

**PASADENA INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

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



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Texas City, Texas 77590  
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## CERTIFICATE OF THE BOARD

Pasadena Independent School District  
Name of School District

Harris  
County

101-917  
Co. - Dist. No.

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

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

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



## **Financial Section**





## Independent Auditors' Report

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Trustees  
Pasadena Independent School District  
Pasadena, Texas  
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The management's discussion and analysis and budgetary comparison information on pages 5 through 13 and pages 55 through 56, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "M. L. Larson, AC".

Houston, Texas  
January 13, 2009

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

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## **PASADENA INDEPENDENT SCHOOL DISTRICT**

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

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

#### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$369,981,630 (*net assets*). Of this amount, \$95,619,248 (*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 \$20,717,815.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$152,291,535, a decrease of \$75,230,604 in comparison with the prior year. The decrease in governmental fund balances was primarily due to the decrease in the capital projects fund of \$85,614,766.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$53,863,729, or 15 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$15,169,062 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**

The *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).

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

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, and Payments to Juvenile Justice Alternative Education Programs.

The government-wide financial statements can be found on pages 17 through 19 of this report.

**Fund Financial Statements**

A *fund* is 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**

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

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

The District maintains thirty-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 thirty-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 20 through 27 of this report.

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

**Proprietary Fund**

The District maintains an internal service fund, 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 account for its self-funded health insurance and worker's compensation funds. Because these services predominantly benefit governmental functions, 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 Employee Health Insurance and Worker's Compensation funds.

The basic proprietary fund financial statements can be found on pages 28 through 30 of this report.

**Fiduciary Fund**

The fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is *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 fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

The basic fiduciary fund financial statement can be found on page 31 of this report.

**Notes to the Financial Statements**

The notes 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 32 through 52 of this report.

**Required Supplementary Information**

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

**Other Information**

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 58 through 83 of this report.

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

**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 \$369,981,630 at the close of the most recent fiscal year.

The largest portion of the District's net assets (66 percent) reflects its investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Pasadena Independent School District's Net Assets**  
*(in 000's)*

|  | <b>Governmental Activities</b> |                       | <b>Percentage<br/>Change</b> |
|--|--------------------------------|-----------------------|------------------------------|
|  | <b>2008</b>                    | <b>2007</b>           |                              |
| Current and other assets                       | \$ 208,307,511                 | \$ 260,723,730        | -20%                         |
| Capital and non current assets                 | 670,370,502                    | 614,070,513           | 9%                           |
| <b>Total Assets</b>                            | <b>878,678,013</b>             | <b>874,794,243</b>    | 0%                           |
| Current liabilities                            | 30,191,987                     | 25,115,122            | 20%                          |
| Long term liabilities                          | 478,504,396                    | 500,415,306           | -4%                          |
| <b>Total Liabilities</b>                       | <b>508,696,383</b>             | <b>525,530,428</b>    | -3%                          |
| <b>Net Assets:</b>                             |                                |                       |                              |
| Invested in capital assets net of related debt | 244,467,631                    | 255,356,794           | -4%                          |
| Restricted                                     | 29,894,751                     | 19,874,307            | 50%                          |
| Unrestricted                                   | 95,619,248                     | 74,032,714            | 29%                          |
| <b>Total Net Assets</b>                        | <b>\$ 369,981,630</b>          | <b>\$ 349,263,815</b> | 6%                           |

Net assets (\$29,894,751) are restricted for state and federal programs, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* (\$95,619,248) may be used to meet the District's ongoing obligations to students and creditors. The District's net assets increased by \$20,717,815 during the current fiscal year primarily due to increases in local tax revenues resulting from higher than estimated property values.

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

|  | <b>Governmental Activities</b> |                       | <b>Percentage<br/>Change</b> |
|--|--------------------------------|-----------------------|------------------------------|
|  | <b>2008</b>                    | <b>2007</b>           |                              |
| <b>Program Revenues</b>  |                                |                       |                              |
| Charges for services   | \$ 9,454,187                   | \$ 9,410,829          | 0%                           |
| Operating grants   | 75,301,397                     | 71,076,908            | 6%                           |
| <b>General Revenues</b>  |                                |                       |                              |
| Property taxes   | 137,748,874                    | 144,553,222           | -5%                          |
| State aid - formula grants                                     | 240,467,119                    | 200,512,686           | 20%                          |
| Grants and contributions not restricted                        | 884,051                        | (8,874,976)           | -110%                        |
| Interest earnings  | 8,005,261                      | 11,968,918            | -33%                         |
| Other  |                                | 7,993,514             | -100%                        |
| <b>Total Revenues</b>  | <b>471,860,889</b>             | <b>436,641,101</b>    | <b>8%</b>                    |
| <b>Expenses</b>  |                                |                       |                              |
| Instruction  | 255,018,780                    | 206,105,517           | 24%                          |
| Instructional resources and media services                     | 6,986,698                      | 6,063,834             | 15%                          |
| Curriculum and staff development                               | 8,622,417                      | 6,741,512             | 28%                          |
| Instructional leadership                                       | 4,835,423                      | 6,111,570             | -21%                         |
| School leadership  | 28,232,876                     | 23,937,198            | 18%                          |
| Guidance, counseling, and evaluation services                  | 13,833,474                     | 11,909,718            | 16%                          |
| Social work services   | 231,556                        | 157,184               | 47%                          |
| Health services  | 4,170,425                      | 3,377,357             | 23%                          |
| Student transportation   | 9,913,716                      | 9,102,732             | 9%                           |
| Food service   | 23,508,375                     | 23,383,897            | 1%                           |
| Extracurricular activities                                     | 6,480,643                      | 5,944,338             | 9%                           |
| General administration   | 10,828,334                     | 8,902,371             | 22%                          |
| Plant, maintenance and operations                              | 44,512,223                     | 38,494,002            | 16%                          |
| Security and monitoring services                               | 4,025,772                      | 3,745,843             | 7%                           |
| Data processing services                                       | 4,613,734                      | 6,274,555             | -26%                         |
| Community services   | 616,887                        | 632,338               | -2%                          |
| Interest on long-term debt                                     | 20,275,039                     | 21,331,652            | -5%                          |
| Debt issuance costs and fees                                   | 468,774                        | 808,167               | -42%                         |
| Facilities acquisition and construction                        | 64,142                         | 13,756,976            | -100%                        |
| Payments to Juvenile Justice Alternative<br>Education Programs | 243,244                        | 209,865               | 16%                          |
| <b>Total Expenses</b>  | <b>447,482,532</b>             | <b>396,990,626</b>    | <b>13%</b>                   |
| Increase (Decrease) in Net Assets                              | 24,378,357                     | 39,650,475            | -39%                         |
| Beginning net assets   | 349,263,815                    | 309,613,340           | 13%                          |
| Prior period adjustments                                       | (3,660,542)                    |                       |                              |
| <b>Ending Net Assets</b>                                       | <b>\$ 369,981,630</b>          | <b>\$ 349,263,815</b> | <b>6%</b>                    |

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

**Governmental Activities**

Governmental activities increased the District's net assets by \$20,717,815. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$453,517,390. The remaining \$18,343,499 is generated from charges for services, investment earnings, and grants and contributions not allocated and miscellaneous revenues.

|                                    | <u>Total Revenues</u> | <u>% of Total Revenues</u> |
|------------------------------------|-----------------------|----------------------------|
| Property taxes                     | \$ 137,748,874        | 29%                        |
| State aid - formula grants         | 240,467,119           | 51%                        |
| Operating grants and contributions | 75,301,397            | 16%                        |
| Other revenue                      | 18,343,499            | 4%                         |
| <b>Total revenues</b>              | <u>\$ 471,860,889</u> | <u>100%</u>                |

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

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

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$152,291,535, a decrease of \$75,230,604 in comparison with the prior year. Although, the general fund had an increase in fund balance, the decrease in ending governmental fund balances is primarily due to a decrease in the capital projects fund fund balance of \$85,614,766.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$53,863,729, while total fund balance reached \$75,986,310. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balance of the District's general fund increased by \$2,620,873 during the current fiscal year, primarily due to increases in state aid after the Texas legislature's tax rate compression. Property tax revenue decreased by 13 percent, but state aid increased by 24 percent.

The debt service fund has a total fund balance of \$24,254,765, all of which is reserved for the payment of debt service. The net increase in the debt service fund balance during the current year of \$6,074,028 was attributable to higher tax revenues.

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

The capital projects fund has a total fund balance of \$48,140,328, all of which is reserved for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$85,614,766 was primarily due substantial completion of construction projects.

**Proprietary Fund**

The District's proprietary fund financial statement, internal service fund for health insurance and worker's compensation, provides detail information about the profitability of the self-insurance and worker's compensation funds. The net change in assets of the fund is eliminated and allocated to the governmental expenses in the government-wide financial statements.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

|                                   | <b>Budget</b>         |                        |
|-----------------------------------|-----------------------|------------------------|
|                                   | <b>Original</b>       | <b>Final Amended</b>   |
| Total revenues                    | \$ 342,922,881        | \$ 339,999,631         |
| Total expenditures                | 344,136,480           | 365,602,040            |
| <b>Net change in fund balance</b> | <b>\$ (1,213,599)</b> | <b>\$ (25,602,409)</b> |

The review of the final amended budget versus actual for the general fund reflected that revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balances.

**Capital Assets and Long-term Liabilities**

**Capital Assets**

The District's investment in capital assets for its governmental type activities as of August 31, 2008, includes land, buildings, and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current fiscal year was \$670,370,502. The District has remaining construction commitments of \$23,714,787.

With the existing bond program, the District completed construction of one new middle school and two replacement intermediate schools for the 2008-2009 school year. Construction is under way on one new elementary school and one replacement elementary school both scheduled to open in fall 2009. Also under construction are renovations to a number of other schools.

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

|   | <b>Balance<br/>August 31,<br/>2007</b> | <b>Additions</b>            | <b>(Retirements)<br/>and Transfers</b> | <b>Balance<br/>August 31,<br/>2008</b> |
|---|--|-----------------------------|--|--|
| Capital assets, not being depreciated       |  |                             |  |  |
| Land  | \$ 52,371,409                          | \$ 46,668                   | \$                                     | \$ 52,418,077                          |
| Construction in progress                    | 51,259,952                             | 87,114,131                  | (107,980,824)                          | 30,393,259                             |
| Total Capital Assets, not being depreciated | <u>103,631,361</u>                     | <u>87,160,799</u>           | <u>(107,980,824)</u>                   | <u>82,811,336</u>                      |
| Capital assets, being depreciated           |  |                             |  |  |
| Buildings and improvements                  | 603,586,195                            |                             | 107,980,824                            | 711,567,019                            |
| Furniture and equipment                     | 69,353,975                             | 10,006,668                  | (88,423)                               | 79,272,220                             |
| Capital lease assets                        | 1,505,212                              |                             |  | 1,505,212                              |
| Total Capital Assets, being depreciated     | <u>674,445,381</u>                     | <u>10,006,668</u>           | <u>107,892,401</u>                     | <u>792,344,451</u>                     |
| Less accumulated depreciation for:          |  |                             |  |  |
| Buildings and improvements                  | (146,764,495)                          | (14,724,265)                |  | (161,488,760)                          |
| Furniture and Equipment                     | (34,944,361)                           | (7,199,038)                 | 64,960                                 | (42,078,439)                           |
| Capital lease assets                        | (1,088,610)                            | (129,476)                   |  | (1,218,086)                            |
| Total Accumulated Depreciation              | <u>(182,797,466)</u>                   | <u>(22,052,779)</u>         | <u>64,960</u>                          | <u>(204,785,285)</u>                   |
| <b>Governmental Capital Assets</b>          | <u><u>\$ 595,279,276</u></u>           | <u><u>\$ 75,114,688</u></u> | <u><u>\$ (23,463)</u></u>              | <u><u>\$ 670,370,502</u></u>           |

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

**Long-term Liabilities**

At the end of the current fiscal year, the District had \$469,080,707 in bonded debt outstanding, a decrease of \$15,169,062 from the previous year. The District's bonds are sold with a "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "A+" and from Moody's Investors Service is "Aa2" for general obligation debt.

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

|   | <b>Balance August<br/>31, 2007</b> | <b>Additions</b>            | <b>Retirements</b>            | <b>Balance<br/>August 31,<br/>2008</b> | <b>Due Within<br/>One Year</b> |
|---|------------------------------------|-----------------------------|-------------------------------|--|--------------------------------|
| General obligation bonds                                | \$ 484,249,769                     | \$ 42,930,000               | \$ (58,099,062)               | \$ 469,080,707                         | \$ 13,925,707                  |
| Less deferred amounts:                                  |                                    |                             |                               |  |                                |
| For issuance premiums/discounts                         |                                    | 3,350,465                   | (43,974)                      | 3,306,491                              |                                |
| Gain or loss on refunding bonds                         |                                    | (2,944,969)                 | 41,582                        | (2,903,387)                            |                                |
| Accreted interest on premium<br>compound interest bonds | 6,910,231                          | 307,908                     | (4,379,916)                   | 2,838,223                              | 2,838,223                      |
| Capital leases  | 5,202                              |                             | (4,107)                       | 1,095                                  | 1,095                          |
| Accrued compensated absences                            | 2,064,320                          | 286,920                     | (357,566)                     | 1,993,674                              |                                |
| Long-term worker's compensation                         | 4,523,831                          |                             | (336,237)                     | 4,187,594                              |                                |
|   | <u><u>\$ 497,753,353</u></u>       | <u><u>\$ 43,930,324</u></u> | <u><u>\$ (63,179,280)</u></u> | <u><u>\$ 478,504,397</u></u>           | <u><u>\$ 16,765,025</u></u>    |

Additional information on the District's long-term liabilities can be found in Note 6 on pages 42 through 46 of the notes to the financial statements.

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

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

The District's fiscal year 2008-2009 capital budget forecasts spending \$52 million for capital projects, principally for one new elementary school, one replacement elementary school, both scheduled to open in fall 2009, and miscellaneous facility renovations. The general fund includes an additional \$1.28 million for miscellaneous capital projects.

- Appraised value used for the 2008-2009 budget preparation is up \$200 million, or 2.2% from the prior year. New construction for 2009 is \$260 million.
- General operating fund spending per student increased in the 2008-2009 budget from \$6,730 to \$7,115. This is a 5.7% increase.
- The Districts' 2008-2009 refined average daily attendance is expected to be 47,756. This is an increase of 803 or 1.7% over the actual amount of 46,953 for 2007-2008.

These indicators were taken into account when adopting the general fund budget for 2008-2009. Amounts available for appropriation in the general fund budget are \$365.6 million, an increase of 6.2 percent over the adopted 2007-2008 budget of \$344.1 million. State revenue will increase as the student population grows. The District will use these and other earmarked increases in revenues to finance programs we currently offer and primarily fund teacher salaries.

Expenditures are budgeted to rise nearly 6.2 percent or \$24.7 million. The largest increments are increased staffing, and teacher salary schedule adjustments. These competitive salary schedule adjustments allowed the District to open the 2008-2009 school year with a minimum of teacher vacancies. The District has added no major new programs or initiatives to the 2008-2009 budget.

The District adopted a budget for 2008-2009 requiring a projected fund balance funding of \$23.4 million. The Maintenance and Operations rate remained at \$1.07 and the Interest and Sinking rate to pay the debt remained at \$.28 for a total tax rate of \$1.35.

**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 District's Business Office, Pasadena Independent School District, 1515 Cherrybrook Lane, Pasadena, Texas 77502.

