title III, Part A LEP</i>	263	84.365A	224,412
11557001020901	<i>Title XIV, SFSF ARRA</i>	266	84.394A	12,350,586
69551002	<i>Early Childhood LEP Summer</i>	289	84.369A	19,853
<b>Total passed through State Department of Education</b>				<u>19,533,622</u>
<b>Passed through Texas Higher Education Coordinating Board:</b>				
101714	<i>Board to North Harris Montgomery Community College Tech Prep</i>	243	84.243A	3,327
<b>Total passed through Texas Higher Education Coordinating Board</b>				<u>3,327</u>
<b>Total U.S. Department of Education</b>				<u>19,536,949</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed Through Texas Department of Agriculture:</b>				
Non cash assistance (commodities):				
71301101	<i>National School Lunch Program ***</i>	240	10.555	197,123
<b>Passed Through State Department of Education:</b>				
71301101	<i>National School Lunch Program ***</i>	240	10.555	3,853,268
71401101	<i>School Breakfast Program ***</i>	240	10.553	1,207,490
<b>Total U.S. Department of Agriculture</b>				<u>5,257,881</u>

**ALVIN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended August 31, 2011*

*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
	<b>U.S. Department of Health and Human Services</b>			
	<b>Direct Program:</b>			
None	<i>Medicaid Administrative Claims (MAC)</i>	199	93.778	<u>\$ 20,807</u>
	<b>U.S. Department of Defense</b>			
	<b>Direct Program:</b>			
None	<i>ROTC</i>	199	12.000	<u>71,608</u>
	<b>U.S. Department of Energy</b>			
	<b>Passed Through Railroad Commission of Texas:</b>			
130401	<i>Propane Fleet Pilot Program - ARRA</i>	282	81.086	<u>293,688</u>
	<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 25,180,933</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, 2011*

*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, 2011. 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 K-1 and expenditures reported on Exhibit C-3:

<b>Total Expenditures of Federal Awards</b>	\$ 25,180,933
<b>Add:</b>	
School Health and Related Services Program	1,650,645
Fuel reimbursement	170,169
Build America Bonds	416,749
<b>Reconciled Balance</b>	<u><u>\$ 27,418,496</u></u>
<b>Related Expenditures on Exhibit C-3</b>	
General Fund	\$ 2,029,949
Debt service fund	416,749
Special Revenue Funds	24,971,798
	<u><u>\$ 27,418,496</u></u>

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<b>ALVIN INDEPENDENT SCHOOL DISTRICT</b>	
<i>Required Responses to Selected School First Indicators</i>	
<b>SCHEDULE L-1</b>	
<b>YEAR ENDED AUGUST 31, 2011</b>	
Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
Did the district receive a clean audit? – Was there an unqualified opinion in the Annual Financial Report?	Yes
Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
Was there any disclosure in the Annual Financial Report of material noncompliance?	No
Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$2,176,584