ALVIN
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

For The Year Ended August 31, 2012

ALVIN INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF THE BOARD

Alvin Independent School District	Brazoria	020-901
Name of School District	County	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, 2012, at a meeting of the board of trustees of such school district on December 11, 2012.

President of Board

Secretary of the Board

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Alvin Independent School 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Alvin Independent School District, as of August 31, 2012, 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 7, 2012, on our consideration of the Alvin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Dallas Fort Worth Houston

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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 55 through 56 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 nonmajor fund financial statements, and required Texas Education Agency ("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 nonmajor fund financial statements, the 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.

Whitley Penn LLP

Texas City, Texas
December 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2012.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $100,193,747 (*net assets)*. Of this amount, $81,035,631 *(unrestricted net assets)* may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by $12,844,458.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $94,162,088, a decrease of $11,433,846 in comparison with the prior year. The decrease in governmental fund balances was primarily due to the decrease in the capital projects fund balance of $27,362,604. The general fund balance increased by $16,632,424. The debt service fund balance decreased by $1,205,814.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $33,799,518, or 26 percent of total general fund expenditures.
- The District's total debt decreased by $9,997,204 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.

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 twenty-four 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.

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 51 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information can be found on pages 55 through 56 of this report.

Other Information. The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 58 through 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 $100,193,747 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 $12,467,024 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

	2012	2011
Current and other assets	$ 123,216,705	$ 143,574,184
Capital and non current assets	312,369,287	296,091,731
Total Assets	435,585,992	439,665,915
Current liabilities	14,533,743	21,460,920
Long term liabilities	320,858,502	330,855,706
Total Liabilities	335,392,245	352,316,626
Net Assets:		
Invested in capital assets net of related debt	12,467,024	13,437,882
Restricted	6,691,092	7,402,790
Unrestricted	81,035,631	66,508,617
Total Net Assets	$ 100,193,747	$ 87,349,289

Net assets of $6,691,092 are restricted for state and federal programs, food service, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* $81,035,631 may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The District's net assets increased by $12,844,458 during the current fiscal year primarily due to a prior year adjustment (additional receipt) related to State aid.

Alvin Independent School District's Changes in Net Assets

	2012	2011
Program Revenues		
Charges for services	$ 5,385,040	$ 4,922,440
Operating grants	21,384,882	33,692,988
General Revenues		
Property taxes	67,492,619	64,599,502
State aid	93,407,109	62,919,907
Grants and contributions not restricted	2,663,777	1,585,422
Interest earnings	307,010	574,092
Other	2,358,459	248,791
Total Revenues	192,998,896	168,543,142
Expenses		
Instruction	89,332,999	88,552,327
Instructional resources and media services	2,875,213	2,656,384
Curriculum and staff development	966,156	1,052,978
Instructional leadership	2,161,103	1,793,949
School leadership	7,959,849	7,703,374
Guidance, counseling, and evaluation services	4,680,891	4,613,929
Health services	1,257,983	1,175,196
Student transportation	7,852,619	8,098,651
Food service	9,155,687	8,966,386
Extracurricular activities	5,133,605	4,740,847
General administration	5,856,134	5,091,874
Plant, maintenance and operations	12,578,801	13,618,479
Security and monitoring services	1,663,147	1,737,964
Data processing services	3,811,208	4,373,584
Community services	342,441	231,428
Interest on long-term debt	13,854,946	14,760,457
Facilities acquisition and construction	1,005,916	1,079,628
Payments related to shared services arrangements	2,996,745	3,949,205
Payments to Juvenile Justice Alternative Education Programs	30,800	72,500
Payments to Tax Increment Fund	6,638,195	3,927,960
Total Expenses	180,154,438	178,197,100
Increase (Decrease) in Net Assets	12,844,458	(9,653,958)
Beginning net assets	87,349,289	97,003,247
Ending Net Assets	$ 100,193,747	$ 87,349,289

Governmental Activities increased the District's net assets by $12,844,458. Key elements of this increase are as follows:

Revenues are generated primarily from three sources. Grants and contributions program and general revenues totaling $24,048,659 represent 13 percent of total revenues, state aid totaling $93,407,109 represents 48 percent of total revenue and property taxes $67,492,619 represent 35 percent of total revenues. The remaining revenues $8,050,509 are generated from charges for services, investment earnings, and miscellaneous revenues. Higher tax revenues were primarily the result of an increase in the District's Interest and Sinking portion of the tax rate by .04 cents.

The primary functional expense of the District is instruction $89,332,999, which represents 50 percent of total expenses. Plant maintenance and operations $12,578,801 represents 7 percent of total expenses. The Interest on long-term debt $13,859,422 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 $94,162,088, a decrease of $11,433,846 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 $33,799,518, while total fund balance reached $72,271,880. 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 26 percent of total general fund expenditures, while total fund balance represents 55 percent of that same amount.

The fund balance of the District's general fund increased by $16,632,424 during the current fiscal year primarily due to increased local tax revenues resulting from increased property values and an excellent total collection rate, increased state aid due to prior year adjustments from the state along with saving from conservative practices used.

The debt service fund has a total fund balance of $1,977,131, 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 $1,205,814 due to a budget decision to drawn down fund balance to prevent from raising the tax rate more than .04 cents.

The capital projects fund has a total fund balance of $15,326,917. The net decrease in fund balance of $27,362,604, is primarily due to cost savings on numerous projects from prior bond sales. These funds will be expensed on future projects. Completed during the year include 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 and land purchase for Elementary number fifteen. The remaining fund balance is restricted for future construction projects.

The District's proprietary fund financials statement provides detail information about the profitability of the print shop, health insurance, workers' compensation and property and casualty insurance funds. The net change in assets of these funds are eliminated and allocated to the governmental expenses in the government-wide financial statements.

General Fund Budgetary Highlights

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

The District's major budget amendments during the year are summarized as follows:

- Fund balance was decreased by $3,381,720 for controlled supplies and capital requests.
- Fund balance was increased by $1,150,000 for SHARS revenue that was received from the 2009-2010 cost report.
- Fund balance was increased by $7,000,000 for additional state funding.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental type activities as of August 31, 2012, amounts to $312,369,287 (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 $16,277,556.

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

- Completed construction payments and purchase furniture, fixtures and equipment for the replacement of Mark Twain primary as an elementary campus.
- Completed construction payments and purchase furniture, fixtures and equipment for junior high school number six which became a replacement of Manvel Jr. High called Manvel Jr. High at Rodeo Palms.
- Purchase of buses.
- Purchase of land for Elementary number 15.
- Technology upgrades.

Alvin Independent School District's Capital Assets

	Balance August 31, 2011	Additions	Retirements and Transfers	Balance August 31, 2012
Land	$ 32,884,065	$ 3,044,193	$	$ 35,928,258
Construction in progress	14,414,955	21,558,362	(35,736,837)	236,480
Buildings and improvements	299,863,027	222,870	35,736,837	335,822,734
Furniture and equipment	27,063,151	2,272,905	(652,249)	28,683,807
	374,225,198	27,098,330	(652,249)	400,671,279
Less accumulated depreciation for:				
Buildings and improvements	(65,406,590)	(8,245,128)		(73,651,718)
Furniture and equipment	(12,726,877)	(2,491,720)	568,323	(14,650,274)
	(78,133,467)	(10,736,848)	568,323	(88,301,992)
Governmental Capital Assets	$ 296,091,731	$ 16,361,482	$ (83,926)	$ 312,369,287

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 $314,505,000 in bonded debt outstanding, a decreased of $10,780,000 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 bond insurance policy. The underlying rating of "AA" from Fitch 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, 2012, are as follows:

Alvin Independent School District's Long-Term Liabilities

	Balance August 31, 2011	Additions	Retirements	Balance August 31, 2012
General obligation bonds	$ 321,350,000	$ 37,380,000	$ (47,665,000)	$ 311,065,000
Less deferred amounts:				
For issuance premiums/discounts	5,677,771	5,981,015	(1,616,481)	10,042,305
Gain or loss on refunding bonds	(3,379,636)	(4,057,093)	352,392	(7,084,337)
Accreted interest on premium compound interest bonds	2,176,584	75,127	(80,000)	2,171,711
Maintenance tax notes	3,935,000		(495,000)	3,440,000
Accrued compensated absences	1,095,987	252,480	(124,644)	1,223,823
	$ 330,855,706	$ 39,631,529	$ (49,628,733)	$ 320,858,502

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.

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 2013 general fund budget. The adopted budget is based on the following significant assumptions:

- The Texas economy continues to out-perform the nation with the city of Houston being the highest job growth city in the country.
- Between August 2011 and August 2012, Texas continued to lead the nation in job growth with a gain of 259,500 jobs. The state's unemployment rate has been at or below the national rate for 68 consecutive months.
- According to the Texas Labor Market Review as of August, 2012, the National unemployment rate was 8.2%, while Texas and the Houston Metropolitan Statistical Area fell well below the National rate at 7.0%
- Alvin ISD's enrollment continues to grow at an average of 4.3% which has added over 3,560 students in the last five years. Due to its proximity to Houston, the growth in residential, commercial and some light industrial development has played a major role with the increased enrollment. The district is anticipating a growth of 788 students by the Fall of 2013 with enrollment to exceed 22,000 students by the Fall of 2016. Five year projections provided by Templeton Demographics include the following:
- Elementary growth = 2,167 additional students
- Junior High growth = 813 additional students
- High School growth = 1,161 additional students
- The Tax rate for Tax year 2012, fiscal year 2013 is $1.3291. The Maintenance and Operations portion is $1.0400 and the Interest and Sinking portion is $.2891. The Interest and Sinking portion was reduced by .015 cents due to the refunding of bonds in 2012 and the movement of the Interest and Sinking TIRZ payments to the General Fund.
- General fund expenditures are currently budgeted to increase by $7,835,525 over the actual 2011-2012 expenditures. Major factors causing this increase include:
- The opening of two "replacement" schools which are larger to accommodate the current student growth. Mark Twain Elementary replaced Mark Twain Primary and Manvel Jr. High at Rodeo Palms replaced Manvel Jr. High.
- Additional personnel costs to accommodate the increased enrollment include salaries and benefits for teaching and support positions.
- Increased health insurance and property insurance costs.
- Capital Outlay
- Increased TIRZ payments moved from I&S to M&O in order to help keep the I&S tax rate portion lower.