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## **Basic Financial Statements**

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**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit A-1*

**STATEMENT OF NET ASSETS**

August 31, 2008

| <b>Data<br/>Control<br/>Codes</b> |   | <b>Governmental<br/>Activities</b> |
|-----------------------------------|---|------------------------------------|
|                                   | <b>Assets</b>                                   |                                    |
| 1110                              | Cash and cash equivalents                       | \$ 147,443,426                     |
| 1225                              | Property taxes receivables, net                 | 15,746,949                         |
| 1240                              | Due from other governments                      | 35,402,262                         |
| 1290                              | Other receivables, net                          | 319,725                            |
| 1300                              | Inventories                                     | 2,711,061                          |
| 1410                              | Deferred expenses                               | 6,238,755                          |
| 1420                              | Capital bond and other debt issuance costs      | 445,333                            |
|                                   | Capital assets not subject to depreciation:     |                                    |
| 1510                              | Land  | 52,418,077                         |
| 1580                              | Construction in progress                        | 30,393,259                         |
|                                   | Capital assets net of depreciation:             |                                    |
| 1520                              | Buildings and improvements, net                 | 550,078,259                        |
| 1530                              | Furniture and equipment, net                    | 37,193,781                         |
| 1550                              | Capital lease assets, net                       | 287,126                            |
| 1000                              | <b>Total Assets</b>                             | <b>878,678,013</b>                 |
|                                   | <b>Liabilities</b>                              |                                    |
| 2110                              | Accounts payable                                | 22,128,712                         |
| 2140                              | Interest payable                                | 2,293,234                          |
| 2150                              | Payroll deductions and withholdings             | 2,301,077                          |
| 2160                              | Accrued wages payable                           | 8,715                              |
| 2180                              | Due to other governments                        | 60,813                             |
| 2190                              | Due to student groups                           | 14,214                             |
| 2200                              | Accrued expenditures                            | 3,135,863                          |
| 2300                              | Unearned revenue                                | 249,359                            |
|                                   | Noncurrent Liabilities:                         |                                    |
| 2501                              | Due within one year                             | 16,765,025                         |
| 2502                              | Due in more than one year                       | 461,739,371                        |
| 2000                              | <b>Total Liabilities</b>                        | <b>508,696,383</b>                 |
|                                   | <b>Net Assets</b>                               |                                    |
| 3200                              | Invested in capital assets, net of related debt | 244,467,631                        |
|                                   | <b>Restricted for:</b>                          |                                    |
| 3840                              | Food service                                    | 1,683,031                          |
| 3850                              | Debt service                                    | 26,418,922                         |
| 3870                              | Campus activity                                 | 1,792,798                          |
| 3900                              | Unrestricted                                    | 95,619,248                         |
|                                   | <b>Total Net Assets</b>                         | <b>\$ 369,981,630</b>              |

See Notes to Financial Statements

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

Exhibit B-1

| Data Control Codes | Functions/Programs  | Expenses              | Program Revenue      |                                    | Net (Expense) Revenue and Changes in Net |
|--------------------|---|-----------------------|----------------------|------------------------------------|--|
|                    |   |                       | Charges for Services | Operating Grants and Contributions | Primary Governmental Activities          |
|                    | <b>Governmental activities:</b>                             |                       |                      |                                    |  |
| 11                 | Instruction   | \$ 255,018,780        | \$ 1,598,198         | \$ 43,143,754                      | \$ (210,276,828)                         |
| 12                 | Instructional resources and media services                  | 6,986,698             | 144,765              | 617,409                            | (6,224,524)                              |
| 13                 | Curriculum and staff development                            | 8,622,417             |                      | 3,317,309                          | (5,305,108)                              |
| 21                 | Instructional leadership                                    | 4,835,423             |                      | 1,616,527                          | (3,218,896)                              |
| 23                 | School leadership   | 28,232,876            | 654,502              | 1,257,912                          | (26,320,462)                             |
| 31                 | Guidance, counseling, and evaluation services               | 13,833,474            |                      | 3,659,511                          | (10,173,963)                             |
| 32                 | Social work services  | 231,556               |                      | 60,591                             | (170,965)                                |
| 33                 | Health services   | 4,170,425             |                      | 1,380,652                          | (2,789,773)                              |
| 34                 | Student transportation                                      | 9,913,716             |                      | 89,848                             | (9,823,868)                              |
| 35                 | Food service  | 23,508,375            | 5,841,959            | 18,790,880                         | 1,124,464                                |
| 36                 | Extracurricular activities                                  | 6,480,643             | 1,054,094            | 302,880                            | (5,123,669)                              |
| 41                 | General administration                                      | 10,828,334            |                      | 671,452                            | (10,156,882)                             |
| 51                 | Plant, maintenance and operations                           | 44,512,223            | 160,669              | 66,948                             | (44,284,606)                             |
| 52                 | Security and monitoring services                            | 4,025,772             |                      | 218,346                            | (3,807,426)                              |
| 53                 | Data processing services                                    | 4,613,734             |                      | 15,312                             | (4,598,422)                              |
| 61                 | Community services  | 616,887               |                      | 92,066                             | (524,821)                                |
| 72                 | Interest on long-term debt                                  | 20,275,039            |                      |                                    | (20,275,039)                             |
| 73                 | Debt issuance costs and fees                                | 468,774               |                      |                                    | (468,774)                                |
| 81                 | Facilities acquisition and construction                     | 64,142                |                      |                                    | (64,142)                                 |
| 95                 | Payments to Juvenile Justice Alternative Education Programs | 243,244               |                      |                                    | (243,244)                                |
| <b>TG</b>          | <b>Total governmental activities</b>                        | <u>\$ 447,482,532</u> | <u>\$ 9,454,187</u>  | <u>\$ 75,301,397</u>               | <u>(362,726,948)</u>                     |

| Data Control Codes |   |                       |
|--------------------|---|-----------------------|
|                    | <b>General revenues:</b>                    |                       |
|                    | Taxes:                                      |                       |
| <b>MT</b>          | Property taxes, levied for general purposes | \$ 110,187,344        |
| <b>DT</b>          | Property taxes, levied for debt service     | 27,561,530            |
| <b>SF</b>          | State-aid formula grants                    | 240,467,119           |
| <b>GC</b>          | Grants and contributions not restricted     | 884,051               |
| <b>IE</b>          | Investment earnings                         | 8,005,261             |
| <b>TR</b>          | <b>Total general revenues</b>               | <u>387,105,305</u>    |
| <b>CN</b>          | Change in net assets                        | 24,378,357            |
| <b>NB</b>          | <b>Net assets - beginning</b>               | 349,263,815           |
| <b>PA</b>          | Prior period adjustments                    | (3,660,542)           |
| <b>NE</b>          | <b>Net assets - ending</b>                  | <u>\$ 369,981,630</u> |

See Notes to Financial Statements

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

August 31, 2008

| <b>Data<br/>Control<br/>Codes</b>               | <b>General Fund</b>   | <b>Debt Service<br/>Funds</b> | <b>Capital Projects<br/>Fund</b> |
|---|-----------------------|-------------------------------|----------------------------------|
| <b>Assets</b>                                   |                       |                               |                                  |
| 1110 Cash and temporary investments             | \$ 50,789,573         | \$ 24,226,401                 | \$ 55,684,576                    |
| <b>Receivables:</b>                             |                       |                               |                                  |
| 1220 Property taxes - delinquent                | 21,559,985            | 3,435,171                     |                                  |
| 1230 Allowance for uncollectible taxes (credit) | (7,977,194)           | (1,271,013)                   |                                  |
| 1240 Receivables from other governments         | 29,812,027            |                               | 107,709                          |
| 1260 Due from other funds                       | 5,739,918             | 28,363                        |                                  |
| 1290 Other receivables                          |                       |                               |                                  |
| 1300 Inventories, at cost                       | 1,575,555             |                               |                                  |
| 1410 Prepaid expenses                           | 5,444,861             |                               |                                  |
| <b>Total Assets</b>                             | <b>\$ 106,944,725</b> | <b>\$ 26,418,922</b>          | <b>\$ 55,792,285</b>             |
| <br><b>Liabilities and Fund Balance</b>         |                       |                               |                                  |
| <b>Liabilities:</b>                             |                       |                               |                                  |
| 2110 Accounts payable                           | \$ 14,140,717         | \$                            | \$ 7,651,957                     |
| 2150 Payroll deduction and withholdings payable | 2,301,077             |                               |                                  |
| 2160 Accrued wages payable                      |                       |                               |                                  |
| 2170 Due to other funds                         | 891,863               |                               |                                  |
| 2180 Payable to other governments               |                       |                               |                                  |
| 2190 Due to student and employee groups         | 14,214                |                               |                                  |
| 2200 Accrued expenses                           | 27,753                |                               |                                  |
| 2300 Deferred revenues                          | 13,582,791            | 2,164,157                     |                                  |
| 2000 <b>Total Liabilities</b>                   | <b>30,958,415</b>     | <b>2,164,157</b>              | <b>7,651,957</b>                 |
| <br><b>Fund Balance:</b>                        |                       |                               |                                  |
| <b>Reserved for:</b>                            |                       |                               |                                  |
| 3410 Investments in inventories                 | 1,575,555             |                               |                                  |
| 3420 Retirement of funded indebtedness          |                       | 24,254,765                    |                                  |
| 3430 Prepaid items                              | 5,444,861             |                               |                                  |
| 3440 Encumbrances                               | 7,371,600             |                               |                                  |
| 3450 Food service operations                    |                       |                               |                                  |
| 3490 Other purposes                             |                       |                               |                                  |
| <b>Unreserved, Designated for:</b>              |                       |                               |                                  |
| 3510 Construction, repairs, renovation          | 7,730,565             |                               | 48,140,328                       |
| <b>Unreserved, Undesignated Reported in:</b>    |                       |                               |                                  |
| 3600 General fund                               | 53,863,729            |                               |                                  |
| 3610 Special revenue funds                      |                       |                               |                                  |
| 3620 Capital projects funds                     |                       |                               |                                  |
| 3000 <b>Total Fund Balances</b>                 | <b>75,986,310</b>     | <b>24,254,765</b>             | <b>48,140,328</b>                |
| 4000 <b>Total Liabilities and Fund Balances</b> | <b>\$ 106,944,725</b> | <b>\$ 26,418,922</b>          | <b>\$ 55,792,285</b>             |

See Notes to Financial Statements.

*Exhibit C-1*

| <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|
| \$ 2,090,274                            | \$ 132,790,824                          |
|   | 24,995,156                              |
|   | (9,248,207)                             |
| 5,482,525                               | 35,402,261                              |
| 893,500                                 | 6,661,781                               |
| 32                                      | 32                                      |
| 1,135,506                               | 2,711,061                               |
| 733,140                                 | 6,178,001                               |
| <u>\$ 10,334,977</u>                    | <u>\$ 199,490,909</u>                   |

|                  |                   |
|------------------|-------------------|
| \$ 336,037       | \$ 22,128,711     |
|                  | 2,301,077         |
| 8,715            | 8,715             |
| 5,769,918        | 6,661,781         |
| 60,815           | 60,815            |
|                  | 14,214            |
|                  | 27,753            |
| 249,360          | 15,996,308        |
| <u>6,424,845</u> | <u>47,199,374</u> |

|                      |                       |
|----------------------|-----------------------|
| 1,135,506            | 2,711,061             |
|                      | 24,254,765            |
| 292,856              | 5,737,717             |
| 437,823              | 7,809,423             |
| 356,392              | 356,392               |
|                      | 55,870,893            |
|                      | 53,863,729            |
| 1,687,555            | 1,687,555             |
| <u>3,910,132</u>     | <u>152,291,535</u>    |
| <u>\$ 10,334,977</u> | <u>\$ 199,490,909</u> |

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

*Exhibit C-2*

| <u>Data<br/>Control<br/>Codes</u> |  |                       |
|-----------------------------------|--|-----------------------|
|                                   | <b>Total fund balance, governmental funds</b>  | \$ 152,291,535        |
|                                   | Amounts reported for governmental <i>activities</i> in the statement of net assets are different because:  |                       |
|                                   | Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.   |                       |
| 1                                 | Capital assets at historical cost, net of accumulated depreciation, where applicable   | 670,370,502           |
| 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). | 15,746,951            |
| 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.  | 445,333               |
|                                   | 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   | (469,080,707)         |
| 5                                 | Premiums on issuance   | (3,306,491)           |
| 6                                 | Deferred loss on refunding   | 2,903,387             |
| 7                                 | Accreted interest on premium compound interest bonds   | (2,838,223)           |
| 8                                 | Capital leases payable   | (1,095)               |
| 9                                 | Accrued compensated absences   | (1,993,673)           |
| 10                                | Accrued interest payable   | (2,293,234)           |
| 11                                | Addition of Internal Service fund net assets   | <u>7,737,345</u>      |
|                                   | <b>Total net assets - governmental activities</b>  | <u>\$ 369,981,630</u> |

See Notes to Financial Statements.

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

| <b>Data<br/>Control<br/>Codes</b>                      | <b>General Fund</b>  | <b>Debt Service<br/>Funds</b> | <b>Capital<br/>Projects Fund</b> |
|--|----------------------|-------------------------------|----------------------------------|
| <b>Revenues</b>  |                      |                               |                                  |
| 5700 Local, intermediate, and out-of-state             | \$ 113,197,016       | \$ 27,939,966                 | \$ 3,828,807                     |
| 5800 State program revenues                            | 236,606,526          | 17,239,290                    |                                  |
| 5900 Federal program revenues                          | 1,707,945            |                               |                                  |
| 5020 <b>Total revenues</b>                             | <u>351,511,487</u>   | <u>45,179,256</u>             | <u>3,828,807</u>                 |
| <b>Expenditures</b>                                    |                      |                               |                                  |
| <b>Current:</b>  |                      |                               |                                  |
| 0011 Instruction                                       | 211,738,958          |                               |                                  |
| 0012 Instruction resources and media services          | 6,200,877            |                               |                                  |
| 0013 Curriculum and instructional staff development    | 5,086,827            |                               |                                  |
| 0021 Instructional leadership                          | 3,072,472            |                               |                                  |
| 0023 School leadership                                 | 25,276,118           |                               |                                  |
| 0031 Guidance, counseling and evaluation services      | 10,063,052           |                               |                                  |
| 0032 Social work services                              | 160,708              |                               |                                  |
| 0033 Health services                                   | 3,706,722            |                               |                                  |
| 0034 Student transportation                            | 9,836,592            |                               |                                  |
| 0035 Food services                                     | 24,310               |                               |                                  |
| 0036 Extracurricular activities                        | 5,558,614            |                               |                                  |
| 0041 General administration                            | 9,625,925            |                               |                                  |
| 0051 Plant maintenance and operations                  | 42,113,232           |                               |                                  |
| 0052 Security and monitoring services                  | 3,700,172            |                               |                                  |
| 0053 Data processing services                          | 5,168,918            |                               |                                  |
| 0061 Community services                                | 493,300              |                               |                                  |
| <b>Debt service:</b>                                   |                      |                               |                                  |
| 0071 Principal on long-term debt                       | 1,154,107            | 12,755,083                    |                                  |
| 0072 Interest on long-term debt                        | 89,408               | 25,111,149                    |                                  |
| 0073 Bond issuance costs and fees                      | 539                  | 919,491                       |                                  |
| <b>Capital outlay:</b>                                 |                      |                               |                                  |
| 0081 Capital outlay                                    | 5,423,252            |                               | 89,443,573                       |
| <b>Intergovernmental:</b>                              |                      |                               |                                  |
| 0095 Payments to Juvenile Justice Alt. Ed. Prgm.       | 243,244              |                               |                                  |
| 6030 <b>Total Expenditures</b>                         | <u>348,737,347</u>   | <u>38,785,723</u>             | <u>89,443,573</u>                |
| 1100 Excess (deficiency) of revenues over expenditures | <u>2,774,140</u>     | <u>6,393,533</u>              | <u>(85,614,766)</u>              |
| <b>Other Financing Sources (Uses)</b>                  |                      |                               |                                  |
| 7911 Capital-related debt issued (regular bonds)       |                      | 42,930,000                    |                                  |
| 7912 Sale of real or personal property                 | 9,600                |                               |                                  |
| 7916 Premium or discount on issuance of bonds          |                      | 3,350,465                     |                                  |
| 8949 Payment to Bond Refunding Escrow Agent            |                      | (46,599,970)                  |                                  |
| 8949 Other uses  | (162,867)            |                               |                                  |
| 7080 Total other financing sources and uses            | <u>(153,267)</u>     | <u>(319,505)</u>              |                                  |
| 1200 Net change in fund balances                       | 2,620,873            | 6,074,028                     | (85,614,766)                     |
| 0100 <b>Fund Balance - September 1 (Beginning)</b>     | 73,365,437           | 18,180,737                    | 133,755,094                      |
| 1300 Prior period adjustment                           |                      |                               |                                  |
| 3000 <b>Fund Balance - August 31 (Ending)</b>          | <u>\$ 75,986,310</u> | <u>\$ 24,254,765</u>          | <u>\$ 48,140,328</u>             |

See Notes to Financial Statements.

*Exhibit C-3*

| <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|
| \$ 9,525,456                            | \$ 154,491,245                          |
| 9,759,577                               | 263,605,393                             |
| <u>46,027,979</u>                       | <u>47,735,924</u>                       |
| <u>65,313,012</u>                       | <u>465,832,562</u>                      |
| <br>                                    |   |
| 28,779,407                              | 240,518,365                             |
| 451,500                                 | 6,652,377                               |
| 3,223,170                               | 8,309,997                               |
| 1,565,647                               | 4,638,119                               |
| 1,200,927                               | 26,477,045                              |
| 3,123,825                               | 13,186,877                              |
| 60,528                                  | 221,236                                 |
| 225,399                                 | 3,932,121                               |
| 78,657                                  | 9,915,249                               |
| 23,397,487                              | 23,421,797                              |
| 578,727                                 | 6,137,341                               |
| 597,268                                 | 10,223,193                              |
| 33,434                                  | 42,146,666                              |
| 215,901                                 | 3,916,073                               |
|   | 5,168,918                               |
| 91,874                                  | 585,174                                 |
|   | 13,909,190                              |
|   | 25,200,557                              |
|   | 920,030                                 |
|   | 94,866,825                              |
|   | 243,244                                 |
| <u>63,623,751</u>                       | <u>540,590,394</u>                      |
| <u>1,689,261</u>                        | <u>(74,757,832)</u>                     |
|   |   |
|   | 42,930,000                              |
|   | 9,600                                   |
|   | 3,350,465                               |
|   | (46,599,970)                            |
|   | <u>(162,867)</u>                        |
|   | <u>(472,772)</u>                        |
|   |   |
| 1,689,261                               | (75,230,604)                            |
|   |   |
| 1,703,879                               | 227,005,147                             |
|   |   |
| <u>516,992</u>                          | <u>516,992</u>                          |
|   |   |
| <u>\$ 3,910,132</u>                     | <u>\$ 152,291,535</u>                   |

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**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit C-4*

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

*For the Year Ended August 31, 2008*

**Data  
Control  
Codes**

Net change in fund balances - total governmental funds (from C-3) \$ (75,230,604)

Amounts reported for governmental activities in the statement of activities (B-1) are different because:

**1**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation. 75,114,688

**2**

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (23,460)

**3**

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,028,327

**4**

Repayment of bond and capital lease principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets. 13,909,189

**5**

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. Payments to bond refunding escrow agents are treated as other uses in the governmental funds. In the government-wide financial statements, these are treated as a decrease in long-term liabilities. A gain/loss from the refunding is not recognized in the governmental funds. 3,669,969

**6**

Bond issuance costs paid during the current year will be amortized over the life of the bonds. 445,333

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:

**7**

Decrease in interest payable not recognized in fund statements 857,041

**8**

Decrease in long-term portion of accrued compensated absences 70,647

**9**

Accreted interest on capital appreciation bonds and amortization of bond premium/discount and deferred loss on refunding bonds 723,935

**10**

Internal service funds are used by management to charge the costs of certain activities, such as insurance and worker's compensation, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds. (1,186,708)

**Change in net assets of governmental activities** \$ 24,378,357

See Notes to Financial Statements.