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, 2012

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and temporary investments	$ 111,313,360
1225	Property taxes receivables, net	3,599,525
1240	Due from other governments	4,859,606
1290	Other receivables, net	372,178
1300	Inventories	613,990
1410	Deferred expenses	183,688
1420	Capital bond and other debt issuance costs	2,274,358
	Capital assets not subject to depreciation:	
1510	Land	35,928,258
1580	Construction in progress	236,480
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	262,171,016
1530	Furniture and equipment, net	14,033,533
1000	**Total Assets**	435,585,992
	Liabilities	
2110	Accounts payable	4,142,518
2140	Interest payable	611,125
2150	Payroll deductions and withholdings	97,281
2160	Accrued wages payable	5,280,535
2177	Due to fiduciary funds	200,000
2180	Due to other governments	1,361,878
2190	Due to student groups	222,562
2200	Accrued expenditures	2,600,638
2300	Unearned revenue	17,206
	Noncurrent Liabilities:	
2501	Due within one year	9,245,515
2502	Due in more than one year	311,612,987
2000	**Total Liabilities**	335,392,245
	Net Assets	
3200	Invested in capital assets, net of related debt	12,467,024
	Restricted for:	
3820	Federal and state programs	298,621
3840	Food service	2,452,964
3850	Debt service	2,104,932
3870	Campus activity	1,834,575
3900	Unrestricted	81,035,631
3000	**Total net assets**	$ 100,193,747

See Notes to the Financial Statements

ALVIN INDEPENDENT SCHOOL DISTRICT *Exhibit B-1*

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2012

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities
	Governmental activities					
11	Instruction	$ 89,332,999	$ 929,543	$ 10,815,834	$	$ (77,587,622)
12	Instructional resources and media services	2,875,213	228,001	104,791		(2,542,421)
13	Curriculum and staff development	966,156		269,207		(696,949)
21	Instructional leadership	2,161,103		253,026		(1,908,077)
23	School leadership	7,959,849		490,784		(7,469,065)
31	Guidance, counseling, and evaluation services	4,680,891		1,732,212		(2,948,679)
33	Health services	1,257,983		94,805		(1,163,178)
34	Student transportation	7,852,619		669,688		(7,182,931)
35	Food service	9,155,687	3,191,855	5,750,094		(213,738)
36	Extracurricular activities	5,133,605	818,594	181,373		(4,133,638)
41	General administration	5,856,134	17,539	319,876		(5,518,719)
51	Plant, maintenance and operations	12,578,801	199,508	450,470		(11,928,823)
52	Security and monitoring services	1,663,147		92,488		(1,570,659)
53	Data processing services	3,811,208		135,174		(3,676,034)
61	Community services	342,441		25,060		(317,381)
72	Interest on long-term debt	13,854,946				(13,854,946)
81	Facilities acquisition and construction	1,005,916				(1,005,916)
93	Payments related to shared services arrangements	2,996,745				(2,996,745)
95	Payments to Juvenile Justice Alternative Education Programs	30,800				(30,800)
97	Payments to Tax Increment Fund	6,638,195				(6,638,195)
TG	**Total governmental activities**	$ 180,154,438	$ 5,385,040	$ 21,384,882	$	(153,384,516)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	52,190,961
DT	Property taxes, levied for debt service	15,301,658
SF	State-aid formula grants	93,407,109
GC	Grants and contributions not restricted	2,663,777
IE	Investment earnings	307,010
MI	Miscellaneous	2,358,459
TR	**Total general revenues, special items, and transfers**	166,228,974
CN	Change in net assets	12,844,458
NB	**Net assets - beginning**	87,349,289
NE	**Net assets - ending**	$ 100,193,747

See Notes to the Financial Statements

ALVIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2012

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
	Assets			
1110	Cash and temporary investments	$ 74,410,039	$ 2,297,292	$ 17,921,332
	Receivables:			
1220	Property taxes - delinquent	3,894,157	866,951	
1230	Allowance for uncollectible taxes (credit)	(990,683)	(170,900)	
1240	Receivables from other governments	3,541,099	633,760	
1260	Due from other funds	465,086	4,802	
1290	Other receivables	122,357	1,235	55,877
1300	Inventories, at cost	507,514		
1410	Prepaid expenses	20,371		
1000	**Total Assets**	$ 81,969,940	$ 3,633,140	$ 17,977,209
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	$ 624,776	$ 21,298	$ 2,650,292
2140	Interest payable		42,875	
2150	Payroll deduction and withholdings payable	97,205		
2160	Accrued wages payable	4,888,918		
2170	Due to other funds	13,981		
2180	Payable to other governments	466,093	895,785	
2190	Due to student and employee groups	773		
2200	Accrued expenses	685,634		
2300	Deferred revenues	2,920,680	696,051	
2000	**Total Liabilities**	9,698,060	1,656,009	2,650,292
	Fund Balances:			
	Non-spendable:			
3410	Non-spenable - inventories	507,514		
3430	Non-spenable - prepaid items	20,371		
	Restricted:			
3450	Restricted - grant funds			
3470	Restricted - capital acquisitions and obligations			15,326,917
3480	Restricted - debt service		1,977,131	
	Committed:			
3525	Committed - retirement of loans/notes payable	2,000,000		
3530	Committed - capital expenditures for equipment	3,381,720		
3540	Committed - self insurance	1,000,000		
3545	Committed - other	31,562,757		
	Unassigned:			
3600	Unassigned	33,799,518		
3000	**Total Fund Balances**	72,271,880	1,977,131	15,326,917
4000	**Total Liabilities and Fund Balances**	$ 81,969,940	$ 3,633,140	$ 17,977,209

See Notes to Financial Statements.

Exhibit C-1

Other Governmental Funds	Total Governmental Funds
$ 4,958,478	$ 99,587,141
	4,761,108
	(1,161,583)
684,747	4,859,606
7,356	477,244
147,503	326,972
84,752	592,266
101,043	121,414
$ 5,983,879	$ 109,564,168

$ 347,138	$ 3,643,504
	42,875
76	97,281
386,807	5,275,725
663,698	677,679
	1,361,878
	773
	685,634
	3,616,731
1,397,719	15,402,080

84,752	592,266
101,043	121,414
2,666,833	2,666,833
	15,326,917
	1,977,131
	2,000,000
	3,381,720
	1,000,000
1,733,532	33,296,289
	33,799,518
4,586,160	94,162,088
$ 5,983,879	$ 109,564,168

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ALVIN INDEPENDENT SCHOOL DISTRICT ***Exhibit C-2***

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS

August 31, 2012

Data Control Codes		
	Total fund balance, governmental funds	$ 94,162,088
	Amounts reported for governmental *activities* in the statement of net assets (A-1) are different because:	
	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
1	Capital assets at historical cost, net of accumulated depreciation, where applicable	312,328,717
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	3,599,525
3	Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds.	2,274,358
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
4	General obligation bonds	(311,065,000)
5	Premiums on issuance	(10,042,305)
6	Deferred loss on refunding	7,084,337
7	Accreted interest on premium compound interest bonds	(2,171,711)
8	Maintenance tax notes payable	(3,440,000)
9	Accrued compensated absences	(1,216,413)
10	Accrued interest payable	(568,250)
11	Addition of Internal Service fund net assets	9,248,401
19	**Total net assets - governmental activities**	$ 100,193,747

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, 2012

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
	Revenues			
5700	Local, intermediate, and out-of-state	$ 53,840,424	$ 15,365,538	$ 50,333
5800	State program revenues	92,433,071	7,220,251	
5900	Federal program revenues	2,667,891	506,072	
5020	**Total revenues**	148,941,386	23,091,861	50,333
	Expenditures			
	Current:			
0011	Instruction	74,565,889		1,070,832
0012	Instruction resources and media services	2,262,685		180,670
0013	Curriculum and instructional staff development	715,841		
0021	Instructional leadership	1,992,838		
0023	School leadership	7,553,330		133,355
0031	Guidance, counseling and evaluation services	2,994,023		18,556
0033	Health services	1,201,590		14,698
0034	Student transportation	6,530,831		962,770
0035	Food services	17,072		54,964
0036	Extracurricular activities	2,828,346		152,998
0041	General administration	5,657,048		32,283
0051	Plant maintenance and operations	11,173,536		318,358
0052	Security and monitoring services	1,516,830		8,897
0053	Data processing services	3,667,815		568,897
0061	Community services	287,528		
	Debt service:			
0071	Principal on long-term debt	495,000	8,905,000	
0072	Interest on long-term debt	147,445	13,686,962	
0073	Bond issuance costs and fees		399,557	8,527
	Capital outlay:			
0081	Facilities acquisition and construction	1,105		23,887,132
	Intergovernmental:			
0093	Payments related to shared services arrangements	2,996,745		
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	30,800		
0097	Payments to tax increment fund	5,704,702	933,493	
6030	**Total Expenditures:**	132,340,999	23,925,012	27,412,937
1100	Excess (deficiency) of revenues over expenditures	16,600,387	(833,151)	(27,362,604)
	Other Financing Sources (Uses):			
7901	Refunding bonds issued		37,380,000	
7912	Sale of real or personal property	32,037		
7915	Transfers in			
7916	Premium or discount on issuance of bonds		5,981,015	
8911	Transfers out			
8949	Payment to Bond Refunding Escrow Agent		(43,733,678)	
7080	**Total other financing sources and uses**	32,037	(372,663)	
1200	Net change in fund balances	16,632,424	(1,205,814)	(27,362,604)
0100	**Fund Balance - September 1 (Beginning)**	55,639,456	3,182,945	42,689,521
3000	**Fund Balance - August 31 (Ending)**	$ 72,271,880	$ 1,977,131	$ 15,326,917

See Notes to the Financial Statements.

Exhibit C-3

Other Governmental Funds	Total Governmental Funds
$ 5,387,222	$ 74,643,517
1,045,491	100,698,813
13,582,992	16,756,955
20,015,705	192,099,285
7,937,261	83,573,982
209,815	2,653,170
254,933	970,774
147,290	2,140,128
39,167	7,725,852
1,561,907	4,574,486
8,309	1,224,597
187,150	7,680,751
8,498,888	8,570,924
519,227	3,500,571
49,134	5,738,465
	11,491,894
12,287	1,538,014
79,385	4,316,097
8,804	296,332
	9,400,000
	13,834,407
	408,084
	23,888,237
	2,996,745
	30,800
	6,638,195
19,513,557	203,192,505
502,148	(11,093,220)
	37,380,000
	32,037
3,086	3,086
	5,981,015
(3,086)	(3,086)
	(43,733,678)
	(340,626)
502,148	(11,433,846)
4,084,012	105,595,934
$ 4,586,160	$ 94,162,088

ALVIN INDEPENDENT SCHOOL DISTRICT *Exhibit C-4*

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

For the Year Ended August 31, 2012

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	$ (11,433,846)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	16,357,574
2	Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain 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.	(83,926)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(570,292)
4	Premium from the issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statement, proceeds are treated as increase in long-term liabilities	(5,981,015)
5	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	9,400,000
6	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	(37,380,000)
7	Payment to escrow agent for payment of refunded bonds	43,733,678
8	Bond issuance costs paid during the current year will be amortized over the life of the bonds.	407,337
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
9	Increase in long-term portion of accrued compensated absences	(128,410)
10	Accreted interest on capital appreciation bonds and amortization of bond premiums, discounts and issuance costs	(19,792)
11	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).	(1,456,850)
	Change in net assets of governmental activities (see B-1)	$ 12,844,458

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT ***Exhibit D-1***

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

August 31, 2012

Data Control Codes		Governmental Activities - Internal Service Funds
	Assets	
	Current Assets:	
1110-75	Cash and cash equivalents	$ 11,726,219
	Receivables:	
1260	Due from other funds	435
1290	Other receivables	45,206
1300	Inventories, at cost	21,724
1410	Deferred expenses	62,274
	Total Current Assets	11,855,858
	Non-current Assets:	
	Land, Buildings and Equipment:	
1540	Furniture and equipment	82,160
1573	Accumulated depreciation - Equipment	(41,590)
	Total Non-current Assets	40,570
1000	**Total Assets**	11,896,428
	Liabilities and Net Assets	
	Current Liabilities:	
2110	Accounts payable	499,014
2160	Accrued wages payable	4,810
2180	Payable to other governments	221,789
2200	Accrued expenses	1,922,414
	Total Current Liabilities	2,648,027
2000	**Total Liabilities**	2,648,027
	Net Assets:	
3200	Investments in capital assets, net of debt	40,570
3900	Unrestricted net assets	9,207,831
3000	**Total Net Assets**	$ 9,248,401

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT *Exhibit D-2*

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended August 31, 2012

Data Control Codes		Governmental Activities - Internal Service Funds
	Operating Revenues	
5749	Miscellaneous revenue from local sources	$ 104,677
5754	Interfund services provided and used	15,139,226
5020	**Total Operating Revenues**	15,243,903
	Operating Expenses	
6100	Payroll costs	120,618
6200	Purchased and contracted services	100,999
6300	Supplies and materials	63,291
6400	Claims expense and other operating expenses	16,424,010
6449	Depreciation	6,872
6030	**Total Operating Expenses**	16,715,790
1200	**Operating Income (Loss)**	(1,471,887)
	Non-Operating Revenues (Expenses)	
7020	Investment earnings	15,037
	Total Non-operating Revenues (Expenses)	15,037
	Income (Loss) before Transfers	(1,456,850)
	Transfers	
7915	Transfers in	500,000
8911	Transfers out	(500,000)
	Total Transfer	
1200	Change in Net Assets	(1,456,850)
0100	**Net Assets - September 1 (Beginning)**	10,705,251
3300	**Net Assets - August 31 (Ending)**	$ 9,248,401

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT *Exhibit D-3*

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended August 31, 2012

	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:	
Cash receipts from customers and with other funds	$ 15,235,486
Cash payments to suppliers for goods and services	(16,104,996)
Cash payments to employees	(111,747)
Net Cash Provided by (Used for) Operating Activities	(981,257)
Cash Flows from Non-Capital Financing Activities:	
Advances from other funds	500,000
Advances to other funds	(500,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(10,780)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(10,780)
Cash Flows from Investing Activities:	
Interest on investments	32,662
Net Cash Provided by Investing Activities	32,662
Net Increase in Cash and Cash Equivalents	(959,375)
Cash and Cash Equivalents at Beginning of Year	12,685,594
Cash and Cash Equivalents at End of Year	$ 11,726,219
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (1,471,887)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	6,872
Change in Assets and Liabilities:	
Decrease (increase) in Receivables	(7,982)
Decrease (increase) in Interfund Receivables	(435)
Decrease (increase) in Inventories	(3,011)
Decrease (increase) in Other Assets	(6,224)
Increase (decrease) in Accounts Payable	22,861
Increase (decrease) in Accrued Wages Payable	3,328
Increase (decrease) in Interfund Payables	(4,661)
Increase (decrease) in Payables to Other Governments	121,215
Increase (decrease) in Accrued Expenses	358,667
Net Cash Provided by (Used for) Operating Activities	$ (981,257)

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT ***Exhibit E-1***

STATEMENT OF FIDUCIARY NET ASSETS

August 31, 2012

Data Control Codes		810 Scholarship Fund	865 Student Activity Fund	Total
	Assets			
1110	Cash and cash equivalents	$	$ 323,050	$ 323,050
	Receivables:			
1260	Due from other funds		200,000	200,000
1410	Deferred expenses		2,636	2,636
	Total Assets		$ 525,686	$ 525,686
	Liabilities			
2110	Accounts payable		$ 48,877	$ 48,877
2190	Due to others		476,809	476,809
2000	**Total Liabilities**		$ 525,686	$ 525,686
	Net Assets			
3590	Reserved - other	$		$

See Notes to the Financial Statements.

ALVIN INDEPENDENT SCHOOL DISTRICT ***Exhibit E-2***

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended August 31, 2012

	810 Scholarship Fund
Additions	
Earnings on investments	$ 40
Total additions	40
Deductions	
Scholarships awarded	500
Other	55,494
Total deductions	55,994
Change in net assets	(55,954)
Net assets beginning of year	55,954
Net assets end of year	$

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, 2012. 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:

Assets	Years
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.

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, 2012, are shown below:

	Cash and Deposits	External Investment Pools	Commerical Paper	Total
Governmental Funds				
General Fund	$ 6,612,408	$ 61,772,026	$ 6,025,605	$ 74,410,039
Debt Service Fund	725,995	1,571,297		2,297,292
Capital Projects Fund	448,650	13,476,256	3,996,426	17,921,332
Non-major Funds	1,370,118	3,588,360		4,958,478
	9,157,171	80,407,939	10,022,031	99,587,141
Internal Service Funds	1,990,664	9,735,555		11,726,219
Total Government Wide Statements	11,147,835	90,143,494	10,022,031	111,313,360
Fiduciary Funds	323,050			323,050
Total Cash and Investments	$ 11,470,885	$ 90,143,494	$ 10,022,031	$ 111,636,410

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 2012, 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:

	Fair Market Value	Weighted Average Maturity (Days)	S & P Credit Quality Ratings
Investment Type			
Local Government Investment Pools:			
Lone Star	$ 375,157	46	AAA
Texas CLASS	21,913,160	42	AAAm
TEXAS Daily	27,983,290	57	AAAm
TEXAS Term	35,800,000	59	AAAf
TexPool	4,071,887	40	AAAm
Total	90,143,494		
Investment Securities:			
Commercial Paper:			
GE Capital Corporation PFM	1,998,878	49	A-1+
Bank of Tokyo Mitsubitsi PFM	1,997,548	51	A-1
Barclays US Funding LLC	1,999,060	26	A-1
Barclays US Funding LLC	2,495,125	37	A-1
HSCB USA Inc.	1,531,420	86	A-1
Total	10,022,031		
Total Investments	$ 100,165,525		

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.