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

*Exhibit D-1*

| <u>Data<br/>Control<br/>Codes</u>    | <u>Governmental<br/>Activities</u> |
|--------------------------------------|------------------------------------|
|                                      | <u>Internal Service<br/>Fund</u>   |
| <b>Assets</b>                        |                                    |
| <b>Current Assets:</b>               |                                    |
| 1110-75 Cash and cash equivalents    | \$ 14,652,602                      |
| 1290 Other receivables               | 319,693                            |
| 1400 Other current assets            | 60,754                             |
| 1000 <b>Total Assets</b>             | <u>\$ 15,033,049</u>               |
| <b>Liabilities</b>                   |                                    |
| Current Liabilities:                 |                                    |
| 2200 Accrued expenses                | \$ 3,108,110                       |
| Total current liabilities            | <u>3,108,110</u>                   |
| Non-current liabilities:             |                                    |
| 2590 Long-term worker's compensation | 4,187,594                          |
| Total non-current liabilities        | <u>4,187,594</u>                   |
| 2000 <b>Total Liabilities</b>        | <u>7,295,704</u>                   |
| <b>Net Assets</b>                    |                                    |
| 3300 Unrestricted net assets         | 7,737,345                          |
| 3000 <b>Total Net Assets</b>         | <u>7,737,345</u>                   |

See Notes to Financial Statements

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

*Exhibit D-2*

| <u>Data<br/>Control<br/>Codes</u>                | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
|  | <u>Internal Service<br/>Funds</u>  |
| <b>Operating Revenues</b>                        |                                    |
| 5754 Quasi-external interfund transactions       | \$ 26,586,944                      |
| 5020 <b>Total Operating Revenues</b>             | <u>26,586,944</u>                  |
| <b>Operating Expenses</b>                        |                                    |
| 6100 Payroll costs                               | 690,094                            |
| 6400 Claims expense and other operating expenses | 27,525,394                         |
| 6030 <b>Total Operating Expenses</b>             | <u>28,215,488</u>                  |
| 1200 Operating Income (Loss)                     | (1,628,544)                        |
| <b>Non-Operating Revenues (Expenses)</b>         |                                    |
| 7020 Investment earnings                         | 441,836                            |
| <b>Total Nonoperating Revenues (Expenses)</b>    | <u>441,836</u>                     |
| 1200 Change in Net Assets                        | (1,186,708)                        |
| <b>Net Assets</b>                                |                                    |
| 0100 <b>Net Assets - September 1 (Beginning)</b> | 12,883,888                         |
| 1300 Prior period adjustment                     | <u>(3,959,835)</u>                 |
| 3300 <b>Net Assets - August 31 (Ending)</b>      | <u>\$ 7,737,345</u>                |

See Notes to Financial Statements

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

*Exhibit D-3*

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
|  | <b>Internal Service<br/>Funds</b>  |
| <b>Cash Flows from Operating Activities:</b>   |                                    |
| Cash receipts from quasi-external operating activities<br>with other funds                         | \$ 26,428,251                      |
| Cash payments to suppliers for goods and services  | (25,402,872)                       |
| Cash payments to employees   | (1,110,561)                        |
| <b>Net Cash Provided by (Used for) Operating Activities</b>  | <u>(85,182)</u>                    |
| <br><b>Cash Flows from Investing Activities:</b>   |                                    |
| Interest on investments  | 441,836                            |
| <b>Net Cash Provided by Investing Activities</b>   | <u>441,836</u>                     |
| <br>Net Increase in Cash and Cash Equivalents  | 356,654                            |
| Cash and Cash Equivalents at Beginning of Year   | 14,295,948                         |
| <b>Cash and Cash Equivalents at End of Year</b>  | <u>\$ 14,652,602</u>               |
| <br><b>Reconciliation of Operating Income to Net Cash<br/>Provided by Operating Activities:</b>    |                                    |
| Operating Income (Loss)  | \$ (1,628,544)                     |
| <b>Adjustments to Reconcile Operating Income to Net Cash<br/>Provided by Operating Activities:</b> |                                    |
| <b>Change in Assets and Liabilities:</b>   |                                    |
| Decrease (increase) in Receivables   | (158,693)                          |
| Increase (decrease) in Accounts Payable  | (202,322)                          |
| Increase (decrease) in Accrued Wages Payable   | (84,230)                           |
| Increase (decrease) in Interfund Payables  | 2,324,844                          |
| Increase (decrease) in Long-term worker's compensation   | (336,237)                          |
| <b>Net Cash Provided by (Used for) Operating Activities</b>  | <u>\$ (85,182)</u>                 |

See Notes to Financial Statements

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit E-1*

**STATEMENT OF FIDUCIARY NET ASSETS**

*August 31, 2008*

|                                   |                           | <b>865</b>                       |
|-----------------------------------|---------------------------|----------------------------------|
| <b>Data<br/>Control<br/>Codes</b> |                           | <b>Student<br/>Activity Fund</b> |
|                                   | <b>Assets</b>             |                                  |
| 1110                              | Cash and cash equivalents | \$ 343,218                       |
|                                   | <b>Total Assets</b>       | <u>\$ 343,218</u>                |
|                                   | <b>Liabilities</b>        |                                  |
| 2190                              | Due to others             | \$ 343,218                       |
| 2000                              | <b>Total Liabilities</b>  | <u>\$ 343,218</u>                |

See Notes to Financial Statements.

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

The Pasadena Independent School District (the “District”) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven member Board of Trustees elected by the District’s residents.

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

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

**Reporting Entity**

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District’s financial reporting entity. Based on these considerations, the District’s basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

**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.

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

**Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, 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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

Additionally, the District reports the following fund types:

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

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

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 funds are charges to the funds and/or employees for self-funded health services and worker's compensation. 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.

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

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, (TexPool and Lone Star), and money market funds. These external pools operate like a "2a7" pool and these investments are carried at amortized cost in accordance with GASB 31.

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

**Receivables and Payables**

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

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes and are, shown net of an allowance for uncollectibles. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. 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 Harris 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.

**Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

**Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| <u>Assets</u>          | <u>Years</u> |
|------------------------|--------------|
| Buildings              | 50           |
| Buildings Improvements | 20           |
| Vehicles               | 2-15         |
| Office equipment       | 3-15         |
| Computer equipment     | 3-15         |

**Compensated Absences**

*Vacation*

Prior to August 1, 1998, an employee who resigns, retires, or is dismissed from the District is entitled to cash payment in lieu of vacation for vacation earned during the school year in which such separation from employment occurs. At the time of dismissal, resignation, or retirement, employees may also receive cash payment for unused vacation accrued prior to August 1, 1995, up to a maximum of 20 days. Such cash payment shall be made at the employee's 1994-95 daily rate.

On and after August 1, 1998, all persons hired into a position normally requiring 12 months of service, and any employee promoted, transferred, or reassigned into such a position from a position requiring less than 12 months of service, shall not receive paid vacation. Such persons shall be employed on a 240-day calendar, then days of which may be used as nonduty days. Nonduty days cannot be carried over to any succeeding year, nor can they be cashed out at any time.

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

**Compensated Absences (Continued)**

*Sick Leave*

An employee retiring under provisions of the Teacher Retirement System (TRS) and who has been continuously employed by the District in a position eligible for sick leave prior to August 1, 1980, shall be eligible for sick leave prior to August 1, 1980, is eligible for separation pay upon retirement. If an employee has accumulated the maximum number of hours, separation payment shall be one-fourth of the employee's annual salary or wage at the time of retirement.

If the employee has accumulated less than the maximum number of hours, separation payment will be computed by calculating the ratio of accumulated hours divided by the maximum number of hours multiplied by one-fourth of the employee's annual salary or wage.

**Long-term Obligations**

The District's long-term obligations consist of bond indebtedness, notes payable, health insurance, workers' compensation, and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column on the statement of net assets. 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. The current requirements for notes payable principal and interest expenditures are accounted for in the general fund. The current requirements for workers' compensation and compensated absences are accounted for in the general fund.

**Fund Equity**

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

**Data Control Codes**

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

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

**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**

**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. As of August 31, 2008, the District's bank balance was not exposed to custodial credit risk because was insured and collateralized with securities held by the District's agent and in the name of the District.

**Investments:**

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

For fiscal year 2008, the District invested in two public investment pools (Texpool and Lone Star). Texpool is duly chartered and overseen by the State Comptroller's Office and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. Lone Star is governed by an eleven-member Board of Trustees comprised of individuals representing entities participating in the pool. An advisory board composed of participants and other knowledgeable individuals provides additional oversight. Lone Star Investment Pool is restricted to invest in obligations of the United States or its agencies and instrumentalities; other obligations insured by the United States; fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously; and SEC-registered no-load money market mutual funds, the assets of which consist exclusively of the obligations described above.

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

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

|  | <b>Fair<br/>Market<br/>Value</b> | <b>Weighted<br/>Average<br/>Maturity<br/>(Days)</b> |
|--|----------------------------------|---|
| Cash and deposits                      | \$ 2,720,279                     | N/A   |
| <b>Investments</b>                     |                                  |   |
| Local Government Investment Pools      |                                  |   |
| Lone Star                              | 42,073,541                       | 40  |
| Texpool                                | 102,992,824                      | 42  |
| <b>Total Investments</b>               | <u>145,066,365</u>               | 41  |
| <b>Total Cash and cash equivalents</b> | <u>\$ 147,786,644</u>            |   |

Cash and cash equivalent balances are made up of governmental activities and the fiduciary fund.

|  |                       |
|--|-----------------------|
| Governmental activities                | \$ 147,443,426        |
| Fiduciary fund                         | 343,218               |
| <b>Total cash and cash equivalents</b> | <u>\$ 147,786,644</u> |

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than one year. However, the maturity can be longer than one year as long as legal limits are not exceeded. For example, this applies to bond proceeds that are matched to a specific cash flow; diversification; and by holding securities to maturity. The pools are considered to be "2A-7 like pools" under GASB Statement No. 31. The fair value of the positions is the same as the value of the shares in such pools. Total interest earned for the year ended August 31, 2008 was \$8,447,097.

**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. As of August 31, 2008, the District's investment in Texpool was rated AAAM by Standard and Poor's. The District's investments in Lone Star Investment Pool were rated AAAf/S1 by Standard and Poor's.

**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.

**Note 3 - Receivables**

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

|                                      | <u>General Fund</u>         | <u>Debt Service<br/>Funds</u> | <u>Capital<br/>Projects Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>                |
|--------------------------------------|-----------------------------|-------------------------------|----------------------------------|---|-----------------------------|
| Property Taxes                       | \$ 21,559,985               | \$ 3,435,171                  | \$                               | \$                                      | \$ 24,995,156               |
| Due from other governments           | 29,812,027                  |                               | 107,709                          | 5,482,525                               | 35,402,261                  |
| Other                                |                             |                               |                                  | 32                                      | 32                          |
| Gross Receivables                    | <u>51,372,012</u>           | <u>3,435,171</u>              | <u>107,709</u>                   | <u>5,482,557</u>                        | <u>60,397,449</u>           |
| Less allowance for doubtful accounts | (7,977,194)                 | (1,271,013)                   |                                  |   | (9,248,207)                 |
| <b>Net Total Receivables</b>         | <u><u>\$ 43,394,818</u></u> | <u><u>\$ 2,164,158</u></u>    | <u><u>\$ 107,709</u></u>         | <u><u>\$ 5,482,557</u></u>              | <u><u>\$ 51,149,242</u></u> |

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

|  | <u>Unavailable</u>          | <u>Unearned</u>          |
|--|-----------------------------|--------------------------|
| Delinquent property taxes receivable (General Fund)                | \$ 13,582,791               | \$                       |
| Delinquent property taxes receivable (Debt Service Fund)           | 2,164,157                   |                          |
| Grant funds received prior to meeting all eligibility requirements |                             | 249,360                  |
|  | <u><u>\$ 15,746,948</u></u> | <u><u>\$ 249,360</u></u> |

**Note 4 - Capital Assets**

Capital asset activity for the year ended August 31, 2008, was as follows:

|   | <u>Balance<br/>August 31,<br/>2007</u> | <u>Additions</u>            | <u>(Retirements)<br/>and Transfers</u> | <u>Balance<br/>August 31,<br/>2008</u> |
|---|--|-----------------------------|--|--|
| Capital assets, not being depreciated       |  |                             |  |  |
| Land  | \$ 52,371,409                          | \$ 46,668                   | \$                                     | \$ 52,418,077                          |
| Construction in progress                    | 51,259,952                             | 87,114,131                  | (107,980,824)                          | 30,393,259                             |
| Total Capital Assets, not being depreciated | <u>103,631,361</u>                     | <u>87,160,799</u>           | <u>(107,980,824)</u>                   | <u>82,811,336</u>                      |
| Capital assets, being depreciated           |  |                             |  |  |
| Buildings and improvements                  | 603,586,195                            |                             | 107,980,824                            | 711,567,019                            |
| Furniture and equipment                     | 69,353,975                             | 10,006,668                  | (88,423)                               | 79,272,220                             |
| Capital lease assets                        | 1,505,212                              |                             |  | 1,505,212                              |
| Total Capital Assets, being depreciated     | <u>674,445,381</u>                     | <u>10,006,668</u>           | <u>107,892,401</u>                     | <u>792,344,451</u>                     |
| Less accumulated depreciation for:          |  |                             |  |  |
| Buildings and improvements                  | (146,764,495)                          | (14,724,265)                |  | (161,488,760)                          |
| Furniture and Equipment                     | (34,944,361)                           | (7,199,038)                 | 64,960                                 | (42,078,439)                           |
| Capital lease assets                        | (1,088,610)                            | (129,476)                   |  | (1,218,086)                            |
| Total Accumulated Depreciation              | <u>(182,797,466)</u>                   | <u>(22,052,779)</u>         | <u>64,960</u>                          | <u>(204,785,285)</u>                   |
| <b>Governmental Capital Assets</b>          | <u><u>\$ 595,279,276</u></u>           | <u><u>\$ 75,114,688</u></u> | <u><u>\$ (23,463)</u></u>              | <u><u>\$ 670,370,502</u></u>           |

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

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

| <b>Function</b>                            | <b>Depreciation<br/>Expense</b> |
|--|---------------------------------|
| Instruction                                | \$ 13,660,252                   |
| Instructional resources and media services | 400,047                         |
| Curriculum and staff development           | 328,175                         |
| Instructional leadership                   | 198,219                         |
| School leadership                          | 1,630,678                       |
| Guidance, counseling and evaluation        | 649,213                         |
| Social work services                       | 10,368                          |
| Health services                            | 239,138                         |
| Student transportation                     | 634,604                         |
| Food Services                              | 1,568                           |
| Extracurricular activities                 | 358,612                         |
| General administration                     | 621,013                         |
| Plant maintenance and operations           | 2,716,919                       |
| Security and monitoring services           | 238,715                         |
| Data processing services                   | 333,433                         |
| Community services                         | 31,825                          |
|  | <u>\$ 22,052,779</u>            |

**Construction Commitments**

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

| <b>Project</b>   | <b>Approved Construction<br/>Budget</b> | <b>Construction<br/>in Progress</b> | <b>Remaining<br/>Commitment</b> |
|------------------|---|-------------------------------------|---------------------------------|
| School Buildings | \$ 51,550,025                           | \$ 28,648,445                       | \$ 22,901,580                   |
| Renovations      | 1,556,333                               | 1,078,375                           | 477,958                         |
| Portables        | 1,001,688                               | 666,439                             | 335,249                         |
|                  | <u>\$ 54,108,046</u>                    | <u>\$ 30,393,259</u>                | <u>\$ 23,714,787</u>            |

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

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Activity between the debt service fund and the capital projects fund results primarily from the capital projects fund interest earnings that are used for debt service payments. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

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

|                    | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|--------------------|---------------------------------|------------------------------|
| General Fund       | \$ 5,739,918                    | \$ 891,863                   |
| Debt Service Funds | 28,363                          |                              |
| Nonmajor Funds     | 893,500                         | 5,769,918                    |
|                    | <u>\$ 6,661,781</u>             | <u>\$ 6,661,781</u>          |

**Note 6 - Long-term Liabilities**

**Changes in Long-term Liabilities**

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

|                                 | <u>Balance August<br/>31, 2007</u> | <u>Additions</u>     | <u>Retirements</u>     | <u>Balance August<br/>31, 2008</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------|------------------------------------|----------------------|------------------------|------------------------------------|--------------------------------|
| General obligation bonds        | \$ 484,249,769                     | \$ 42,930,000        | \$ (58,099,062)        | \$ 469,080,707                     | \$ 13,925,707                  |
| Less deferred amounts:          |                                    |                      |                        |                                    |                                |
| For issuance premiums/discounts |                                    | 3,350,465            | (43,974)               | 3,306,491                          |                                |
| Gain or loss on refunding bonds |                                    | (2,944,969)          | 41,582                 | (2,903,387)                        |                                |
| Accreted interest on premium    |                                    |                      |                        |                                    |                                |
| compound interest bonds         | 6,910,231                          | 307,908              | (4,379,916)            | 2,838,223                          | 2,838,223                      |
| Capital leases                  | 5,202                              |                      | (4,107)                | 1,095                              | 1,095                          |
| Accrued compensated absences    | 2,064,320                          | 286,920              | (357,566)              | 1,993,674                          |                                |
| Long-term worker's compensation | 4,523,831                          | 2,125,879            | (2,462,116)            | 4,187,594                          |                                |
|                                 | <u>\$ 497,753,353</u>              | <u>\$ 46,056,203</u> | <u>\$ (65,305,159)</u> | <u>\$ 478,504,397</u>              | <u>\$ 16,765,025</u>           |

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses, and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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

The following is a summary of changes in the general obligation bonds for the fiscal year:

| <u>Issue</u>  | <u>Original<br/>Issuance<br/>Amount</u> | <u>Interest Rate<br/>(%)</u> | <u>Maturity Date</u> | <u>Debt<br/>Outstanding</u> |
|---|---|------------------------------|----------------------|-----------------------------|
| Unlimited Tax Refunding Bonds, Series 1993                      | \$ 29,715,000                           | 5.80-5.85%                   | 2/15/2009            | \$ 375,707                  |
| Variable Rate Unlimited Tax School Building Bonds, Series 1996A | 18,100,000                              | 6.05%                        | 2/15/2016            | 1,100,000                   |
| Unlimited Tax School Building & Refunding Bonds, Series 2000    | 37,994,998                              | 4.750-5.125%                 | 2/15/2014            | 7,610,000                   |
| Variable Rate Unlimited Tax School Building Bonds, Series 2000A | 50,000,000                              | 6.00%                        | 2/15/2029            | 41,500,000                  |
| Unlimited Tax School Building Bonds, Series 2002                | 114,050,000                             | 4.500-5.125%                 | 8/31/2029            | 67,715,000                  |
| Unlimited Tax Refunding Bonds, Series 2003                      | 37,134,989                              | 3.25-3.50%                   | 2/15/2009            | 900,000                     |
| Unlimited Tax Refunding Bonds, Series 2003 A                    | 7,035,000                               | 2.75-3.25%                   | 2/15/2010            | 2,955,000                   |
| Unlimited Tax School Building & Refunding Bonds, Series 2005    | 36,059,737                              | 3.00-5.00%                   | 2/15/2021            | 27,395,000                  |
| Unlimited Tax Refunding Bonds, Series 2005 A                    | 14,605,000                              | 3.00-5.00%                   | 2/15/2017            | 12,230,000                  |
| Limited Tax Refunding Bonds, Series 2005                        | 6,370,000                               | 3.500-3.625%                 | 2/15/2013            | 2,140,000                   |
| Variable Rate Unlimited Tax School Building Bonds, Series 2005B | 80,000,000                              | 4.36%                        | 2/1/2035             | 79,900,000                  |
| Unlimited Tax Refunding Bonds, Series 2006                      | 118,020,000                             | 4.00-5.00                    | 2/15/2036            | 115,355,000                 |
| Unlimited Tax Refunding Bonds, Series 2007                      | 66,980,000                              | 4.00-5.00%                   | 2/15/2026            | 66,975,000                  |
| Unlimited Tax Refunding Bonds, Series 2008                      | 42,930,000                              | 3.00-5.00%                   | 2/15/2022            | 42,930,000                  |
|   |   |                              |                      | <u>\$ 469,080,707</u>       |

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

| <u>Year Ending<br/>August 31,</u> | <u>Principal</u>      | <u>Interest</u>       | <u>Totals</u>         |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| 2009                              | \$ 13,925,707         | \$ 22,316,218         | \$ 36,241,925         |
| 2010                              | 15,075,000            | 21,720,019            | 36,795,019            |
| 2011                              | 14,425,000            | 21,063,665            | 35,488,665            |
| 2012                              | 13,535,000            | 20,417,293            | 33,952,293            |
| 2013                              | 12,780,000            | 19,834,211            | 32,614,211            |
| 2014-2018                         | 78,685,000            | 88,556,175            | 167,241,175           |
| 2019-2023                         | 101,565,000           | 65,409,088            | 166,974,088           |
| 2024-2028                         | 107,185,000           | 38,763,762            | 145,948,762           |
| 2029-2033                         | 73,290,000            | 17,023,495            | 90,313,495            |
| 2034-2036                         | 38,615,000            | 2,456,394             | 41,071,394            |
|                                   | <u>\$ 469,080,707</u> | <u>\$ 317,560,320</u> | <u>\$ 786,641,027</u> |

On June 15, 2008, the District issued \$42,930,000 of Unlimited Tax Refunding Bonds, Series 2008. The bond interest rate ranges from 3 to 5 percent. The proceeds from the issuance of the bonds were used to purchase U.S. Treasury securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,944,969. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt. The refunding was undertaken to reduce total debt service payments and resulted in an economic gain of \$1,675,444.

In prior years, the District deferred 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 bonds are not included in the District's financial statements. At August 31, 2008, \$59,095,000 of refunded bonds outstanding is considered defeased.

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

**Swap Agreement**

In connection with the issuance of the \$80,000,000 Unlimited Tax School Building Bonds, Series 2005, the District entered into interest rate swap transactions pursuant to agreements (the "Swap Agreements") with Bank of America, N.A., ("BOA") in an original notional amount of \$ 39,950,000 and Morgan Stanley Capital Services, Inc., ("MSCS") in an original notional amount of \$ 39,950,000 in order to substantially fix the District's interest obligation on the Bonds. Under the Swap Agreements, the District is obligated to make payments to BOA and MSCS calculated on a notional amount equal to the scheduled outstanding principal amount of the Bonds at a fixed rate of 3.689% per annum, and BOA and MSCS are each obligated to make reciprocal floating rate payments to the District calculated on notional amounts equal in the aggregate to the scheduled outstanding principal amount of the Bonds at a variable rate equal to 68% of the one-month London Interbank Offered Rate (LIBOR) for U.S. deposits. Payments under the Swap Agreements will be made on the first business day of each month and on February 1, 2035 or prior termination.

The Swap Agreements do not alter the District's obligation to pay principal of and interest on Bonds. The District's obligations under the Swap Agreements are secured by a levy of an annual ad valorem tax on a parity with the District's obligation to pay principal of and interest on the Bonds.

If either party to a Swap Agreement commits an event of default or merges with a materially weaker entity, then the other party may terminate the applicable Swap Agreement with FSA's consent. In addition, under the Swap Agreements, if the ratings assigned to the District's unenhanced long-term debt obligations are withdrawn or reduced below "BBB" by S&P, "BBB" by Fitch or "Baa2" by Moody's (if Moody's, S&P, an Fitch assign ratings to the District's unenhanced long-term obligations), or if the ratings assigned to BOA or MSCS's unenhanced long-term debt obligations are withdrawn or reduced below "BBB" by S&P, or "Baa2" by Moody's, then the other party may terminate such Swap Agreement. Under the Swap Agreements, the District, at its sole option, has the right to assign its rights under each Swap Agreement under certain circumstances. The Swap Agreements are also subject to optional termination by the District. The unenhanced long-term debt of the District is currently rated "Aa3" by Moody's.

No assurance can be given that the Swap Agreements will continue to be in existence. If either Swap Agreement is terminated under certain market conditions, the District may owe a termination payment to the other party or may receive a termination payment from the other party. Such termination payment generally would be based upon the market value of the Swap Agreement on the date of termination and could be substantial. In addition, a partial termination of the Swap Agreement could occur under certain circumstances. Termination payments related to the portion of the Swap Agreement to be terminated will be owed by either the District or the other party, depending on prevailing market conditions.

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

**Swap Agreement (Continued)**

In connection with the issuance of the Bonds, the District also entered into an interest rate swap transaction pursuant to an agreement (the "Swap Agreement") with Citigroup, N.A. ("Citigroup") in an original notional amount of \$40,000,000. The District intends that the Swap Agreement will allow the District to initially be a receiver of a net scheduled payments under the Swap Agreement, although subsequent market conditions can result in the District being a net receiver or net payer under the Swap Agreement from time to time. Under the Swap Agreements, the District is obligated to make floating rate payments to Citigroup equal to the average Bond Market Association Municipal Swap Index rate (the "BMA Rate") on the outstanding notional amount of the Bonds subject to the Swap Agreement for each applicable monthly settlement period, and Citigroup is obligated to make reciprocal floating rate payments to the District calculated on the same notional amount of Bonds subject to the Swap Agreement equal to a fixed percentage of the 10-year interest rate swaps for a one-month U.S. dollar LIBOR rate are entered into from time to time) (the "CMS Rate") to be determined prior to the closing of the Bonds. Payments under the Swap Agreement will be made on the first business day of each month and on February 15, 2036 or prior termination. Under the Order, if a Swap Agreement is in effect with respect to the Bonds, the District is required to levy taxes sufficient to pay the principal of the Bonds and (1) the regularly scheduled swap payments payable by the District under the Swap Agreement (as defined herein) and (2) an additional amount of Basis Spread, which will be levied by the District to offset any potential shortfall between the floating rates payable by the District under the Swap Agreement. Basis Spread, as defined in the Order, is the per annum rate equal to (i) the greatest difference, on an average yearly basis, between the BMA Rate and the CMS Rate for the twenty (20) years prior to execution of the Swap Agreement; or (ii) if the actual basis cost to the District in any year exceeds the Basis Spread, then the actual excess basis cost and any anticipated future excess basis cost.

Arrangements made in respect of the Swap Agreement do not alter the District's obligation to pay principal of and interest on the Bonds. The Swap Agreement does not provide a source of security or other credit for the bonds. The District's obligation under the Swap Agreement is secured by a levy of an annual ad valorem tax on a parity with the District's obligation to principal and interest on the Bonds. If either party to a Swap Agreement commits an event of default or merges with a materially weaker entity, then the Swap Agreement is subject to mandatory termination. In addition, if the ratings assigned to the District's unenhanced long-term debt obligations are withdrawn or reduced below "BBB" Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), "BBB" by Fitch Ratings ("Fitch") and "Bal" by Moody's (if Moody's, S&P, and Fitch assign ratings to the District's long-term obligations), "BBB" by S&P or Fitch (if Moody's does not assign ratings on the District's unenhanced long-term debt obligations) or if the ratings assigned to Citigroup's unenhanced long-term debt obligations are withdrawn or reduced below "BBB" by S&P or "Baa2" by Moody's, the Swap Agreement is subject to mandatory termination. Citigroup, at its sole option, has the right to assign its rights under the Swap Agreement under certain circumstances. The Swap Agreement is also subject to optional termination by the District. The unenhanced long-term debt of the District is currently rated "Aa3" by Moody's. The District has not requested that S&P or Fitch rate the bonds. No assurance can be given that the Swap Agreements will continue to be in existence. If either Swap Agreement is terminated under certain market conditions, the District may owe a termination payment to Citigroup or may receive termination payments from Citigroup. Such termination payment generally would be based upon the market value of the Swap Agreement on the date of termination and could be substantial. In addition, a partial termination of the Swap Agreement could occur under certain circumstances. Termination payment related to the portion of the Swap Agreement to be terminated will be owed by either the District or Citigroup, depending on prevailing market conditions.

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

**Accreted Interest on Premium Compound Interest Bonds**

A portion of the bonds sold in the Series 1993 refunding bond issue were capital appreciation bonds commonly referred to as “premium compound interest bonds.” The District annual records the appreciation of bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bond series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

| <u>Series</u>                              | <u>Accreted Value</u> | <u>Principal</u>  | <u>Accreted Interest</u> | <u>Maturity Value</u> | <u>Maturity Dates</u> |
|--|-----------------------|-------------------|--------------------------|-----------------------|-----------------------|
| Unlimited Tax<br>Refunding, Series<br>1993 | \$ 3,213,930          | \$ 375,707        | \$ 2,838,223             | \$ 3,300,000          | 2/15/2009             |
|  | <u>\$ 3,213,930</u>   | <u>\$ 375,707</u> | <u>\$ 2,838,223</u>      | <u>\$ 3,300,000</u>   |                       |

The funds typically used to liquidate other long-term liabilities in the past are the general fund and internal service fund.

**Capital Leases**

Commitments under capital lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2008, as follows:

| <u>Year Ending<br/>August 31,</u>  | <u>Amounts</u>  |
|------------------------------------|-----------------|
| 2009                               | \$ 1,115        |
| Total minimum lease payments       | 1,115           |
| less amounts representing interest | 20              |
|                                    | <u>\$ 1,095</u> |

As of August 31, 2008, the District paid \$4,107 towards the principal of the lease.

**Operating Leases**

Commitments under operating lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2008, as follows:

| <u>Years Ending<br/>August 31,</u> |                   |
|------------------------------------|-------------------|
| 2009                               | \$ 642,708        |
| 2010                               | 128,191           |
| Total Minimum rental payments      | <u>\$ 770,899</u> |

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

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

|                                  | <u>General Fund</u>  | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> |
|----------------------------------|----------------------|--------------------------|------------------------------|---------------------------------|
| Property Taxes                   | \$104,796,698        | \$ 26,923,847            | \$                           | \$                              |
| Investment Income                | 3,135,027            | 1,016,119                | 3,544,141                    | 25,308                          |
| Co-curricular Student Activities | 455,749              |                          |                              | 2,996,887                       |
| Food Sales                       |                      |                          |                              | 6,175,648                       |
| Other                            | 4,809,542            |                          | 284,666                      | 327,613                         |
|                                  | <u>\$113,197,016</u> | <u>\$ 27,939,966</u>     | <u>\$ 3,828,807</u>          | <u>\$ 9,525,456</u>             |

**Note 8 - Pension Information**

**Plan Description**

The Pasadena 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 benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy**

State law provides for a member contribution rate of 6.4% for fiscal years 2008, 2007 and 2006, and a state contribution rate of 6.58% for fiscal year 2008 and 6.0% for fiscal years 2007 and 2006. In certain instances, the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal year 2008 and 6.00% for fiscal years 2007 and 2006. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (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; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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.

**Note 8 - Pension Information (Continued)**

**Contributions**

Staff members of the District are required to pay 6.4% of their eligible gross earnings to the TRS pension plan. The State of Texas contributes 6.58% (6.0% for fiscal years 2007 and 2006) of all employees' eligible gross earnings, except for those staff members subject to statutory minimum requirements and those staff members being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedule adjusted based on local tax rates. For staff members funded by federal programs, the federal programs are required to contribute 6.58% (6.00% for fiscal years 2007 and 2006).

Contributions made by the State, District and staff members to TRS for the years ended August 31, 2008, 2007, and 2006, are as follows:

| For the<br>Year<br>Ended<br>August 31 | State TRS<br>Contributions<br>Made On Behalf<br>of the District | District<br>Required<br>Contributions<br>to TRS | Staff<br>Members'<br>Contributions<br>to TRS |
|---------------------------------------|---|---|--|
| 2008                                  | \$ 14,241,279   | \$ 3,509,373                                    | \$ 17,265,075                                |
| 2007                                  | 11,667,003  | 3,492,810                                       | 16,170,467                                   |
| 2006                                  | 11,135,769  | 2,575,015                                       | 14,624,837                                   |

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

**Note 9 - Retiree Health Plan**

**Plan Description**

The Pasadena 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 Retired Plan provides health care coverage for certain persons (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 group 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, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**Note 9 - Retiree Health Plan (Continued)**

**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 .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2008, 2007, and 2006. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .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%.

**Contributions**

Contributions made by the State, District, and staff members, for the years ended August 31, 2008, 2007, and 2006 are as follows:

| For the<br>Year<br>Ended<br>August 31 | State TRS Care<br>Contributions<br>Made On Behalf<br>of the District | District<br>Required<br>Contributions<br>to TRS Care | Staff<br>Members'<br>Contributions<br>to TRS Care |
|---------------------------------------|--|--|---|
| 2008                                  | \$ 2,493,451   | \$ 202,216   | \$ 1,753,484                                      |
| 2007                                  | 2,365,002  | 161,634  | 1,642,313   |
| 2006                                  | 2,156,490  | 128,641  | 1,485,335   |

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 know as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2008, 2007, and 2006, the subsidy payments received by TRS-Care on-behalf of the District were \$610,681, \$534,932 and \$348,537 respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**Note 10 - Risk Management**

**Property/Liability**

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance.