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, 2012 the District's exposure to interest rate risk as measured by the maturities by investment type is summarized below:

	Fair Market Value	Less than 1 Year
Local Government Investment Pools	$ 90,143,494	$ 90,143,494
Commercial Paper	10,022,031	10,022,031
	$ 100,165,525	$100,165,525

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, 2012 consisted of the following:

	Fair Market Value	Percentage of Portfolio
Investment Type		
Local Government Investment Pools:		
Texas CLASS	$ 21,913,160	21.88%
TEXAS Daily	$ 27,983,290	27.94%
TEXAS Term	$ 35,800,000	35.74%
Investment Securities:		
Commerical Paper	$ 10,022,031	10.01%

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, 2012 is included in investment income as follows:

Investment earnings	$ 317,978
Net decrease in investment values	(10,968)
Total investment earnings	$ 307,010

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:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Property Taxes	$ 3,894,157	$ 866,951	$	$	$	$ 4,761,108
Due from other governments	3,541,099	633,760		684,747		4,859,606
Other	122,357	1,235	55,877	147,503	45,206	372,178
Gross Receivables	7,557,613	1,501,946	55,877	832,250	45,206	9,992,892
Less allowance for doubtful accounts	(990,683)	(170,900)				(1,161,583)
Net Total Receivables	$ 6,566,930	$ 1,331,046	$ 55,877	$ 832,250	$ 45,206	$ 8,831,309

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:

	Unavailable	Unearned	Total
Delinquent property taxes receivable (General Fund)	$ 2,903,474	$	$ 2,903,474
Delinquent property taxes receivable (Debt Service Fund)	696,051		696,051
Advanced collection of fees (General Fund)		17,206	17,206
Grant funds received prior to meeting all eligibility requirements			
	$ 3,599,525	$ 17,206	$ 3,616,731

Note 4 - Capital Assets

The District's capital asset activity for the year ended August 31, 2012 is as follows:

	Balance August 31, 2011	Additions	Retirements and Transfers	Balance August 31, 2012
Capital assets, not being depreciated				
Land	$ 32,884,065	$ 3,044,193		$ 35,928,258
Construction in progress	14,414,955	21,558,362	(35,736,837)	236,480
Total Capital assets, not being depreciated	47,299,020	24,602,555	(35,736,837)	36,164,738
Capital assets, being depreciated				
Buildings and improvements	299,863,027	222,870	35,736,837	335,822,734
Furniture and equipment	26,991,771	2,262,125	(652,249)	28,601,647
Media center equipment	71,380	10,780		82,160
Total capital assets, being depreciated	326,926,178	2,495,775	35,084,588	364,506,541
Less accumulated depreciation for:				
Buildings and improvements	(65,406,590)	(8,245,128)		(73,651,718)
Furniture and equipment	(12,692,159)	(2,484,848)	568,323	(14,608,684)
Media center equipment	(34,718)	(6,872)		(41,590)
Total accumulated depreciation	(78,133,467)	(10,736,848)	568,323	(88,301,992)
Governmental capital assets	$ 296,091,731	$ 16,361,482	$ (83,926)	$ 312,369,287

Note 4 - Capital Assets (continued)

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

Function	Depreciation Expense
Instruction	$ 4,989,358
Instructional resources and media services	198,268
School leadership	126,793
Guidance, counseling and evaluation services	58,321
Health services	15,103
Student transportation	1,298,613
Food Services	515,913
Extracurricular activities	1,683,722
General administration	97,089
Plant maintenance and operations	1,092,614
Security and monitoring services	114,964
Data processing services	508,115
Community services	37,975
	$ 10,736,848

Internal service fund capital assets, net of depreciation, totaled $40,570.

Construction Commitments

The District has active construction projects as of August 31, 2012. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

Project	Approved Construction Budget	Construction in Process	Remaining Commitment
Fiber Project by Technology Interfacing Co. of Texas Inc	$ 417,936	$ 236,480	$ 181,456
	$ 417,936	$ 236,480	$ 181,456

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, 2012, is as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 465,086	$ 13,981
Debt Service Fund	4,802	
Capital Projects Fund		
Nonmajor Governmental Funds	7,356	663,698
Internal Service Funds	435	
Trust and Agency Funds	200,000	
	$ 677,679	$ 677,679

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, 2012.

Transfer Out	Transfer In	Amount
State Funded Special Revenue Fund	Federally Funded Special Revenue Fund	$ 3,086
Workers Compensation Self-Insurance	Health Insurance Fund	500,000
		$ 503,086

Transfers were made from the Workers Compensation Self-Insurance to Health Insurance Fund to assist in covering claims.

Note 6 - Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2012, was as follows:

	Balance August 31, 2011	Additions	Retirements	Balance August 31, 2012	Due Within One Year
General obligation bonds	$ 321,350,000	$ 37,380,000	$ (47,665,000)	$ 311,065,000	$ 6,445,000
Less deferred amounts:					
For issuance premiums/discounts	5,677,771	5,981,015	(1,616,481)	10,042,305	
Gain or loss on refunding bonds	(3,379,636)	(4,057,093)	352,392	(7,084,337)	
Accreted interest on premium compound interest bonds	2,176,584	75,127	(80,000)	2,171,711	2,171,711
Maintenance tax notes	3,935,000		(495,000)	3,440,000	515,000
Accrued compensated absences	1,095,987	252,480	(124,644)	1,223,823	113,804
	$ 330,855,706	$ 39,631,529	$ (49,628,733)	$ 320,858,502	$ 9,245,515

In July 2012, the District issued $37,380,000 of Unlimited Tax Refunding Bonds, Series 2012. The bonds interest rates range from 3.00% to 5.00%. The securities received from the refunding were deposited into an irrevocable trust with an escrow agent to provide for future debt service payment on $38,760,000 of refunded bonds. As a result, the refundable bonds are considered to be defeased and the related liability for the bonds has been removed from the District's liabilities.

The reacquisition price exceeded the net carrying amount of the old debt by $4,057,093. This amount is netted against the new debt and amortized over the remaining life of the new debt, which was equal and or shorter than the refunded debt. The refunding was undertaken to reduce total debt service payments and the District achieved a cash flow difference and an economic gain of $2,068,463.

Direct payment Build America Bonds provide a direct reimbursement of 35 percent of the interest paid on the bonds. The District received reimbursement totaling $506,072 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:

Issue	Original issuance amount	Interest Rate (%)	Maturity Date	Debt Outstanding
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 2004A	34,100,000	3.25% to 5.25%	2027	7,460,000
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	26,165,000
Unlimited Tax School Building Bonds, Series 2006	71,990,000	4.00% to 5.50%	2033	67,440,000
Unlimited Tax School Building and Refunding Bonds, Series 2007	85,935,000	4.00% to 5.00%	2033	82,610,000
Unlimited Tax Refunding Bonds, Series 2010	22,195,000	2.00% to 4.00%	2025	22,100,000
Unlimited Tax Schoolhouse Bonds, Series 2010A	11,330,000	3.00% to 5.00%	2020	9,330,000
Unlimited Tax Schoolhouse Bonds, Taxable Series 2010B	29,500,000	3.78% to 5.09%	2035	29,500,000
Unlimited Tax Refunding Bonds, Series 2012	37,380,000	3.00% to 5.00%	2027	37,380,000
				$ 311,065,000

Note 6 - Long-term Liabilities (continued)

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

Year Ending August 31,	Principal	Interest	Totals
2013	$ 6,445,000	$ 13,304,133	$ 19,749,133
2014	9,280,000	12,955,095	22,235,095
2015	10,455,000	12,536,326	22,991,326
2016	10,980,000	12,086,477	23,066,477
2017	11,460,000	11,609,465	23,069,465
2018	11,975,000	11,093,708	23,068,708
2019	12,500,000	10,569,295	23,069,295
2020	13,035,000	10,036,798	23,071,798
2021	13,590,000	9,478,066	23,068,066
2022	14,170,000	8,897,918	23,067,918
2023	14,785,000	8,284,516	23,069,516
2024	15,445,000	7,623,672	23,068,672
2025	16,155,000	6,911,366	23,066,366
2026	16,915,000	6,152,420	23,067,420
2027	17,630,000	5,438,190	23,068,190
2028	18,400,000	4,695,332	23,095,332
2029	19,250,000	3,844,763	23,094,763
2030	20,120,000	2,977,253	23,097,253
2031	16,930,000	2,171,036	19,101,036
2032	17,685,000	1,417,383	19,102,383
2033	18,495,000	608,382	19,103,382
2034	2,635,000	139,173	2,774,173
2035	2,730,000	46,936	2,776,936
	$ 311,065,000	$ 162,877,702	$ 473,942,702

Accreted Interest on Premium Compound Interest Bonds

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

Series	Accreted Value	Principal	Accreted Interest	Maturity Value	Maturity Dates
2007	$ 1,494,439	$ 270,000	$ 1,224,439	$ 1,525,000	2013
2010	997,272	50,000	947,272	1,005,000	2013
	$ 2,491,711	$ 320,000	$ 2,171,711	$ 2,530,000	

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:

Notes and Contractual Obligations	Original issuance amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Maintenance Tax Notes, Series 2003	$ 7,200,000	3.96%	2018	$ 3,440,000
				$ 3,440,000

Annual requirements to amortize the Maintenance Tax Notes and Contractual Obligations outstanding as of August 31, 2012, follow:

Year Ending August 31,	Principal	Interest	Totals
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
	$ 3,440,000	$ 429,800	$ 3,869,800

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, 2012, the amount of defeased debt outstanding amount to $55,945,000.