In addition, the District is a member of the Texas Association of School Boards Joint Self-Insurance Fund (Fund). The fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its general and educators' liability and fleet comprehensive, collision, and liability coverage. The Districts agreement with the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts.

**Note 11 - Self-Fund Health Insurance**

During the year ended August 31, 2008, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$225 per month per employee to the Plan. 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 self-funded pool. The plan was authorized by Section 21.922, Texas Education Code was documented by contractual agreement.

The District has entered into a three-year contract with its third party administrator. The contract is renewable for one additional year on January 1, 2010 and 2011. In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Acordia Insurance Company, 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 individual claims exceeding \$200,000 and for aggregate loss. Other Districts and/or their employees contributed to the self-insurance pool which was operated under contractual provisions Article 4413(32c), Interlocal Cooperation Act. According to the latest actuarial opinion updated August 31, 2008 in reported claims that were unpaid and estimated incurred, but not reported, claims of \$3,108,110.

An analysis of claims liability for the fiscal year 2008 and 2007 are as follows:

|                        | <b>2008</b>         | <b>2007</b>         |
|------------------------|---------------------|---------------------|
| Accrual, September 1   | \$ 1,549,584        | \$ 1,845,244        |
| Current year estimates | 26,961,398          | 22,404,148          |
| Payments for claims    | 25,402,872          | 22,699,808          |
| Accrual, August 31     | <u>\$ 3,108,110</u> | <u>\$ 1,549,584</u> |

**Note 12 - Self-Insured Worker’s Compensation**

In 1997 the District established its self-funding Worker’s Compensation program. TASB, through its actuarial review of the Worker’s Compensation self-insured program, projected a liability of \$4,187,594 as of August 31, 2008 for the ultimate loss reserve of the fund. The District currently maintains a self-insured retention of \$300,000 per occurrence. The District does not purchase aggregate excess insurance.

The accrued liability for Worker’s Compensation of self-insurance of \$4,187,594 includes incurred but not reported claims. This liability reported in the fund at August 31, 2008, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

The following year-by-year exposure details the number of annual claims:

|                 |            |
|-----------------|------------|
| 1999            | 349        |
| 2000            | 334        |
| 2001            | 302        |
| 2002            | 333        |
| 2003            | 322        |
| 2004            | 337        |
| 2005            | 377        |
| 2006            | 372        |
| 2007            | 325        |
| 2008            | 388        |
| 10 Year Average | <u>344</u> |

Changes in the worker’s compensation claims liability amounts in fiscal 2006, 2007 and 2008 are as follows:

|      | <b>Beginning<br/>balance<br/>as of 9/1/2007</b> | <b>Claims and<br/>Changes in<br/>Estimates</b> | <b>Claim<br/>Payments</b> | <b>Ending balance<br/>as of<br/>8/31/08</b> |
|------|---|--|---------------------------|---|
| 2006 | \$ 3,724,378                                    | \$ 3,086,166                                   | \$ 2,664,874              | \$ 4,145,670                                |
| 2007 | 4,145,670                                       | 3,108,503                                      | 2,730,342                 | 4,523,831                                   |
| 2008 | 4,523,831                                       | 2,125,879                                      | 2,462,116                 | 4,187,594                                   |

**Note 13 - Shared Services Arrangements**

The District participates in a shared services arrangement (“SSA”) for a federal program with the Harris County Department of Education. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**Note 14 - 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.

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

**Note 15 - Arbitrage**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (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 it does not have any arbitrage liability as of August 31, 2008.

**Note 16 - Prior Period Adjustment**

The District has determined that the following transactions were recorded incorrectly in a prior year.

**Beginning Net Assets - As Originally Presented**

Restatements due to:

|   |              |
|---|--------------|
| Prior year reconciling item posted directly to net assets   | \$ 9,698,973 |
| Beginning compensated absences were overstated  | 3,811,953    |
| Beginning accumulated depreciation was understated  | (18,791,236) |
| Beginning bonded debt was overstated  | 538,780      |
| Prior year deferred revenue related to USDA commodities recognized as revenue in the Child Nutrition Fund | 516,992      |
| Stop loss reimbursements related to prior year were erroneously recognized in the current year            | 563,996      |

|   |                              |
|---|------------------------------|
| <b>Beginning Net Assets - As Restated</b> | <u><u>\$ (3,660,542)</u></u> |
|---|------------------------------|

**Note 17 – Deficit Net Assets**

The Worker's Compensation Internal Service Fund had deficit net assets of \$408,868 at August 31, 2008. The District plans to eliminate this deficit through future operations.

**Required Supplementary Information**

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**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit F-1*

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

*For the Year Ended August 31, 2008*

|   | <b>Budgeted Amounts</b> |                      | <b>Actual<br/>Amounts,<br/>Budgetary<br/>Basis</b> | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|----------------------|--|---|
|   | <b>Original</b>         | <b>Final</b>         |  |   |
| <b>Revenues</b>                                   |                         |                      |  |   |
| 5700 Local revenues                               | \$ 101,928,230          | \$ 111,790,184       | \$ 113,197,016                                     | \$ 1,406,832  |
| 5800 State program revenues                       | 238,520,651             | 225,735,447          | 236,606,526  | 10,871,079  |
| 5900 Federal program revenues                     | 2,474,000               | 2,474,000            | 1,707,945  | (766,055)   |
| <b>Total revenues</b>                             | <b>342,922,881</b>      | <b>339,999,631</b>   | <b>351,511,487</b>                                 | <b>11,511,856</b>   |
| <b>Expenditures</b>                               |                         |                      |  |   |
| <b>Current:</b>                                   |                         |                      |  |   |
| 0011 Instruction                                  | 215,298,778             | 212,760,160          | 211,738,958  | 1,021,202   |
| 0012 Instruction resources and media services     | 5,728,227               | 6,306,566            | 6,200,877  | 105,689   |
| 0013 Curriculum and instructional staff           | 4,931,121               | 5,298,956            | 5,086,827  | 212,129   |
| 0021 Instructional leadership                     | 3,144,592               | 3,151,736            | 3,072,472  | 79,264  |
| 0023 School leadership                            | 24,916,042              | 25,377,659           | 25,276,118   | 101,541   |
| 0031 Guidance, counseling and evaluation services | 10,401,097              | 10,429,422           | 10,063,052   | 366,370   |
| 0032 Social work services                         | 324,916                 | 324,916              | 160,708  | 164,208   |
| 0033 Health services                              | 3,765,597               | 3,819,231            | 3,706,722  | 112,509   |
| 0034 Student transportation                       | 9,171,869               | 12,500,425           | 9,836,592  | 2,663,833   |
| 0035 Food services                                | 7,217                   | 37,217               | 24,310   | 12,907  |
| 0036 Extracurricular activities                   | 5,325,960               | 5,627,624            | 5,558,614  | 69,010  |
| 0041 General administration                       | 9,032,599               | 10,110,786           | 9,625,925  | 484,861   |
| 0051 Plant maintenance and operations             | 40,699,177              | 46,789,145           | 42,113,232   | 4,675,913   |
| 0052 Security and monitoring services             | 3,561,959               | 3,916,007            | 3,700,172  | 215,835   |
| 0053 Data processing services                     | 4,189,465               | 10,091,281           | 5,168,918  | 4,922,363   |
| 0061 Community services                           | 490,348                 | 510,348              | 493,300  | 17,048  |
| <b>Debt Service:</b>                              |                         |                      |  |   |
| 0071 Principal on long-term debt                  | 1,112,775               | 1,158,568            | 1,154,107  | 4,461   |
| 0072 Interest on long-term debt                   | 135,741                 | 89,408               | 89,408   |   |
| 0073 Bond issuance costs and fees                 |                         | 539                  | 539  |   |
| 0081 Capital outlay                               | 1,275,000               | 6,678,046            | 5,423,252  | 1,254,794   |
| 0095 Payments to Juvenile Justice Alt. Ed. Prgm.  | 624,000                 | 624,000              | 243,244  | 380,756   |
| <b>Total Expenditures</b>                         | <b>344,136,480</b>      | <b>365,602,040</b>   | <b>348,737,347</b>                                 | <b>16,864,693</b>   |
| Excess (deficiency) of revenues over              |                         |                      |  |   |
| 1100 expenditures                                 | (1,213,599)             | (25,602,409)         | 2,774,140  | 28,376,549  |
| <b>Other Financing Sources (Uses)</b>             |                         |                      |  |   |
| 7912 Sale of real or personal property            |                         |                      | 9,600  | 9,600   |
| 7915 Transfers in                                 | 19,107                  | 19,107               |  | 19,107  |
| 8949 Other uses                                   |                         | (170,000)            | (162,867)  | 7,133   |
| <b>Total other financing sources and uses</b>     | <b>19,107</b>           | <b>19,107</b>        | <b>(153,267)</b>                                   | <b>35,840</b>   |
| Net change in fund balances                       | (1,194,492)             | (25,583,302)         | 2,620,873  | 28,412,389  |
| <b>Fund balances - beginning</b>                  | <b>73,365,437</b>       | <b>73,365,437</b>    | <b>73,365,437</b>                                  |   |
| <b>Fund balances - ending</b>                     | <b>\$ 72,170,945</b>    | <b>\$ 47,782,135</b> | <b>\$ 75,986,310</b>                               | <b>\$ 28,412,389</b>  |

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, 2008.

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

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

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

The Debt Service Fund's actual expenditures exceeded the amended budget by \$1,405,725.

## **Other Supplementary Information**

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

August 31, 2008

| <b>Data<br/>Control<br/>Codes</b>            | <b>204</b>                                | <b>211</b>                     | <b>212</b>                                      |
|--|---|--------------------------------|---|
|  | <b>Title IV Safe &amp;<br/>Drug Free</b>  | <b>ESEA Title I<br/>Part A</b> | <b>Support for<br/>Homeless<br/>Educ. Prog.</b> |
| <b>Assets</b>                                |   |                                |   |
| 1110   | Cash and temporary investments            | \$                             | \$  |
| <b>Receivables:</b>                          |   |                                |   |
| 1240   | Receivables from other governments        | 29,015                         | 1,343,448                                       |
| 1260   | Due from other funds                      |                                | 36,079  |
| 1290   | Other receivables                         |                                |   |
| 1310   | Inventories, at cost                      |                                |   |
| 1410   | Prepaid expenses                          | 403                            | 228,994   |
| 1000   | <b>Total Assets</b>                       | <u>\$ 29,418</u>               | <u>\$ 1,572,442</u>                             |
| <b>Liabilities and Fund Balance</b>          |   |                                |   |
| <b>Liabilities:</b>                          |   |                                |   |
| <b>Current Liabilities:</b>                  |   |                                |   |
| 2110   | Accounts payable                          | \$                             | \$  |
| 2160   | Accrued wages payable                     |                                | 492   |
| 2170   | Due to other funds                        | 29,418                         | 1,572,442                                       |
| 2180   | Due to other governments                  |                                | 35,587  |
| 2300   | Deferred revenues                         |                                |   |
| 2000   | <b>Total Liabilities</b>                  | <u>29,418</u>                  | <u>1,572,442</u>                                |
| <b>Fund Balance:</b>                         |   |                                |   |
| <b>Reserved for:</b>                         |   |                                |   |
| 3410   | Investments in inventories                |                                |   |
| 3430   | Prepaid items                             |                                |   |
| 3440   | Encumbrances                              |                                |   |
| 3450   | Food service operations                   |                                |   |
| <b>Unreserved, Undesignated Reported in:</b> |   |                                |   |
| 3600   | General fund                              |                                |   |
| 3610   | Special revenue funds                     |                                |   |
| 3000   | <b>Total Fund Balances</b>                | <u></u>                        | <u></u>   |
| 4000   | <b>Total Liabilities and Fund Balance</b> | <u>\$ 29,418</u>               | <u>\$ 1,572,442</u>                             |

| 224                 | 225                        | 226                      | 240                 | 242                          | 244                     | 255                      |
|---------------------|----------------------------|--------------------------|---------------------|------------------------------|-------------------------|--------------------------|
| IDEA B<br>Formula   | ESEA<br>Title I,<br>Part C | IDEA B-<br>Discretionary | Child<br>Nutrition  | Summer<br>Feeding<br>Program | Vocational<br>Ed -Basic | ESEA Title<br>II, Part A |
| \$                  | \$                         | \$                       | \$                  | \$ 10,309                    | \$                      | \$                       |
| 899,302             | 29,456                     | 149,064                  | 348,134             |                              | 30,811                  | 59,622                   |
|                     |                            |                          | 877,952             |                              |                         |                          |
|                     |                            |                          | 32                  |                              |                         |                          |
|                     |                            |                          | 1,135,506           |                              |                         |                          |
| 141,096             | 12,895                     |                          | 292,856             |                              | 1,715                   |                          |
| <u>\$ 1,040,398</u> | <u>\$ 42,351</u>           | <u>\$ 149,064</u>        | <u>\$ 2,654,480</u> | <u>\$ 10,309</u>             | <u>\$ 32,526</u>        | <u>\$ 59,622</u>         |
| \$                  | \$                         | \$                       | \$ 301,204          | \$                           | \$                      | \$                       |
| 1,040,398           | 42,351                     | 149,064                  | 246,251             |                              | 32,526                  | 59,622                   |
| <u>1,040,398</u>    | <u>42,351</u>              | <u>149,064</u>           | <u>547,455</u>      |                              | <u>32,526</u>           | <u>59,622</u>            |
|                     |                            |                          | 1,135,506           |                              |                         |                          |
|                     |                            |                          | 292,856             |                              |                         |                          |
|                     |                            |                          | 332,580             |                              |                         |                          |
|                     |                            |                          | 346,083             | 10,309                       |                         |                          |
|                     |                            |                          | 2,107,025           | 10,309                       |                         |                          |
| <u>\$ 1,040,398</u> | <u>\$ 42,351</u>           | <u>\$ 149,064</u>        | <u>\$ 2,654,480</u> | <u>\$ 10,309</u>             | <u>\$ 32,526</u>        | <u>\$ 59,622</u>         |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

August 31, 2008

| <b>Data<br/>Control<br/>Codes</b> |  | <b>262</b>                                     | <b>263</b>                | <b>265</b>                        |
|-----------------------------------|--|--|---------------------------|-----------------------------------|
|                                   |  | <b>Enhancing<br/>Ed Through<br/>Technology</b> | <b>ESEA<br/>Title III</b> | <b>21st<br/>Century<br/>Grant</b> |
|                                   | <b>Assets</b>                                |  |                           |                                   |
| 1110                              | Cash and temporary investments               | \$   | \$                        | \$                                |
|                                   | <b>Receivables:</b>                          |  |                           |                                   |
| 1240                              | Receivables from other governments           | 38,688   | 137,353                   | 163,970                           |
| 1260                              | Due from other funds                         | 15,548   |                           |                                   |
| 1290                              | Other receivables                            |  |                           |                                   |
| 1310                              | Inventories, at cost                         |  |                           |                                   |
| 1410                              | Prepaid expenses                             |  | 18,026                    |                                   |
| 1000                              | <b>Total Assets</b>                          | \$ 54,236                                      | \$ 155,379                | \$ 163,970                        |
|                                   | <b>Liabilities and Fund Balance</b>          |  |                           |                                   |
|                                   | <b>Liabilities:</b>                          |  |                           |                                   |
|                                   | <b>Current Liabilities:</b>                  |  |                           |                                   |
| 2110                              | Accounts payable                             | \$   | \$                        | \$                                |
| 2160                              | Accrued wages payable                        |  |                           | 7,502                             |
| 2170                              | Due to other funds                           | 54,236   | 112,369                   | 140,584                           |
| 2180                              | Due to other governments                     |  | 43,010                    | 15,884                            |
| 2300                              | Deferred revenues                            |  |                           |                                   |
| 2000                              | <b>Total Liabilities</b>                     | 54,236   | 155,379                   | 163,970                           |
|                                   | <b>Fund Balance:</b>                         |  |                           |                                   |
|                                   | <b>Reserved for:</b>                         |  |                           |                                   |
| 3410                              | Investments in inventories                   |  |                           |                                   |
| 3430                              | Prepaid items                                |  |                           |                                   |
| 3440                              | Encumbrances                                 |  |                           |                                   |
| 3450                              | Food service operations                      |  |                           |                                   |
|                                   | <b>Unreserved, Undesignated Reported in:</b> |  |                           |                                   |
| 3600                              | General fund                                 |  |                           |                                   |
| 3610                              | Special revenue funds                        |  |                           |                                   |
| 3000                              | <b>Total Fund Balances</b>                   |  |                           |                                   |
| 4000                              | <b>Total Liabilities and Fund Balance</b>    | \$ 54,236                                      | \$ 155,379                | \$ 163,970                        |

| 269                | 280                | 281   | 282                                | 283                             | 286                     | 393                                       |
|--------------------|--------------------|---|------------------------------------|---------------------------------|-------------------------|---|
| Title V,<br>Part A | Gear Up<br>Success | Improving<br>Literacy<br>Through<br>School<br>Libraries | Smaller<br>Learning<br>Communities | Teaching<br>American<br>History | LEP<br>Summer<br>School | Texas<br>Successful<br>Schools<br>Program |
| \$                 | \$                 | \$  | \$                                 | \$                              | \$                      | \$  |
|                    | 105,668            | 22,300  | 248,566                            | 5,425                           |                         |   |
| 3,443              | 29,130             |   |                                    |                                 |                         |   |
| <u>\$ 3,443</u>    | <u>\$ 134,798</u>  | <u>\$ 22,300</u>  | <u>\$ 248,566</u>                  | <u>\$ 5,425</u>                 | <u>\$</u>               | <u>\$</u>                                 |
| \$                 | \$                 | \$  | \$                                 | \$                              | \$                      | \$  |
| 3,443              | 134,798            | 22,300  | 248,566                            | 113<br>5,312                    |                         |   |
| <u>3,443</u>       | <u>134,798</u>     | <u>22,300</u>   | <u>248,566</u>                     | <u>5,425</u>                    |                         |   |
| <u>\$ 3,443</u>    | <u>\$ 134,798</u>  | <u>\$ 22,300</u>  | <u>\$ 248,566</u>                  | <u>\$ 5,425</u>                 | <u>\$</u>               | <u>\$</u>                                 |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

August 31, 2008

| <u>Data Control Codes</u>                      | <b>394</b>   | <b>397</b>                                  | <b>399</b>                              |
|--|--|---|---|
|  | <b>Pregnancy,<br/>Education,<br/>and Paranting<br/>Program</b> | <b>Advanced<br/>Placement<br/>Incentive</b> | <b>Investment<br/>Capital<br/>Funds</b> |
| <b>Assets</b>                                  |  |   |   |
| 1110 Cash and temporary investments            | \$   | \$ 35,829                                   | \$                                      |
| <b>Receivables:</b>                            |  |   |   |
| 1240 Receivables from other governments        | 44,840   |   | 70,814                                  |
| 1260 Due from other funds                      |  |   |   |
| 1290 Other receivables                         |  |   |   |
| 1310 Inventories, at cost                      |  |   |   |
| 1410 Prepaid expenses                          |  |   |   |
| 1000 <b>Total Assets</b>                       | <u>\$ 44,840</u>   | <u>\$ 35,829</u>                            | <u>\$ 70,814</u>                        |
| <br><b>Liabilites and Fund Balance</b>         |  |   |   |
| <b>Liabilities:</b>                            |  |   |   |
| <b>Current Liabilities:</b>                    |  |   |   |
| 2110 Accounts payable                          | \$   | \$  | \$                                      |
| 2160 Accrued wages payable                     | 175  |   |   |
| 2170 Due to other funds                        | 44,665   |   | 70,814                                  |
| 2180 Due to other governments                  |  |   |   |
| 2300 Deferred revenues                         |  | 35,829                                      |   |
| 2000 <b>Total Liabilities</b>                  | <u>44,840</u>  | <u>35,829</u>                               | <u>70,814</u>                           |
| <br><b>Fund Balance:</b>                       |  |   |   |
| <b>Reserved for:</b>                           |  |   |   |
| 3410 Investments in inventories                |  |   |   |
| 3430 Prepaid items                             |  |   |   |
| 3440 Encumbrances                              |  |   |   |
| 3450 Food service operations                   |  |   |   |
| <b>Unreserved, Undesignated Reported in:</b>   |  |   |   |
| 3600 General fund                              |  |   |   |
| 3610 Special revenue funds                     |  |   |   |
| 3000 <b>Total Fund Balances</b>                |  |   |   |
| 4000 <b>Total Liabilities and Fund Balance</b> | <u>\$ 44,840</u>   | <u>\$ 35,829</u>                            | <u>\$ 70,814</u>                        |

| <b>401</b>  | <b>404</b>                            | <b>409</b>                            | <b>411</b>        | <b>414</b>                                 | <b>424</b>                    | <b>425</b>                   |
|---|---------------------------------------|---------------------------------------|-------------------|--|-------------------------------|------------------------------|
| <b>Optional<br/>Extended<br/>Year<br/>Program</b> | <b>Student Succ.<br/>Init-Acc REA</b> | <b>Basic Skills /<br/>HS Students</b> | <b>Technology</b> | <b>Accelerated<br/>Science<br/>Program</b> | <b>Texas Step<br/>Program</b> | <b>Texas<br/>Fitness Now</b> |
| \$  | \$                                    | \$                                    | \$ 123,126        | \$   | \$                            | \$                           |
| 252,404   | 603,868                               | 126,251                               |                   | 55,051                                     |                               | 168,328                      |
| <u>\$ 252,404</u>                                 | <u>\$ 603,868</u>                     | <u>\$ 126,251</u>                     | <u>\$ 123,126</u> | <u>\$ 55,051</u>                           | <u>\$</u>                     | <u>\$ 168,328</u>            |
| \$  | \$                                    | \$ 1,250                              | \$ 10,154         | \$   | \$                            | \$                           |
| 252,404   | 603,868                               | 125,001                               | 112,972           | 55,051                                     |                               | 168,328                      |
| <u>252,404</u>                                    | <u>603,868</u>                        | <u>126,251</u>                        | <u>123,126</u>    | <u>55,051</u>                              | <u></u>                       | <u>168,328</u>               |
| <u>\$ 252,404</u>                                 | <u>\$ 603,868</u>                     | <u>\$ 126,251</u>                     | <u>\$ 123,126</u> | <u>\$ 55,051</u>                           | <u>\$</u>                     | <u>\$ 168,328</u>            |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

August 31, 2008

| <b>Data<br/>Control<br/>Codes</b> |  | <b>426</b>                               | <b>427</b>   | <b>428</b>   |
|-----------------------------------|--|--|--|--|
|                                   |  | <b>Texas Ed<br/>Excellence<br/>Award</b> | <b>Laura Bush<br/>Foundation/<br/>HB 1<br/>Mentors</b> | <b>Gifted and<br/>Talented<br/>Performance<br/>Standards</b> |
|                                   | <b>Assets</b>                                |  |  |  |
| 1110                              | Cash and temporary investments               | \$                                       | \$   | \$   |
|                                   | <b>Receivables:</b>                          |  |  |  |
| 1240                              | Receivables from other governments           | 197,351                                  | 164,576  |  |
| 1260                              | Due from other funds                         |  |  |  |
| 1290                              | Other receivables                            |  |  |  |
| 1310                              | Inventories, at cost                         |  |  |  |
| 1410                              | Prepaid expenses                             |  |  |  |
| 1000                              | <b>Total Assets</b>                          | \$ 197,351                               | \$ 164,576   | \$   |
|                                   | <b>Liabilities and Fund Balance</b>          |  |  |  |
|                                   | <b>Liabilities:</b>                          |  |  |  |
|                                   | <b>Current Liabilities:</b>                  |  |  |  |
| 2110                              | Accounts payable                             | \$                                       | \$   | \$   |
| 2160                              | Accrued wages payable                        |  |  |  |
| 2170                              | Due to other funds                           | 196,551                                  | 157,645  |  |
| 2180                              | Due to other governments                     | 800                                      |  |  |
| 2300                              | Deferred revenues                            |  | 6,931  |  |
| 2000                              | <b>Total Liabilities</b>                     | 197,351                                  | 164,576  |  |
|                                   | <b>Fund Balance:</b>                         |  |  |  |
|                                   | <b>Reserved for:</b>                         |  |  |  |
| 3410                              | Investments in inventories                   |  |  |  |
| 3430                              | Prepaid items                                |  |  |  |
| 3440                              | Encumbrances                                 |  |  |  |
| 3450                              | Food service operations                      |  |  |  |
|                                   | <b>Unreserved, Undesignated Reported in:</b> |  |  |  |
| 3600                              | General fund                                 |  |  |  |
| 3610                              | Special revenue funds                        |  |  |  |
| 3000                              | <b>Total Fund Balances</b>                   |  |  |  |
| 4000                              | <b>Total Liabilities and Fund Balance</b>    | \$ 197,351                               | \$ 164,576   | \$   |

| <b>429</b>             | <b>461</b>                   | <b>480</b>                       | <b>497</b>                 | <b>498</b>              |  |
|------------------------|------------------------------|----------------------------------|----------------------------|-------------------------|--|
| <b>Read to Succeed</b> | <b>Campus Activity Funds</b> | <b>PISD Ed Foundation Grants</b> | <b>Measurable Outcomes</b> | <b>CASE Partnership</b> | <b>Total Nonmajor Governmental Funds</b> |
| \$                     | \$ 1,814,353                 | \$ 101,306                       | \$ 3,062                   | \$ 2,289                | \$ 2,090,274                             |
| 60,488                 |                              |                                  |                            | 91,653                  | 5,482,525                                |
|                        |                              |                                  |                            |                         | 893,500                                  |
|                        |                              |                                  |                            |                         | 32                                       |
|                        |                              |                                  |                            |                         | 1,135,506                                |
|                        |                              |                                  |                            | 4,582                   | 733,140                                  |
| <u>\$ 60,488</u>       | <u>\$ 1,814,353</u>          | <u>\$ 101,306</u>                | <u>\$ 3,062</u>            | <u>\$ 98,524</u>        | <u>\$ 10,334,977</u>                     |
| \$ 2,995               | \$ 20,434                    | \$                               | \$                         | \$                      | \$ 336,037                               |
| 433                    |                              |                                  |                            |                         | 8,715                                    |
| 53,352                 |                              |                                  |                            |                         | 5,769,918                                |
|                        | 1,121                        |                                  |                            |                         | 60,815                                   |
| 3,708                  |                              | 101,306                          | 3,062                      | 98,524                  | 249,360                                  |
| <u>60,488</u>          | <u>21,555</u>                | <u>101,306</u>                   | <u>3,062</u>               | <u>98,524</u>           | <u>6,424,845</u>                         |
|                        |                              |                                  |                            |                         | 1,135,506                                |
|                        |                              |                                  |                            |                         | 292,856                                  |
|                        | 105,243                      |                                  |                            |                         | 437,823                                  |
|                        |                              |                                  |                            |                         | 356,392                                  |
|                        | 1,687,555                    |                                  |                            |                         | 1,687,555                                |
|                        | 1,792,798                    |                                  |                            |                         | 3,910,132                                |
| <u>\$ 60,488</u>       | <u>\$ 1,814,353</u>          | <u>\$ 101,306</u>                | <u>\$ 3,062</u>            | <u>\$ 98,524</u>        | <u>\$ 10,334,977</u>                     |

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

| <b>Data<br/>Control<br/>Codes</b>                      | <b>204</b>                               | <b>211</b>                     | <b>212</b>                     |
|--|--|--------------------------------|--------------------------------|
| <b>Revenues</b>  | <b>Title IV Safe<br/>&amp; Drug Free</b> | <b>ESEA Title I<br/>Part A</b> | <b>ESEA Title I<br/>Part C</b> |
| 5700 Local, intermediate, and out-of-state             | \$                                       | \$                             | \$                             |
| 5800 State program revenues                            |  |                                |                                |
| 5900 Federal program revenues                          | 222,988                                  | 11,132,148                     | 209,071                        |
| 5020 <b>Total revenues</b>                             | <u>222,988</u>                           | <u>11,132,148</u>              | <u>209,071</u>                 |
| <b>Expenditures</b>                                    |  |                                |                                |
| <b>Current:</b>  |  |                                |                                |
| 0011 Instruction                                       |  | 8,682,605                      | 58,098                         |
| 0012 Instruction resources and media services          |  |                                |                                |
| 0013 Curriculum and instructional staff development    | 53,196                                   | 182,984                        | 150,973                        |
| 0021 Instructional leadership                          |  | 452,919                        |                                |
| 0023 School leadership                                 |  | 370,817                        |                                |
| 0031 Guidance, counseling and evaluation services      | 97,000                                   | 1,172,014                      |                                |
| 0032 Social work services                              |  |                                |                                |
| 0033 Health services                                   |  | 223,651                        |                                |
| 0034 Student transportation                            |  |                                |                                |
| 0035 Food service                                      |  |                                |                                |
| 0036 Extracurricular activities                        |  |                                |                                |
| 0041 General administration                            |  |                                |                                |
| 0051 Plant maintenance and operations                  |  | 466                            |                                |
| 0052 Security and monitoring services                  | 72,792                                   |                                |                                |
| 0061 Community services                                |  | 46,692                         |                                |
| 6030 <b>Total Expenditures</b>                         | <u>222,988</u>                           | <u>11,132,148</u>              | <u>209,071</u>                 |
| 1100 Excess (deficiency) of revenues over expenditures |  |                                |                                |
| 1200 Net change in fund balances                       |  |                                |                                |
| 0100 <b>Fund balance - September 1 (beginning)</b>     |  |                                |                                |
| 1300 Prior period adjustment                           |  |                                |                                |
| 3000 <b>Fund balance - August 31 (ending)</b>          | <u>\$</u>                                | <u>\$</u>                      | <u>\$</u>                      |

| 224               | 225                          | 226                      | 240                     | 242                          | 244                     | 255                      |
|-------------------|------------------------------|--------------------------|-------------------------|------------------------------|-------------------------|--------------------------|
| IDEA B<br>Formula | IDEA B<br>Preschool<br>Grant | IDEA B-<br>Discretionary | Child Nutrition         | Summer<br>Feeding<br>Program | Vocational<br>Ed -Basic | ESEA Title<br>II, Part A |
| \$                | \$                           | \$                       | \$ 6,200,956<br>166,402 | \$                           | \$                      | \$                       |
| 7,259,328         | 169,706                      | 149,064                  | 18,615,594              |                              | 531,589                 | 2,366,856                |
| <u>7,259,328</u>  | <u>169,706</u>               | <u>149,064</u>           | <u>24,982,952</u>       |                              | <u>531,589</u>          | <u>2,366,856</u>         |
| 4,683,783         | 169,706                      | 149,064                  |                         |                              | 365,620                 | 386,651                  |
| 231,693           |                              |                          |                         |                              |                         | 1,880,199                |
| 628,121           |                              |                          |                         |                              |                         |                          |
| 1,687,040         |                              |                          |                         |                              | 165,969                 |                          |
| 1,748             |                              |                          |                         |                              |                         |                          |
| 8,236             |                              |                          |                         |                              |                         |                          |
|                   |                              |                          | 23,392,919              |                              |                         |                          |
| 18,707            |                              |                          |                         |                              |                         | 100,006                  |
| <u>7,259,328</u>  | <u>169,706</u>               | <u>149,064</u>           | <u>23,392,919</u>       |                              | <u>531,589</u>          | <u>2,366,856</u>         |
|                   |                              |                          | 1,590,033               |                              |                         |                          |
|                   |                              |                          | 1,590,033               |                              |                         |                          |
|                   |                              |                          |                         | 10,309                       |                         |                          |
|                   |                              |                          | 516,992                 |                              |                         |                          |
| <u>\$</u>         | <u>\$</u>                    | <u>\$</u>                | <u>\$ 2,107,025</u>     | <u>\$ 10,309</u>             | <u>\$</u>               | <u>\$</u>                |

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

| <u>Data Control Codes</u> |   | 262  | 263                       | 265                           |
|---------------------------|---|--|---------------------------|-------------------------------|
|                           |   | <u>Enhancing<br/>Ed Through<br/>Technology</u> | <u>ESEA Title<br/>III</u> | <u>21st Century<br/>Grant</u> |
|                           | <b>Revenues</b>                                   |  |                           |                               |
| 5700                      | Local, intermediate, and out-of-state             | \$   | \$                        | \$                            |
| 5800                      | State program revenues                            |  |                           |                               |
| 5900                      | Federal program revenues                          | 483,999  | 1,585,079                 | 456,316                       |
| 5020                      | <b>Total revenues</b>                             | <u>483,999</u>                                 | <u>1,585,079</u>          | <u>456,316</u>                |
|                           | <b>Expenditures</b>                               |  |                           |                               |
|                           | <b>Current:</b>                                   |  |                           |                               |
| 0011                      | Instruction                                       | 298,247  | 1,175,614                 | 321,803                       |
| 0012                      | Instruction resources and media services          |  | 2,894                     |                               |
| 0013                      | Curriculum and instructional staff development    | 170,204  | 209,993                   |                               |
| 0021                      | Instructional leadership                          |  | 196,578                   |                               |
| 0023                      | School leadership                                 |  |                           | 132,087                       |
| 0031                      | Guidance, counseling and evaluation services      |  |                           |                               |
| 0032                      | Social work services                              |  |                           |                               |
| 0033                      | Health services                                   |  |                           |                               |
| 0034                      | Student transportation                            |  |                           |                               |
| 0035                      | Food service                                      |  |                           | 2,426                         |
| 0036                      | Extracurricular activities                        |  |                           |                               |
| 0041                      | General administration                            | 15,548   |                           |                               |
| 0051                      | Plant maintenance and operations                  |  |                           |                               |
| 0052                      | Security and monitoring services                  |  |                           |                               |
| 0061                      | Community services                                |  |                           |                               |
| 6030                      | <b>Total Expenditures</b>                         | <u>483,999</u>                                 | <u>1,585,079</u>          | <u>456,316</u>                |
| 1100                      | Excess (deficiency) of revenues over expenditures |  |                           |                               |
| 1200                      | Net change in fund balances                       |  |                           |                               |
| 0100                      | <b>Fund balance - September 1 (beginning)</b>     |  |                           |                               |
|                           | Prior period adjustment                           |  |                           |                               |
| 3000                      | <b>Fund balance - August 31 (ending)</b>          | <u>\$</u>                                      | <u>\$</u>                 | <u>\$</u>                     |

| 269                | 280                | 281   | 282                                | 283                             | 286                     | 393                                       |
|--------------------|--------------------|---|------------------------------------|---------------------------------|-------------------------|---|
| Title V,<br>Part A | Gear Up<br>Success | Improving<br>Literacy<br>Through<br>School<br>Libraries | Smaller<br>Learning<br>Communities | Teaching<br>American<br>History | LEP<br>Summer<br>School | Texas<br>Successful<br>Schools<br>Program |
| \$                 | \$                 | \$  | \$                                 | \$                              | \$                      | \$  |
|                    |                    |   |                                    |                                 |                         | 754                                       |
| 81,309             | 1,540,043          | 288,160   | 434,717                            | 5,425                           | 27,954                  |   |
| 81,309             | 1,540,043          | 288,160   | 434,717                            | 5,425                           | 27,954                  | 754                                       |
| 81,309             | 1,220,016          |   |                                    |                                 | 27,954                  | 754                                       |
|                    |                    | 285,015   |                                    |                                 |                         |   |
|                    | 19,506             | 3,145   |                                    | 2,837                           |                         |   |
|                    | 284,244            |   |                                    | 2,588                           |                         |   |
|                    |                    |   | 434,717                            |                                 |                         |   |
|                    | 2,975              |   |                                    |                                 |                         |   |
|                    | 13,302             |   |                                    |                                 |                         |   |
| 81,309             | 1,540,043          | 288,160   | 434,717                            | 5,425                           | 27,954                  | 754                                       |
|                    |                    |   |                                    |                                 |                         |   |
|                    |                    |   |                                    |                                 |                         |   |
| \$                 | \$                 | \$  | \$                                 | \$                              | \$                      | \$  |