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:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Property Taxes	$ 52,715,984	$ 15,346,927	$	$	$ 68,062,911
Investment Income	214,866	18,611	50,333	8,163	291,973
Co-curricular student activities	257,361			1,753,852	2,011,213
Food Sales				3,143,309	3,143,309
Other	652,213			481,898	1,134,111
	$ 53,840,424	$ 15,365,538	$ 50,333	$ 5,387,222	$ 74,643,517

Note 8 - General Fund Federal Program Revenues

A summary of federal program revenues received in the general fund for the year ended August 31, 2012, follows:

Program or Source	CFDA Number	Amount
Indirect Costs:		
Title I, Part A	84.010A	$ 39,933
Title I, Part D, Subpart 2	84.010A	1,485
IDEA-B Formula	84.027A	63,517
IDEA-B Preschool	84.173A	1,020
Career and Technical Basic Grant	84.048A	2,737
ESEA Title II, Part A	84.367A	7,628
Title III, Part A LEP	84.365A	5,419
Fuel Reimbursement	N/A	337,197
ROTC	12.000	35,858
Medicaid Administrative Claims (MAC)	93.778	20,724
School Health and Related Service Program	N/A	2,152,373
		$ 2,667,891

Note 9 - Defined Benefit Pension Plan

Plan Description

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

Funding Policy

State law provides a state contribution rate of 6.00% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. For 2012, 2011 and 2010 a member contribution rate of 6.4%. In certain instances, the reporting district is required to make all or a portion of the 6.00% and 6.644% contribution for fiscal years 2012, 2011 and 2010 respectively. 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 2010, 2011 and 2012 are as follows (stated in $ millions):

	Contributions Required and Made				Annual Covered
Fiscal Year	State	District	Employees	Totals	Payroll
2010	$ 5.720	$ 0.384	$ 5.954	$ 12.058	$ 93.025
2011	5.967	0.420	6.152	12.539	96.126
2012	5.307	0.339	6.013	11.659	99.946

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

Note 10 - Retiree Health Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The state of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing percentage of payroll set at 0.55% for the fiscal year 2012, 2011 and 2010. Per Texas Insurance Code 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0 percent.

Contributions made by the State, District and Employees for the years 2010, 2011 and 2012, are as follows (stated in $ millions):

	Contributions Required and Made				Annual Covered
Fiscal Year	**State**	**District**	**Employees**	**Totals**	**Payroll**
2010	$ 0.886	$ 0.556	$ 0.597	$ 2.039	$ 93.025
2011	0.909	0.581	0.625	2.115	96.126
2012	0.895	0.561	0.611	2.067	99.946

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, 2012, 2011 and 2010, the subsidy payments received by TRS-Care on behalf of the District were $208,342, $222,817, and $239,424 respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 10 - Retiree Health Plan (continued)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55–64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55–64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. These funds will be allocated to reporting agencies using the same basis as the Medicare Part D – On Behalf Payments (GASB 24) reporting that is done each year. Reporting Entities should report this allocation on their annual financial statements much like on behalf payments. The subsidy payment received by TRS-Care on behalf of the District is $230,342 for 2012.

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, 2012, 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 $7,078,189. Estimates of claims payable and of claims incurred but not reported at August 31, 2012, 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, 2012. 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 2010, 2011 and 2012, is as follows:

Note 11 - Risk Management (continued)

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2010	$ 778,194	$ 14,027,435	$ 13,934,252	$ 871,377
2011	871,377	15,671,952	15,597,156	946,173
2012	946,173	15,843,832	15,486,005	1,304,000

Workers' Compensation

During the year ended August 31, 2012, employees of the District were covered by a self-funded workers' compensation insurance plan (the "Plan"). The District contributes to the plan based upon established salary rates. Contributions were paid to a District Internal Service Fund. The third party administrator acts on behalf of the District to administer claims filed against the self-funded pool. The plan was authorized under the rules of the Texas Insurance Code and was documented by contractual agreement. This contract between the District and the third party administrator is renewable annually and terms of coverage and premium costs are included in the contractual provision. In accordance with state statute, the school district was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Safety National Casualty Corp., a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-Loss coverage was in effect for specific claims exceeding $250,000 and for aggregate loss exceeding $1,000,000.

Analysis of claims liability, for the fiscal year 2010, 2011 and 2012, is as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2010	$ 560,449	$ 568,700	$ 568,700	$ 560,449
2011	560,449	681,562	625,517	616,494
2012	616,494	477,845	483,335	611,004

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

Note 12 - Compensated Absences (continued)

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

Reimbursement at Retirement

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

Compensated Leave

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

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

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

During the year ended August 31, 2012, the District accrued a total of $252,480 and paid out $124,644. The total ending amount of unpaid compensated balances at August 31, 2012, is $1,223,823.

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 $2,996,745 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 $30,800 to place students in a JJAEP in the fiscal year 2011-2012.

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, 2012, 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, 2012, for all governmental types follows:

	General Fund	Other Governmental Funds
Committed Fund Balance		
Committed - for future TIRZ payments	$ 2,000,000	$
Committed - capital expenditures for equipment		
Capital request	3,381,720	
Committed - self insurance	1,000,000	
Committed - other (catastrophic contingency)	31,562,757	
Committed - other (campus activity funds)		1,733,532
Total Committed	$ 37,944,477	$ 1,733,532

Note 19 - Deficit Fund Equity

The Health Insurance Fund, an internal service fund had a deficit net assets balance of $1,266,918 as of August 31, 2012. The deficit is due to higher claims experience than premiums charged during the year. The District is actively reviewing its operations and premium rates charges for health insurance. The District anticipates covering deficit amounts by other resources including worker compensation funds.

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REQUIRED SUPPLEMENTARY INFORMATION

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ALVIN INDEPENDENT SCHOOL DISTRICT *Exhibit G-1*

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2012

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Revenues				
5700	Local revenues	57,601,699	$ 56,654,109	$ 53,840,424	$ (2,813,685)
5800	State program revenues	71,462,609	80,094,317	92,433,071	12,338,754
5900	Federal program revenues	350,000	2,447,590	2,667,891	220,301
5020	**Total revenues**	129,414,308	139,196,016	148,941,386	9,745,370
	Expenditures				
	Current:				
0011	Instruction	77,913,575	73,694,844	74,565,889	(871,045)
0012	Instruction resources and media services	2,397,467	2,377,542	2,262,685	114,857
0013	Curriculum and instructional staff development	1,020,902	930,558	715,841	214,717
0021	Instructional leadership	1,421,935	2,003,320	1,992,838	10,482
0023	School leadership	6,082,431	7,594,386	7,553,330	41,056
0031	Guidance, counseling and evaluation services	2,643,882	3,010,142	2,994,023	16,119
0033	Health services	1,308,829	1,320,040	1,201,590	118,450
0034	Student transportation	7,025,785	7,015,784	6,530,831	484,953
0035	Food services		100,000	17,072	82,928
0036	Extracurricular activities	2,812,253	3,193,367	2,828,346	365,021
0041	General administration	6,282,091	5,768,891	5,657,048	111,843
0051	Plant maintenance and operations	12,117,023	12,019,022	11,173,536	845,486
0052	Security and monitoring services	1,433,226	1,683,223	1,516,830	166,393
0053	Data processing services	2,266,878	4,003,646	3,667,815	335,831
0061	Community services	235,809	289,704	287,528	2,176
	Debt Service:				
0071	Principal on long-term debt	495,000	495,000	495,000	
0171	Interest on long-term debt	96,700	166,700	147,445	19,255
	Capital outlay:				
0081	Facilities acquisition and construction		66,105	1,105	65,000
	Intergovernmental:				
0093	Payments related to shared services arrangements	4,752,922	3,702,922	2,996,745	706,177
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	144,054	184,335	30,800	153,535
0097	Payments to tax increment fund	3,339,043	5,839,043	5,704,702	134,341
6030	**Total Expenditures**	133,789,805	135,458,574	132,340,999	3,117,575
1100	Excess (deficiency) of revenues over expenditures	(4,375,497)	3,737,442	16,600,387	12,862,945
	Other Financing Sources (Uses):				
7912	Sale of real and personal property			32,037	32,037
7080	**Total other financing sources and uses**			32,037	32,037
1200	Net change in fund balances	(4,375,497)	3,737,442	16,632,424	12,894,982
100	**Fund balances - beginning**	55,639,456	55,639,456	55,639,456	
3000	**Fund balances - ending**	$ 51,263,959	$ 59,376,898	$ 72,271,880	$ 12,894,982

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, 2012.

During the year ended August 31, 2011 function 11 expenditures exceeded budgeted appropriations in the General Fund by $871,045. In the Debt Service Fund, functions 72 and 97 expenditures exceeded budgeted appropriations by $166,655 and $7,734.

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, 2011. 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 $3,128,201 for the General Fund.

OTHER SUPPLEMENTARY INFORMATION

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2012

Data Control Codes		211 ESEA Title I Part A	215 ESEA, Title I Part D	224 IDEA B Formula
	Assets			
1110	Cash and temporary investments	$	$	$
	Receivables:			
1240	Receivables from other governments	206,750	7,439	185,180
1260	Due from other funds	6,731		250
1290	Other receivables			
1310	Inventories, at cost			
1410	Prepaid expenses			
1000	**Total Assets**	$ 213,481	$ 7,439	$ 185,430
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$ 58,215	$ 130	$ 6,338
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable	41,583		85,166
2170	Due to other funds	113,683	7,309	93,926
2000	**Total Liabilities**	213,481	7,439	185,430
	Fund Balance:			
	Non-spendable:			
3410	Non-spendable - inventories			
3430	Non-spendable - prepaid items			
	Restricted:			
3450	Restricted - grant funds			
	Committed:			
3545	Committed - other			
3000	**Total Fund Balances**			
4000	**Total Liabilities and Fund Balance**	$ 213,481	$ 7,439	$ 185,430

225	240	244	255	263	282	287
IDEA B Preschool	**National School Lunch and Breakfast Program**	**Career and Technical - Basic**	**ESEA Title II, Part A**	**Title III Part A - LEP**	**Propane Fleet Pilot Program - ARRA**	**Education Jobs Fund**
$	$ 2,713,727	$	$	$	$	$
6,139	146,193	3,847	64,461	48,188		
	375					
	85					
	84,752					
$ 6,139	$ 2,945,132	$ 3,847	$ 64,461	$ 48,188	$	$
$	$ 263,387	$	$	$ 1,795	$	$
	226,140	2,673	6,762			
6,139	2,641	1,174	57,699	46,393		
6,139	492,168	3,847	64,461	48,188		
	84,752					
	2,368,212					
	2,452,964					
$ 6,139	$ 2,945,132	$ 3,847	$ 64,461	$ 48,188	$	$

ALVIN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2012

Data Control Codes		289 Federally Funded Special Revenue Funds	385 State Supplemental Visually Impaired	392 Noneducational Community Based Support
	Assets			
1110	Cash and temporary investments	$ 23,830	$	$
	Receivables:			
1240	Receivables from other governments	1,550		
1260	Due from other funds			
1290	Other receivables			7,960
1310	Inventories, at cost			
1410	Prepaid expenses			
1000	**Total Assets**	$ 25,380	$	$ 7,960
	Liabilities and Fund Balances			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	$	$	$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable			
2170	Due to other funds	25,380		7,960
2000	**Total Liabilities**	25,380		7,960
	Fund Balance:			
	Non-spendable:			
3410	Non-spendable - inventories			
3430	Non-spendable - prepaid items			
	Restricted:			
3450	Restricted - grants funds			
	Committed:			
3545	Committed - other			
3000	**Total Fund Balances**			
4000	**Total Liabilities and Fund Balance**	$ 25,380	$	$ 7,960

397	403	410	411	427	429	459
Advanced Placement Incentive	**Avid College Readiness**	**State Textbook Fund**	**Technology Allotment**	**Texas Fitness Now**	**State Funded Special Revenue**	**SSA - Vision and O & M**
$ 18,079	$	$ 27,626	$ 4,233	$	$ 251,121	$
	15,000					
						93,868
$ 18,079	$ 15,000	$ 27,626	$ 4,233	$	$ 251,121	$ 93,868
$	$	$	$ 4,233	$	$	$
						24,483
	13,205					69,385
	13,205		4,233			93,868
18,079	1,795	27,626			251,121	
18,079	1,795	27,626			251,121	
$ 18,079	$ 15,000	$ 27,626	$ 4,233	$	$ 251,121	$ 93,868

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ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2012

Data Control Codes		461 Campus Activity Funds	Total Other Governmental Funds
	Assets		
1110	Cash and temporary investments	$ 1,919,862	$ 4,958,478
	Receivables:		
1240	Receivables from other governments		684,747
1260	Due from other funds		7,356
1290	Other receivables	45,590	147,503
1310	Inventories, at cost		84,752
1410	Prepaid expenses	101,043	101,043
1000	**Total Assets**	$ 2,066,495	$ 5,983,879
	Liabilities and Fund Balances		
	Liabilities:		
	Current Liabilities:		
2110	Accounts payable	$ 13,040	$ 347,138
2150	Payroll deduction and withholdings payable	76	76
2160	Accrued wages payable		386,807
2170	Due to other funds	218,804	663,698
2000	**Total Liabilities**	231,920	1,397,719
	Fund Balance:		
	Non-spendable:		
3410	Non-spendable - inventories		84,752
3430	Non-spendable - prepaid items	101,043	101,043
	Restricted:		
3450	Restricted - grants funds		2,666,833
	Committed:		
3545	Committed - other	1,733,532	1,733,532
3000	**Total Fund Balances**	1,834,575	4,586,160
4000	**Total Liabilities and Fund Balance**	$ 2,066,495	$ 5,983,879

ALVIN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended August 31, 2012

		211	215	224
Data Control Codes		**ESEA Title I Part A**	**ESEA, Title I Part D**	**IDEA B Formula**
	Revenues			
5700	Local, intermediate, and out-of-state	$	$	$
5800	State program revenues			
5900	Federal program revenues	1,691,830	63,278	2,697,320
5020	**Total Revenues**	1,691,830	63,278	2,697,320
	Expenditures			
	Current:			
0011	Instruction	1,499,654	30,334	1,145,363
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	45,780	17,372	37,499
0021	Instructional leadership	122,326	6,644	5,902
0023	School leadership	19,078		2,230
0031	Guidance, counseling and evaluation services	50		1,506,326
0033	Health services	4,942		
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0052	Security and monitoring services		8,928	
0053	Data processing services			
0061	Community services			
6030	**Total Expenditures**	1,691,830	63,278	2,697,320
1100	Excess (deficiency) of revenues over expenditures			
	Other Financing Sources (Uses)			
7915	Transfers in			
8911	Transfers out			
7080	**Total other financing sources and uses**			
1200	Net change in fund balances			
0100	**Fund balance - September 1 (beginning)**			
3000	**Fund balance - August 31 (ending)**	$	$	$

225	240	244	255	263	282	287
IDEA B Preschool	**National School Lunch and Breakfast Program**	**Career and Technical - Basic**	**ESEA Title II, Part A**	**Title III Part A - LEP**	**Propane Fleet Pilot Program - ARRA**	**Education Jobs Fund**
$	$ 3,194,992	$	$	$	$	$
	307,030					
43,475	5,443,064	124,586	320,828	231,056	88,190	2,857,071
43,475	8,945,086	124,586	320,828	231,056	88,190	2,857,071
43,265		79,491	199,881	147,571		2,857,071
210		2,274	45,293	83,485		
			11,278			
			15,312			
		42,821	8,010			
					88,190	
	8,496,935					
			41,054			
43,475	8,496,935	124,586	320,828	231,056	88,190	2,857,071
	448,151					
	448,151					
	2,004,813					
$	$ 2,452,964	$	$	$	$	$

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2012

Data Control Codes		289 Federally Funded Special Revenue Funds	385 State Supplemental Visually Impaired	392 Noneducational Community Based Support
	Revenues			
5700	Local, intermediate, and out-of-state	$	$	$
5800	State program revenues		20,000	8,804
5900	Federal program revenues	22,294		
5020	**Total Revenues**	22,294	20,000	8,804
	Expenditures			
	Current:			
0011	Instruction	23,830	20,000	
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development			
0021	Instructional leadership			
0023	School leadership			
0031	Guidance, counseling and evaluation services			
0033	Health services			
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0052	Security and monitoring services	1,550		
0053	Data processing services			
0061	Community services			8,804
6030	**Total Expenditures**	25,380	20,000	8,804
1100	Excess (deficiency) of revenues over expenditures	(3,086)		
	Other Financing Sources (Uses)			
7915	Transfers in	3,086		
8911	Transfers out			
7080	**Total other financing sources and uses**	3,086		
1200	Net change in fund balances			
0100	**Fund balance - September 1 (beginning)**			
3000	**Fund balance - August 31 (ending)**	$	$	$

397	403	410	411	427	429	459
Advanced Placement Incentive	**Avid College Readiness**	**State Textbook Fund**	**Technology Allotment**	**Texas Fitness Now**	**State Funded Special Revenue**	**SSA - Vision and O & M**
$	$	$	$	$	$	$ 433,337
6,321	127,309	471,644	5,368	98,960	55	
6,321	127,309	471,644	5,368	98,960	55	433,337
	112,718	444,018	41,655			432,260
					99	
8,307	8,503					1,077
	3,056					
	1,237					
				98,960		
			79,385			
8,307	125,514	444,018	121,040	98,960	99	433,337
(1,986)	1,795	27,626	(115,672)		(44)	
					(3,086)	
					(3,086)	
(1,986)	1,795	27,626	(115,672)		(3,130)	
20,065			115,672		254,251	
$ 18,079	$ 1,795	$ 27,626	$	$	$ 251,121	$

Data Control Codes		461 Campus Activity Funds	Total Other Governmental Funds
	Revenues		
5700	Local, intermediate, and out-of-state	$ 1,758,893	$ 5,387,222
5800	State program revenues		1,045,491
5900	Federal program revenues		13,582,992
5020	**Total Revenues**	1,758,893	20,015,705
	Expenditures		
	Current:		
0011	Instruction	860,150	7,937,261
0012	Instruction resources and media services	209,716	209,815
0013	Curriculum and instructional staff development	5,133	254,933
0021	Instructional leadership	1,140	147,290
0023	School leadership	(509)	39,167
0031	Guidance, counseling and evaluation services	3,463	1,561,907
0033	Health services	3,367	8,309
0034	Student transportation		187,150
0035	Food service	1,953	8,498,888
0036	Extracurricular activities	519,227	519,227
0041	General administration	8,080	49,134
0052	Security and monitoring services	1,809	12,287
0053	Data processing services		79,385
0061	Community services		8,804
6030	**Total Expenditures**	1,613,529	19,513,557
1100	Excess (deficiency) of revenues over expenditures	145,364	502,148
	Other Financing Sources (Uses)		
7915	Transfers in		3,086
8911	Transfers out		(3,086)
7080	**Total other financing sources and uses**		
1200	Net change in fund balances	145,364	502,148
0100	**Fund balance - September 1 (beginning)**	1,689,211	4,084,012
3000	**Fund balance - August 31 (ending)**	$ 1,834,575	$ 4,586,160