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

| <b>Data<br/>Control<br/>Codes</b> | <b>394</b>   | <b>397</b>                                  | <b>399</b>                              |
|-----------------------------------|--|---|---|
|                                   | <b>Pregnancy,<br/>Education, and<br/>Paranting<br/>Program</b> | <b>Advanced<br/>Placement<br/>Incentive</b> | <b>Investment<br/>Capital<br/>Funds</b> |
| <b>Revenues</b>                   |  |   |   |
| 5700                              | Local, intermediate, and out-of-state                          | \$  | \$                                      |
| 5800                              | State program revenues   | 96,255                                      | 131,452                                 |
| 5900                              | Federal program revenues                                       |   |   |
| 5020                              | <b>Total revenues</b>  | <u>96,255</u>                               | <u>131,452</u>                          |
| <b>Expenditures</b>               |  |   |   |
| <b>Current:</b>                   |  |   |   |
| 0011                              | Instruction  | 35,727                                      | 48,349                                  |
| 0012                              | Instruction resources and media services                       |   |   |
| 0013                              | Curriculum and instructional staff development                 |   | 75,971                                  |
| 0021                              | Instructional leadership                                       |   |   |
| 0023                              | School leadership  |   |   |
| 0031                              | Guidance, counseling and evaluation services                   |   |   |
| 0032                              | Social work services   | 60,528                                      |   |
| 0033                              | Health services  |   |   |
| 0034                              | Student transportation   |   |   |
| 0035                              | Food service   |   |   |
| 0036                              | Extracurricular activities                                     |   |   |
| 0041                              | General administration   |   | 2,500                                   |
| 0051                              | Plant maintenance and operations                               |   |   |
| 0052                              | Security and monitoring services                               |   |   |
| 0061                              | Community services   |   | 4,632                                   |
| 6030                              | <b>Total Expenditures</b>                                      | <u>96,255</u>                               | <u>131,452</u>                          |
| 1100                              | Excess (deficiency) of revenues over expenditures              |   |   |
| 1200                              | Net change in fund balances                                    |   |   |
| 0100                              | <b>Fund balance - September 1 (beginning)</b>                  |   |   |
|                                   | Prior period adjustment  |   |   |
| 3000                              | <b>Fund balance - August 31 (ending)</b>                       | <u>\$</u>                                   | <u>\$</u>                               |

| 401                                     | 404                               | 409                           | 411              | 414                               | 424                   | 425                  |
|---|-----------------------------------|-------------------------------|------------------|-----------------------------------|-----------------------|----------------------|
| Optional<br>Extended<br>Year<br>Program | Student<br>Succ. Init-<br>Acc REA | Basic Skills /<br>HS Students | Technology       | Accelerated<br>Science<br>Program | Texas Step<br>Program | Texas<br>Fitness Now |
| \$ 252,404                              | \$ 1,326,035                      | \$ 249,962                    | \$ 1,403,576     | \$ 125,545                        | \$ 19,874             | \$ 188,436           |
| <u>252,404</u>                          | <u>1,326,035</u>                  | <u>249,962</u>                | <u>1,403,576</u> | <u>125,545</u>                    | <u>19,874</u>         | <u>188,436</u>       |
| 252,403                                 | 1,325,693                         | 182,797                       | 1,402,990        | 82,355                            | 17,624                | 173,492              |
|   |                                   | 58,417                        |                  | 4,530                             |                       | 14,944               |
|   |                                   | 2,756                         | 586              | 4,220                             |                       |                      |
|   |                                   |                               |                  | 5,997                             |                       |                      |
|   |                                   | 5,992                         |                  | 1,196                             |                       |                      |
|   | 342                               |                               |                  |                                   | 2,250                 |                      |
| <u>1</u>                                |                                   |                               |                  | <u>27,247</u>                     |                       |                      |
| <u>252,404</u>                          | <u>1,326,035</u>                  | <u>249,962</u>                | <u>1,403,576</u> | <u>125,545</u>                    | <u>19,874</u>         | <u>188,436</u>       |
|   |                                   |                               |                  |                                   |                       |                      |
|   |                                   |                               |                  |                                   |                       |                      |
| <u>\$</u>                               | <u>\$</u>                         | <u>\$</u>                     | <u>\$</u>        | <u>\$</u>                         | <u>\$</u>             | <u>\$</u>            |

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

| <b>Data<br/>Control<br/>Codes</b> | <b>426</b>  | <b>427</b>   | <b>428</b>   |
|-----------------------------------|---|--|--|
|                                   | <b>Texas Ed<br/>Excellence<br/>Award</b>          | <b>Laura Bush<br/>Foundation/<br/>HB 1<br/>Mentors</b> | <b>Gifted and<br/>Talented<br/>Performance<br/>Standards</b> |
| <b>Revenues</b>                   |   |  |  |
| 5700                              | Local, intermediate, and out-of-state             | \$   | \$   |
| 5800                              | State program revenues                            | 1,966,183  | 288,310  |
| 5900                              | Federal program revenues                          |  | 3,308,346  |
| 5020                              | <b>Total revenues</b>                             | <u>1,966,183</u>                                       | <u>288,310</u>   |
|                                   |   |  | <u>3,308,346</u>   |
| <b>Expenditures</b>               |   |  |  |
| <b>Current:</b>                   |   |  |  |
| 0011                              | Instruction                                       | 1,888,536  | 136,335  |
| 0012                              | Instruction resources and media services          |  | 15,663   |
| 0013                              | Curriculum and instructional staff development    | 26,192   | 136,312  |
| 0021                              | Instructional leadership                          |  |  |
| 0023                              | School leadership                                 | 9,587  |  |
| 0031                              | Guidance, counseling and evaluation services      |  |  |
| 0032                              | Social work services                              |  |  |
| 0033                              | Health services                                   |  |  |
| 0034                              | Student transportation                            |  |  |
| 0035                              | Food service                                      | 1,631  |  |
| 0036                              | Extracurricular activities                        |  |  |
| 0041                              | General administration                            | 38,500   |  |
| 0051                              | Plant maintenance and operations                  | 1,737  |  |
| 0052                              | Security and monitoring services                  |  |  |
| 0061                              | Community services                                |  |  |
| 6030                              | <b>Total Expenditures</b>                         | <u>1,966,183</u>                                       | <u>288,310</u>   |
| 1100                              | Excess (deficiency) of revenues over expenditures |  | <u>3,308,346</u>   |
| 1200                              | Net change in fund balances                       |  |  |
| 0100                              | <b>Fund balance - September 1 (beginning)</b>     |  |  |
|                                   | Prior period adjustment                           |  |  |
| 3000                              | <b>Fund balance - August 31 (ending)</b>          | <u>\$</u>  | <u>\$</u>  |
|                                   |   | <u>\$</u>  | <u>\$</u>  |

| 429                 | 461  | 480                       | 497                 | 498                             |   |
|---------------------|--|---------------------------|---------------------|---------------------------------|---|
| Read to Succeed     | Campus Activity Funds                                      | PISD Ed Foundation Grants | Measurable Outcomes | CASE Partnership                | Total-Other Governmental Funds  |
| \$ 1,080<br>220,545 | \$ 2,996,887   | \$ 111,298                | \$ 20,448           | \$ 174,913                      | \$ 9,525,456<br>9,759,577   |
|                     |  |                           |                     | 468,633                         | 46,027,979  |
| 221,625             | 2,996,887  | 111,298                   | 20,448              | 643,546                         | 65,313,012  |
| 1,101<br>7,910      | 1,540,002<br>140,018<br>2,056<br>1,197<br>633,042<br>1,802 | 111,298                   | 20,448              | 595,315<br><br>18<br><br>47,832 | 28,779,407<br>451,500<br>3,223,170<br>1,565,647<br>1,200,927<br>3,123,825<br>60,528<br>225,399<br>78,657<br>23,397,487<br>578,727<br>597,268<br>33,434<br>215,901<br>91,874 |
| 70,421              | 511<br>578,727   |                           |                     |                                 |   |
| 1,675<br>140,518    | 305<br>(1)   |                           |                     | 381                             |   |
| 221,625             | 2,897,659  | 111,298                   | 20,448              | 643,546                         | 63,623,751  |
|                     | 99,228   |                           |                     |                                 | 1,689,261   |
|                     | 99,228   |                           |                     |                                 | 1,689,261   |
|                     | 1,693,570  |                           |                     |                                 | 1,703,879   |
|                     |  |                           |                     |                                 | 516,992   |
| \$                  | \$ 1,792,798   | \$                        | \$                  | \$                              | \$ 3,910,132  |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit G-3*

**COMBINING STATEMENTS OF NET ASSETS**

**INTERNAL SERVICE FUNDS**

*For the Year Ended August 31, 2008*

| <b>Data<br/>Control<br/>Codes</b> |                                      | <b>753<br/>Employee<br/>Health<br/>Insurance</b> | <b>770<br/>Worker's<br/>Compensation<br/>Fund</b> | <b>Total</b>  |
|-----------------------------------|--------------------------------------|--|---|---------------|
|                                   | <b>Assets</b>                        |  |   |               |
|                                   | <b>Current assets:</b>               |  |   |               |
| 1110                              | Cash and cash equivalents            | \$ 10,934,630                                    | \$ 3,717,972                                      | \$ 14,652,602 |
|                                   | <b>Receivables:</b>                  |  |   |               |
| 1290                              | Other receivables                    | 319,693  |   | 319,693       |
| 1400                              | Other current assets                 |  | 60,754  | 60,754        |
|                                   | <b>Total Current Assets</b>          | 11,254,323                                       | 3,778,726   | 15,033,049    |
| 1000                              | <b>Total Assets</b>                  | \$ 11,254,323                                    | \$ 3,778,726                                      | \$ 15,033,049 |
|                                   | <b>Liabilities</b>                   |  |   |               |
|                                   | <b>Current Liabilities:</b>          |  |   |               |
| 2200                              | Accrued expenses                     | \$ 3,108,110                                     | \$  | \$ 3,108,110  |
|                                   | <b>Total current liabilities</b>     | 3,108,110  |   | 3,108,110     |
|                                   | <b>Non-current liabilities:</b>      |  |   |               |
| 2590                              | Long-term worker's compensation      |  | 4,187,594   | 4,187,594     |
|                                   | <b>Total non-current liabilities</b> |  | 4,187,594   | 4,187,594     |
| 2000                              | <b>Total Liabilities</b>             | 3,108,110  | 4,187,594   | 7,295,704     |
|                                   | <b>Net Assets</b>                    |  |   |               |
| 3300                              | Unrestricted net assets              | 8,146,213  | (408,868)   | 7,737,345     |
| 3000                              | <b>Total Net Assets</b>              | 8,146,213  | (408,868)   | 7,737,345     |

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

*Exhibit G-4*

| Data<br>Control<br>Codes                 | 753<br>Employee<br>Health<br>Insurance        | 770<br>Worker's<br>Compensation<br>Fund | Total        |               |
|--|---|---|--------------|---------------|
| <b>Operating Revenues</b>                |   |   |              |               |
| 5754                                     | Quasi-external interfund transactions         | \$ 24,786,944                           | \$ 1,800,000 | \$ 26,586,944 |
| 5020                                     | <b>Total operating revenues</b>               | 24,786,944                              | 1,800,000    | 26,586,944    |
| <b>Operating Expenses</b>                |   |   |              |               |
| 6100                                     | Payroll costs                                 | 13,589                                  | 676,505      | 690,094       |
| 6400                                     | Claims expense and other operating expenses   | 27,525,394                              |              | 27,525,394    |
| 6030                                     | <b>Total Operating Expenses</b>               | 27,538,983                              | 676,505      | 28,215,488    |
| 1200                                     | Operating Income (Loss)                       | (2,752,039)                             | 1,123,495    | (1,628,544)   |
| <b>Non-Operating Revenues (Expenses)</b> |   |   |              |               |
| 7000                                     | Earnings - temporary deposits and investments | 397,792                                 | 44,044       | 441,836       |
|  | <b>Total Nonoperating Revenues</b>            | 397,792                                 | 44,044       | 441,836       |
| 1200                                     | Change in Net Assets                          | (2,354,247)                             | 1,167,539    | (1,186,708)   |
| <b>Net Assets</b>                        |   |   |              |               |
| 0100                                     | <b>Net Assets - September 1 (Beginning)</b>   | 9,936,464                               | 2,947,424    | 12,883,888    |
| 1300                                     | Prior period adjustment                       | 563,996                                 | (4,523,831)  | (3,959,835)   |
| 3300                                     | <b>Net Assets - August 31 (Ending)</b>        | \$ 8,146,213                            | \$ (408,868) | \$ 7,737,345  |

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

*Exhibit G-5*

|   | <b>Employee<br/>Health<br/>Insurance</b> | <b>Worker's<br/>Compensation<br/>Fund</b> | <b>Total</b>         |
|---|--|---|----------------------|
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                                 |  |   |                      |
| <b>Cash Flows from Operating Activities:</b>  |  |   |                      |
| Cash receipts from quasi-external operating activities with other funds                 | \$ 24,628,251                            | \$ 1,800,000                              | \$26,428,251         |
| Cash payments to suppliers for goods and services                                       | (25,402,872)                             |   | (25,402,872)         |
| Cash payments to employees  | (13,589)                                 | (1,096,972)                               | (1,110,561)          |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                             | <u>(788,210)</u>                         | <u>703,028</u>                            | <u>(85,182)</u>      |
| <b>Cash Flows from Investing Activities:</b>  |  |   |                      |
| Interest on investments   | 397,792                                  | 44,044                                    | 441,836              |
| <b>Net Cash Provided by Investing Activities</b>  | <u>397,792</u>                           | <u>44,044</u>                             | <u>441,836</u>       |
| Net Increase in Cash and Cash Equivalents   | (390,418)                                | 747,072                                   | 356,654              |
| Cash and Cash Equivalents at Beginning of Year  | 11,325,048                               | 2,970,900                                 | 14,295,948           |
| <b>Cash and Cash Equivalents at End of Year</b>   | <u>\$ 10,934,630</u>                     | <u>\$ 3,717,972</u>                       | <u>\$ 14,652,602</u> |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b> |  |   |                      |
| Operating Income (Loss)   | \$ (2,752,039)                           | \$ 1,123,495                              | \$ (1,628,544)       |
| <b>Change in Assets and Liabilities:</b>  |  |   |                      |
| Decrease (increase) in Receivables  | (158,693)                                |   | (158,693)            |
| Increase (decrease) in Accounts Payable   | (202,322)                                |   | (202,322)            |
| Increase (decrease) in Accrued Wages Payable  |  | (84,230)                                  | (84,230)             |
| Increase (decrease) in accrued expenditures/expenses                                    | 2,324,844                                |   | 2,324,844            |
| Increase (decrease) in LT Worker's Compensation   |  | (336,237)                                 | (336,237)            |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                             | <u>\$ (788,210)</u>                      | <u>\$ 703,028</u>                         | <u>\$ (85,182)</u>   |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended August 31, 2008*

| <u>Last Ten<br/>Fiscal Years</u> | <u>Tax Rates</u>   |                     | <u>Net Assessed/Appraised<br/>Value For School<br/>Tax Purposes</u> | <u>Beginning<br/>Balance<br/>8/31/07</u> |
|----------------------------------|--------------------|---------------------|---|--|
|                                  | <u>Maintenance</u> | <u>Debt Service</u> |   |  |
|                                  | <b>1</b>           | <b>2</b>            |   |  |
| 1999 and prior                   | Various            | Various             | Various   | \$ 2,843,318                             |
| 2000                             | 1.470000           | 0.050000            | 5,267,917,061   | 591,365                                  |
| 2001                             | 1.480000           | 0.130000            | 5,647,803,975   | 733,446                                  |
| 2002                             | 1.534900           | 0.130000            | 5,956,532,344   | 878,216                                  |
| 2003                             | 1.515000           | 0.172500            | 6,421,236,921   | 909,277                                  |
| 2004                             | 1.515000           | 0.260000            | 6,940,927,017   | 1,179,763                                |
| 2005                             | 1.515000           | 0.260000            | 7,483,889,115   | 1,451,114                                |
| 2006                             | 1.545000           | 0.260000            | 7,604,110,083   | 2,106,190                                |
| 2007                             | 1.410000           | 0.280000            | 8,483,545,858   | 4,876,576                                |
| 2008                             | 1.070000           | 0.280000            | 9,533,225,259   |  |
| <b>1000 Totals</b>               |                    |                     |   | <u><u>\$ 15,569,265</u></u>              |