INTERNAL SERVICE FUNDS

ALVIN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

August 31, 2012

Data Control Codes		752 Print Shop	753 Health Insurance	773 Workers' Comp Self-Insurance
	Assets			
	Current Assets:			
1110	Cash and cash equivalents	$ 200,188	$ 439,314	$ 6,066,853
	Receivables:			
1260	Due from other funds	435		
1290	Other receivables			45,206
1300	Inventories, at cost	21,724		
1410	Deferred expenses		62,274	
	Total Current Assets	222,347	501,588	6,112,059
	Non-current Assets:			
	Capital Assets:			
1530	Furniture and equipment	82,160		
1573	Accumulated depreciation - Equipment	(41,590)		
	Total Non-current Assets	40,570		
1000	**Total Assets**	262,917	501,588	6,112,059
	Liabilities			
	Current Liabilities:			
2110	Accounts payable	3,844	242,717	252,453
2160	Accrued wages payable	4,810		
2180	Payable to other governments		221,789	
2200	Accrued expenses	7,410	1,304,000	611,004
	Total current liabilities	16,064	1,768,506	863,457
2000	**Total Liabilities**	16,064	1,768,506	863,457
	Net Assets			
3200	Investments in capital assets	40,570		
3300	Unrestricted net assets	206,283	(1,266,918)	5,248,602
3000	**Total Net Assets**	$ 246,853	$ (1,266,918)	$ 5,248,602

Exhibit H-3

755 Property & Casualty Insurance	Total
$ 5,019,864	$ 11,726,219
	435
	45,206
	21,724
	62,274
5,019,864	11,855,858
	82,160
	(41,590)
	40,570
5,019,864	11,896,428
	499,014
	4,810
	221,789
	1,922,414
	2,648,027
	2,648,027
	40,570
5,019,864	9,207,831
$ 5,019,864	$ 9,248,401

ALVIN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

For the Year Ended August 31, 2012

Data Control Codes		752 Print Shop	753 Health Insurance	773 Workers' Comp Self-Insurance
	Operating Revenues			
5749	Miscellaneous revenue from local sources	$	$ 103,018	$ 1,659
5754	Interfund services provided and used	254,536	13,518,298	1,366,392
5020	**Total operating revenues**	254,536	13,621,316	1,368,051
	Operating Expenses			
6100	Payroll costs	109,997	10,621	
6200	Purchased and contracted services	71,536		29,463
6300	Supplies and materials	63,291		
6400	Claims expense and other operating expenses		15,973,591	450,419
6449	Depreciation	6,872		
6030	**Total Operating Expenses**	251,696	15,984,212	479,882
1200	Operating Income (Loss)	2,840	(2,362,896)	888,169
	Non-Operating Revenues (Expenses)			
7020	Investment earnings		2,690	72
	Total Nonoperating Revenues		2,690	72
	Income (Loss) before Transfers	2,840	(2,360,206)	888,241
	Transfers			
7915	Transfers in		500,000	
8911	Transfers out			(500,000)
	Total Transfers		500,000	(500,000)
1200	Change in Net Assets	2,840	(1,860,206)	388,241
0100	**Net Assets - September 1 (Beginning)**	244,013	593,288	4,860,361
3300	**Net Assets - August 31 (Ending)**	$ 246,853	$ (1,266,918)	$ 5,248,602

Exhibit H-4

755 Property & Casualty Insurance	Total
$	$ 104,677
	15,139,226
	15,243,903
	120,618
	100,999
	63,291
	16,424,010
	6,872
	16,715,790
	(1,471,887)
12,275	15,037
12,275	15,037
12,275	(1,456,850)
	500,000
	(500,000)
12,275	(1,456,850)
5,007,589	10,705,251
$ 5,019,864	$ 9,248,401

ALVIN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended August 31, 2012

	Print Shop	Health Insurance	Workers' Comp Self-Insurance
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash receipts from customers and with other funds	$ 254,101	$ 13,621,380	$ 1,360,005
Cash payments to suppliers for goods and services	(135,656)	(15,486,005)	(483,335)
Cash payments to employees	(100,666)	(11,081)	
Net Cash Provided by (Used for) Operating Activities	17,779	(1,875,706)	876,670
Cash Flows from Non-Capital Financing Activities:			
Advances from other funds		500,000	
Advances to other funds			(500,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities		500,000	(500,000)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(10,780)		
Net Cash Provided by (Used for) Capital and Related Financing Activities	(10,780)		
Cash Flows from Investing Activities:			
Interest on investments		2,690	17,697
Net Cash Provided by Investing Activities		2,690	17,697
Net Increase in Cash and Cash Equivalents	6,999	(1,373,016)	394,367
Cash and Cash Equivalents at Beginning of Year	193,189	1,812,330	5,672,486
Cash and Cash Equivalents at End of Year	$ 200,188	$ 439,314	$ 6,066,853
Reconciliation to Balance Sheet			
Cash and Cash Equivalents	$ 200,188	$ 439,314	$ 6,066,853
Cash and Cash Equivalents per Balance Sheet	$ 200,188	$ 439,314	$ 6,066,853
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ 2,840	$ (2,362,896)	$ 888,169
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	6,872		
Change in Assets and Liabilities:			
Decrease (increase) in Receivables		64	(8,046)
Decrease (increase) in Interfund Receivables	(435)		
Decrease (increase) in Inventories	(3,011)		
Decrease (increase) in Deferred Expenses		(6,224)	
Increase (decrease) in Accounts Payable	2,182	18,642	2,037
Increase (decrease) in Accrued Wages Payable	3,788	(460)	
Increase (decrease) in Interfund Payables	(787)	(3,874)	
Increase (decrease) in Payables to Other Governments		121,215	
Increase (decrease) in Accrued Expenses	6,330	357,827	(5,490)
Net Cash Provided by (Used for) Operating Activities	$ 17,779	$ (1,875,706)	$ 876,670

Exhibit H-5

Property & Casualty Insurance	Total
$	$ 15,235,486
	(16,104,996)
	(111,747)
	(981,257)
	500,000
	(500,000)
	(10,780)
	(10,780)
12,275	32,662
12,275	32,662
12,275	(959,375)
5,007,589	12,685,594
$ 5,019,864	$ 11,726,219
$ 5,019,864	$ 11,726,219
$ 5,019,864	$ 11,726,219
$	$ (1,471,887)
	6,872
	(7,982)
	(435)
	(3,011)
	(6,224)
	22,861
	3,328
	(4,661)
	121,215
	358,667
$	$ (981,257)

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REQUIRED TEA SCHEDULES

ALVIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2012

	1	2	3	10
Last Ten Fiscal Years	**Tax Rates**		**Net Assessed/Appraised Value For School Tax Purposes**	**Beginning Balance 9/1/11**
	Maintenance	**Debt Service**		
2003 and prior	Various	Various	Various	$ 433,891
2004	1.426201	0.199899	$ 1,687,419,452	113,447
2005	1.441200	0.234800	2,124,752,100	139,877
2006	1.441000	0.264800	2,482,291,828	141,069
2007	1.317700	0.228200	3,271,284,300	201,844
2008	1.040000	0.288200	3,967,086,809	216,916
2009	1.040000	0.288200	4,559,307,338	304,614
2010	1.040000	0.264100	4,805,508,857	531,954
2011	1.040000	0.264100	4,872,422,130	1,236,641
2012	1.040000	0.304100	4,995,537,162	
1000 **Totals**				$ 3,320,253

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

20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
$	$ 34,034	$ 4,598	$ (57,609)	$ 337,650
	5,452	764	(283)	106,948
	8,892	1,449	(396)	129,140
	17,551	3,225	(466)	119,827
	32,057	5,552	(25,304)	138,931
	44,424	12,311	(18,012)	142,169
	70,600	19,564	(21,202)	193,248
	190,452	48,364	(21,669)	271,469
	563,615	143,126	(47,384)	482,516
67,145,015	51,092,116	14,939,531		1,113,368
$ 67,145,015	$ 52,059,193	$ 15,178,484	$ (192,325)	3,035,266
	Penalty and interest receivable on taxes			1,725,842
	Total taxes receivable per Exhibit C-1			$ 4,761,108
$	$ 3,179,402	$ 933,493	$	$
	2,525,300			
$	$ 5,704,702	$ 933,493	$	$

ALVIN INDEPENDENT SCHOOL DISTRICT ***Exhibit J-2***

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COSTS FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
(UNAUDITED)
For the Year Ended August 31, 2012

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	$ 1,812	$	$ 260,435	$ 2,481,511	$ 1,174	$ 106,178	$ 2,851,110
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				734			734
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							
6211	Legal Services					175,677		175,677
6212	Audit Services				80,823			80,823
6213	Tax Appraisal and Collection (Appraisal district costs only from function 99)		480,339					480,339
6214	Lobbying							
621X	Other Prof. Services	7,551			2,202	24,000		33,753
6220	Tuition and Transfer Payments							
6230	Education Service Centers			500	2,105	16,310		18,915
6240	Contr. Maint. and Repair					20,112		20,112
6250	Utilities					1,829		1,829
6260	Rentals			200	6,529	674		7,403
6290	Miscellaneous Contr.				43,080	1,506		44,586
6320	Textbooks and Reading	113		831	8,967	659		10,570
6330	Testing Materials							
63XX	Other Supplies Materials			5,995	82,905	48,278		137,178
6410	Travel, Subsistence, Stipends	3,800		15,830	14,603	15,151		49,384
6420	Ins. and Bonding Costs				1,768,894			1,768,894
6430	Election Costs	11,182						11,182
6490	Miscellaneous Operating	4,539		4,503	69,726	11,013		89,781
6500	Debt Service							
6600	Capital Outlay						8,891	8,891
6000	TOTAL	$ 28,997	$ 480,339	$ 288,294	$ 4,562,079	$ 316,383	$ 115,069	$ 5,791,161

Total expenditures/expenses for General and Special Revenue Funds (plus Food Service Enterprise Fund if present)	9		$ 151,854,556
LESS: Deductions of Unallowable Costs			
Fiscal Year			
Total Capital Outlay (6600)	10	$ 1,267,622	
Total Debt & Lease (6500)	11	642,445	
Plant Maintenance (Function 51, 6100-6400)	12	11,125,623	
Food (Function 35, 6341 and 6499)	13	3,251,721	
Stipends (6413)	14	3,388,985	
Column 4 (above) - Total Indirect Cost		4,562,079	
Subtotal:			24,238,475
Net Allowed Direct Cost			$ 127,616,081

CUMULATIVE		
Total Cost of Buildings before Depreciation (1520)	15	$ 335,822,734
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	28,683,807
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 - $84,979 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 *Exhibit J-4*

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION FUND

For the Year Ended August 31, 2012

Data Control Codes		Child Nutrition Budget Original	Child Nutrition Budget Final	Child Nutrition Actual	Variance Favorable (Unfavorable)
	Revenues				
5700	Local, Intermediate, and Out-of-State	$ 3,207,200	$ 3,207,200	$ 3,194,992	$ (12,208)
5800	State Program Revenues	56,285	176,285	307,030	130,745
5900	Federal Program Revenues	6,257,690	5,275,690	5,443,064	167,374
5020	**Total Revenues**	9,521,175	8,659,175	8,945,086	285,911
	Expenditures				
	Current:				
0035	Food Services	9,538,174	9,538,174	8,496,935	1,041,239
6030	**Total Expenditures**	9,538,174	9,538,174	8,496,935	1,041,239
1100	Excess (Deficiency) Revenues Over Expenditures	(16,999)	(878,999)	448,151	1,327,150
0100	**Fund Balance - September 1 (Beginning)**	2,004,813	2,004,813	2,004,813	
3000	**Fund Balance - August 31 (Ending)**	$ 1,987,814	$ 1,125,814	$ 2,452,964	$ 1,327,150

ALVIN INDEPENDENT SCHOOL DISTRICT *Exhibit J-5*

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2012

Data Control Codes		Debt Service Fund			
		Budget			
		Original	Final	Actual	Variance Favorable (Unfavorable)
	Revenues				
5700	Local, Intermediate, and Out-of-State	$ 15,529,042	$ 15,429,042	$ 15,365,538	$ (63,504)
5800	State Program Revenues	6,759,967	6,759,967	7,220,251	460,284
5900	Federal Program Revenues		506,072	506,072	
5020	**Total Revenues**	22,289,009	22,695,081	23,091,861	396,780
	Expenditures				
	Current:				
	Debt Service:				
0071	Principal	8,905,000	8,905,000	8,905,000	
0072	Interest and Fiscal Agent Fees	13,922,160	13,919,864	14,086,519	(166,655)
	Intergovernmental:				
0097	Payments to tax increment fund	925,759	925,759	933,493	(7,734)
6030	**Total Expenditures**	23,752,919	23,750,623	23,925,012	(174,389)
1100	Excess (Deficiency) Revenues Over Expenditures	(1,463,910)	(1,055,542)	(833,151)	222,391
	Other Financing Sources (Uses):				
7901	Refunding bonds issued			37,380,000	37,380,000
7916	Premium or discount on issuance of bonds			5,981,015	5,981,015
8949	Payment to Bond Refunding Escrow Agent			(43,733,678)	(43,733,678)
7080	**Total other financing sources and uses**			(372,663)	(372,663)
1200	Increase (Decrease) in Fund Balance	(1,463,910)	(1,055,542)	(1,205,814)	(150,272)
0100	**Fund Balance - September 1 (Beginning)**	3,182,945	3,182,945	3,182,945	
3000	**Fund Balance - August 31 (Ending)**	$ 1,719,035	$ 2,127,403	$ 1,977,131	$ (150,272)

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2012. 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.

Dallas Fort Worth Houston

An Independent Member of NEXIA INTERNATIONAL

To the Board of Trustees
Alvin Independent School District

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

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.

Whitley Penn LLP

Texas City, Texas
December 7, 2012

whitleypenn

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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, 2012. 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, 2012.

Dallas Fort Worth Houston

An Independent Member of NEXIA INTERNATIONAL

To the Board of Trustees
Alvin Independent School District

Internal Control over Compliance

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

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

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

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.

Whitley Penn LLP

Texas City, Texas
December 7, 2012

ALVIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2012

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?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
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?	None

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
Title I, Part A Cluster:	
Title I, Part A - Improving Basic Programs	84.010A
Title I, Part D, Subpart 2	84.010A
Special Education Cluster:	
IDEA-B Formula	84.027A
IDEA-B Preschool	84.173A
Education Jobs Fund	84.410A
Dollar Threshold Considered Between Type A and Type B Federal Programs	$412,839
Auditee qualified as low-risk auditee?	No

II. Financial Statement Findings

None noted.

III. Federal Awards Findings and Questioned Costs

There were no federal award findings.

IV. Status of Prior Year Findings

Finding #	Corrective Action Taken
Finding #11-01 – Non-Compliance with TEA Spending Requirements	**Resolved.** Management developed procedures and implemented controls to monitoring and review TEA spending requirements.
Finding #11-02 – Non-Compliance with State Competitive Bidding Requirements	**Resolved.** Management developed procedures and implemented controls to monitoring and review state competitive bidding requirements.
Finding #11-03 – Grant Management (Tracking) System	**Resolved.** Management developed procedures and implemented controls to monitor when grants are received and expended.

V. Corrective Action Plan

Not Applicable.

ALVIN INDEPENDENT SCHOOL DISTRICT *Exhibit K-1*

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2012

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
	Passed Through State Department of Education:			
12610101020901	*Title I, Part A - Improving Basic Programs **	211	84.010A	$ 1,637,998
13610101020901	*Title I, Part A - Improving Basic Programs **	211	84.010A	93,766
12610103020901	*Title I, Part D, Subpart 2 **	215	84.010A	64,763
126600010209016000	*IDEA-B Formula ***	224	84.027A	2,672,132
136600010209016000	*IDEA-B Formula ***	224	84.027A	88,705
126610010209016000	*IDEA-B Preschool ***	225	84.173A	44,280
136610010209016000	*IDEA-B Preschool ***	225	84.173A	215
12420006020901	*Career and Technical Basic Grant*	244	84.048A	123,476
13420006020901	*Career and Technical Basic Grant*	244	84.048A	3,847
12694501020901	*ESEA Title II, Part A*	255	84.367A	287,385
13694501020901	*ESEA Title II, Part A*	255	84.367A	41,070
12671001020901	*Title III, Part A LEP*	263	84.365A	236,475
11550101020901	*Education Jobs Fund*	287	84.410A	2,857,071
69551002	*Early Childhood LEP Summer*	289	84.369A	22,294
	Total passed through State Department of Education			8,173,477
	Total U.S. Department of Education			8,173,477
	U.S. Department of Agriculture			
	Passed Through Texas Department of Agriculture:			
	Non cash assistance (commodities):			
71301201	*National School Lunch Program ****	240	10.555	161,651
	Passed Through State Department of Education:			
71301201	*National School Lunch Program ****	240	10.555	3,980,978
71401201	*School Breakfast Program ****	240	10.553	1,300,435
	Total U.S. Department of Agriculture			5,443,064
	U.S. Department of Health and Human Services			
	Direct Program:			
None	*Medicaid Administrative Claims (MAC)*	199	93.778	20,724
	U.S. Department of Defense			
	Direct Program:			
None	*ROTC*	199	12.000	35,858
	U.S. Department of Energy			
	Passed Through Railroad Commission of Texas:			
130401	*Propane Fleet Pilot Program - ARRA*	282	81.086	88,190
	Total Expenditures of Federal Awards			$ 13,761,313

* Title I, Part A Cluster

** Special Education Cluster

*** Child Nutrition Cluster

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, 2012. 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:

Total Expenditures of Federal Awards	$ 13,761,313
Add:	
School Health and Related Services Program	2,152,373
Fuel reimbursement	337,197
Build America Bonds	506,072
Reconciled Balance	$ 16,756,955
Related Expenditures on Exhibit C-3	
General Fund	$ 2,667,891
Debt service fund	506,072
Special Revenue Funds	13,582,992
	$ 16,756,955

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ALVIN INDEPENDENT SCHOOL DISTRICT	
Required Responses to Selected School First Indicators	
SCHEDULE L-1	
YEAR ENDED AUGUST 31, 2012	
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.	$2,171,711