*Exhibit H-1*

| <b>20</b>                                | <b>30</b>                                    | <b>30a</b>                                    | <b>40</b>                                | <b>50</b>                             |
|--|--|---|--|---------------------------------------|
| <b>Current<br/>Year's<br/>Total Levy</b> | <b>Maintenance<br/>Total<br/>Collections</b> | <b>Debt Service<br/>Total<br/>Collections</b> | <b>Entire<br/>Year's<br/>Adjustments</b> | <b>Ending<br/>Balance<br/>8/31/08</b> |
| \$                                       | \$ 220,519                                   | \$ 30,071                                     | \$ (202,655)                             | \$ 2,390,073                          |
|  | 33,733                                       | 1,147   | (1,501)                                  | 554,984                               |
|  | 42,155                                       | 3,703   | (2,567)                                  | 685,021                               |
|  | 50,272                                       | 4,258   | (3,327)                                  | 820,359                               |
|  | 73,085                                       | 8,322   | 26,038                                   | 853,908                               |
|  | 111,621                                      | 19,156  | 15,521                                   | 1,064,507                             |
|  | 201,632                                      | 34,604  | 20,148                                   | 1,235,026                             |
|  | 495,088                                      | 83,316  | (9,891)                                  | 1,517,895                             |
|  | 2,172,138                                    | 431,346                                       | (100,509)                                | 2,172,583                             |
| <u>128,698,541</u>                       | <u>99,223,973</u>                            | <u>25,965,152</u>                             | <u>(417)</u>                             | <u>3,508,999</u>                      |
| <u>\$ 128,698,541</u>                    | <u>\$ 102,624,216</u>                        | <u>\$ 26,581,075</u>                          | <u>\$ (259,160)</u>                      | <u>14,803,355</u>                     |
|  |  |   |  | <u>10,191,801</u>                     |
|  |  |   |  | <u>\$ 24,995,156</u>                  |

Total taxes receivable per Governmental Fund Balance Sheet

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

*Exhibit H-2*

| <b>Account Number</b>  | <b>(1)<br/>702<br/>School Board</b> | <b>(2)<br/>703<br/>Tax Collection</b> | <b>(3)<br/>701<br/>Supt's Office</b> | <b>(4)<br/>750<br/>Indirect Cost</b> | <b>(5)<br/>720<br/>Direct Cost</b> | <b>(6)<br/>(other)<br/>Misc.</b> | <b>(7)<br/>Total</b> |
|--|-------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|----------------------------------|----------------------|
| 611x-6146 Payroll Costs  | \$                                  | \$ 305,949                            | \$ 442,646                           | \$ 5,902,846                         | \$                                 | \$                               | \$ 6,651,441         |
| 6149 Fringe Benefits (Unused Leave in Function 41 and Related 53)                      |                                     |                                       |                                      | 5,088                                |                                    |                                  | 5,088                |
| 6149 Fringe Benefits (Unused Leave in all Functions except Function 41 and Related 53) |                                     |                                       |                                      | 292,200                              |                                    |                                  | 292,200              |
| 6211 Legal Services  |                                     | 27,416                                | 530,466                              |                                      | 40,171                             |                                  | 598,053              |
| 6212 Audit Services  |                                     |                                       |                                      | 76,400                               |                                    |                                  | 76,400               |
| 6213 Tax Appraisal / Collection Services   | 438                                 | 1,319,175                             |                                      |                                      |                                    |                                  | 1,319,175            |
| 621X Education Service Centers   |                                     |                                       |                                      | 1,275                                |                                    |                                  | 1,275                |
| 6240 Maintenance and Repairs   |                                     |                                       |                                      |                                      | 401,951                            |                                  | 401,951              |
| 6250 Utilities   |                                     |                                       |                                      |                                      |                                    |                                  |                      |
| 6260 Rentals   |                                     |                                       | 862                                  | 296,355                              |                                    |                                  | 297,217              |
| 6290 Miscellaneous Contracts   |                                     | 13,685                                |                                      | 47,759                               |                                    |                                  | 61,444               |
| 6320 Textbooks and Reading   |                                     | 99                                    | 1,274                                | 10,260                               |                                    |                                  | 11,633               |
| 63XX Other Supplies Travel, Subsistence and  | 1,223                               | 25,029                                | 9,230                                | 801,801                              |                                    |                                  | 837,283              |
| 6410 Stipends  | 16,035                              | 2,609                                 | 8,336                                | 102,489                              |                                    |                                  | 129,469              |
| 6420 Insurance and Bonding   |                                     |                                       |                                      | 201,257                              |                                    |                                  | 201,257              |
| 6430 Election Expense  | 48,294                              |                                       |                                      |                                      |                                    |                                  | 48,294               |
| 6490 Miscellaneous Operating   | 53,304                              | 3,011                                 | 32,016                               | 180,469                              |                                    |                                  | 268,800              |
| 6600 Capital Outlay  |                                     |                                       |                                      |                                      |                                    | 282,081                          | 282,081              |
| <b>Total</b>   | <b>\$ 119,294</b>                   | <b>\$ 1,696,973</b>                   | <b>\$ 1,091,848</b>                  | <b>\$ 8,433,737</b>                  | <b>\$ 442,122</b>                  | <b>\$ 282,081</b>                | <b>\$ 12,066,055</b> |

**Other Information:**

**Total expenditures for General and Special Revenue Funds (Exhibit C-3)**

(9) \$ 412,358,334

LESS: Deductions of Unallowable Costs:

**Fiscal Year**

|  |      |                       |
|--|------|-----------------------|
| Total Capital Outlay (6600)                | (10) | 7,723,894             |
| Total Debt & Lease (6500)                  | (11) | 1,244,054             |
| Plant Maintenance (Function 51, 6100-6400) | (12) | 41,698,144            |
| Food (Function 35, 6341 and 6499)          | (13) | 10,740,699            |
| Stipends (6413)                            | (14) |                       |
| Column 5 above - Total Indirect Cost       |      | <u>8,433,737</u>      |
| Subtotal                                   |      | 69,840,528            |
| <b>Net Allowable Direct Cost</b>           |      | <u>\$ 342,517,806</u> |

**Cumulative**

|   |      |                |
|---|------|----------------|
| Total Cost of Buildings before Depreciation (1520)                  | (15) | \$ 711,567,019 |
| Historical Cost of Buildings over 50 years old                      | (16) | 6,092,447      |
| Amount of Federal Money in Building Cost (Net of #16)               | (17) | 1,043,412      |
| Total Cost of Furniture & Equipment before Depreciation (1530&1540) | (18) | 80,777,432     |
| Historical Cost of Furniture & Equipment over 16 years old          | (19) | 139,879        |
| Amount of Federal Money in Furniture & Equipment (Net of #19)       | (20) | 3,416,197      |

(8) Note: \$1,550,662 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.

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

*Exhibit H-3*

|     |  |                               |
|-----|--|-------------------------------|
| 1.  | Total General Fund Balance 8-31-08 (Exhibit C-1 object 3000 for the General Fund only)   | \$ 75,986,310                 |
| 2.  | Total Reserved Fund Balance 8-31-08 (from Exhibit C-1 - total of object 3400s for the General Fund only)   | 14,392,016                    |
| 3.  | Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)   | 7,730,565                     |
| 4.  | Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)  | 4,084,000                     |
| 5.  | Estimate of one month average cash disbursements during the regular school session (9-1-07 to 5-31-08)   | 30,100,000                    |
| 6.  | Estimate of delayed payments from state sources (58xx) including August payment delays   | 33,719,114                    |
| 7.  | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount |                               |
| 8.  | Estimate of delayed payments from federal sources (59xx)   |                               |
| 9.  | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds).                         | <hr/>                         |
| 10. | General Fund Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9)  | <hr/> <u>90,025,695</u>       |
| 11. | Excess or Deficit Undesignated Unreserved General Fund Fund Balance (1-10)   | <u><u>\$ (14,039,385)</u></u> |

The District's Administration will continue to monitor the General Fund Balance in the following budgetary cycles to maintain a fund balance level within District policy and State guidelines.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**CHILD NUTRITION AND DEBT SERVICE FUNDS**

*For the Year Ended August 31, 2008*

| Data<br>Control<br>Codes              |  | Food Service        |                     |                     | Variance<br>Favorable<br>(Unfavorable) |
|---------------------------------------|--|---------------------|---------------------|---------------------|--|
|                                       |  | Budget              |                     | Actual              |  |
|                                       |  | Original            | Final               |                     |  |
| <b>Revenues</b>                       |  |                     |                     |                     |  |
| 5700                                  | Local, Intermediate, and Out-of-State          | \$ 6,430,025        | \$ 6,430,025        | \$ 6,200,956        | \$ (229,069)                           |
| 5800                                  | State Program Revenues                         | 1,059,790           | 1,059,790           | 166,402             | (893,388)                              |
| 5900                                  | Federal Program Revenues                       | 16,550,960          | 16,550,960          | 18,615,594          | 2,064,634                              |
| 5030                                  | <b>Total Revenues</b>                          | <u>24,040,775</u>   | <u>24,040,775</u>   | <u>24,982,952</u>   | <u>942,177</u>                         |
| <b>Expenditures</b>                   |  |                     |                     |                     |  |
| <b>Current:</b>                       |  |                     |                     |                     |  |
| 0035                                  | Food Services                                  | 24,040,775          | 23,896,711          | 23,392,919          | 503,792                                |
| <b>Debt Service:</b>                  |  |                     |                     |                     |  |
| 0071                                  | Principal                                      |                     |                     |                     |  |
| 0072                                  | Interest and Fiscal Agent Fees                 |                     |                     |                     |  |
| 0073                                  | Bond issuance costs and fees                   |                     |                     |                     |  |
| 6030                                  | <b>Total Expenditures</b>                      | <u>24,040,775</u>   | <u>23,896,711</u>   | <u>23,392,919</u>   | <u>503,792</u>                         |
| 1100                                  | Excess (Deficiency) Revenues Over Expenditures |                     | 144,064             | 1,590,033           | 1,445,969                              |
| <b>Other Financing Sources (Uses)</b> |  |                     |                     |                     |  |
| 7911                                  | Capital-related debt issued (regular bonds)    |                     |                     |                     |  |
| 7916                                  | Premium or discount on issuance of bonds       |                     |                     |                     |  |
| 8911                                  | Transfers out                                  |                     | (144,064)           |                     | 144,064                                |
| 8949                                  | Payment to bond refunding escrow agent         |                     |                     |                     |  |
| 1200                                  | Increase (Decrease) in Fund Balance            |                     |                     | 1,590,033           | 1,590,033                              |
| 0100                                  | <b>Fund Balance - September 1 (Beginning)</b>  | (292,856)           | (292,856)           | (292,856)           |  |
| 1300                                  | Prior period adjustment                        |                     |                     | 516,992             | 516,992                                |
| 3000                                  | <b>Fund Balance - August 31 (Ending)</b>       | <u>\$ (292,856)</u> | <u>\$ (292,856)</u> | <u>\$ 1,814,169</u> | <u>\$ 2,107,025</u>                    |

*Exhibit H-4*

| <b>Debt Service Fund</b> |                      |                      |                                    |
|--------------------------|----------------------|----------------------|------------------------------------|
| <b>Budget</b>            |                      |                      | <b>Variance</b>                    |
| <b>Original</b>          | <b>Final</b>         | <b>Actual</b>        | <b>Favorable<br/>(Unfavorable)</b> |
| \$ 22,600,000            | \$ 27,100,000        | \$ 27,939,966        | \$ 839,966                         |
| 17,800,000               | 17,800,000           | 17,239,290           | (560,710)                          |
| <u>40,400,000</u>        | <u>44,900,000</u>    | <u>45,179,256</u>    | <u>279,256</u>                     |
| 11,000,000               | 13,280,000           | 12,755,083           | 524,917                            |
| 29,100,000               | 24,100,000           | 25,111,149           | (1,011,149)                        |
| 300,000                  |                      | 919,491              | (919,491)                          |
| <u>40,400,000</u>        | <u>37,380,000</u>    | <u>38,785,723</u>    | <u>(1,405,723)</u>                 |
|                          | 7,520,000            | 6,393,533            | (1,126,467)                        |
|                          |                      | 42,930,000           | 42,930,000                         |
|                          |                      | 3,350,465            | 3,350,465                          |
|                          |                      | <u>(46,599,970)</u>  | <u>(46,599,970)</u>                |
|                          | <u>7,520,000</u>     | <u>6,074,028</u>     | <u>(1,445,972)</u>                 |
| 18,180,739               | 18,180,739           | 18,180,739           |                                    |
| <u>\$ 18,180,739</u>     | <u>\$ 25,700,739</u> | <u>\$ 24,254,767</u> | <u>\$ (1,445,972)</u>              |

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## **Federal Awards Section**

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**Independent Auditor’s Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Basic Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pasadena Independent School District (the “District”) as of and for the year ended August 31, 2008 which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiencies in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items #08-01, #08-02, #08-03, #08-04 and 08-05.

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

### **Closing**

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



Texas City, Texas  
January 13, 2009

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of Pasadena Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

### **Internal Control over Compliance**

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

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

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

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

### **Closing**

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



Texas City, Texas  
January 13, 2009

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

**I. Financial Statements**

|  |  |
|--|--|
| Type of auditors' report issued:   | Unqualified                                    |
| Internal control over financial reporting:   |  |
| Material weakness(es) identified?  | No   |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | Yes; #08-01, #08-02, #08-03, #08-04 and #08-05 |
| Noncompliance material to financial statements noted?                                      | No   |

**Federal Awards**

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

| Name of Federal Program or Cluster | CFDA Number |
|------------------------------------|-------------|
|------------------------------------|-------------|

---

**US Department of Education**

|  |         |
|--|---------|
| Title I, Part A – Improving Basic Programs   | 84.010A |
| Title II, Part D, Subpart 1, Enhancing Education Through Technology and Star Program | 84.318X |
| 21 <sup>st</sup> Century Community and Learning Centers                              | 84.287  |
| Literacy through School Libraries  | 84.364A |
| CASE Partnership   | 93.575  |

|  |             |
|--|-------------|
| Dollar threshold considered between Type A and Type B Federal Programs | \$1,407,210 |
|--|-------------|

|  |     |
|--|-----|
| Auditee qualified as a low-risk auditee? | Yes |
|--|-----|

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

**II. Financial Statement Findings**

**Finding #08-01 Tax Office - Segregation of Duties and Asset Safeguards**

|                 |   |
|-----------------|---|
| Criteria:       | Responsibilities at each stage in the property tax receivable cycle should be segregated to minimize the risk of fraud and maximize the probability of detection of any error or irregularity.  |
| Condition:      | All employees in the Tax Office are authorized to receive payments. In addition, the same employee that is authorized to approve refunds also receives payments.  |
| Context:        | There is no segregation between the billing and collection processes. That is, all employees receive payments. Also, one employee has the ability to approve refunds and also collects payments.  |
| Effect:         | The lack of segregation of duties could potentially lead to losses or errors that are not detected by employees in the normal course of their duties.   |
| Cause:          | Current staffing levels limit the degree to which the District may adequately segregate incompatible duties.  |
| Recommendation: | Job responsibilities and procedures should be changed to incorporate adequate segregation of duties among Tax Office staff. Procedures should be designed to assure that no one individual handles a transaction from beginning to end. To the extent possible, personnel responsible for cash collections should not be authorized to prepare deposits or post adjustments to the tax roll. In addition, personnel independent of cash collections should reconcile unpaid taxes on a monthly basis. |

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

**II. Financial Statement Findings (Continued)**

**Finding #08-02 Human Resource and Payroll - Segregation of Duties and Adequate Documentation**

Criteria: Adequate supporting documentation for employees' pay should be maintained.

Condition: There is a lack of adequate documentation in the personnel files to support the amounts paid to employees.

Context: In documenting our understanding of internal controls and testing those controls, we noticed that salary notices for school year 2007-2008 were not reviewed by the secretary and principal. This procedure allows campuses to identify fictitious, terminated or transferred employees. Without the salary notices, it was difficult to determine if the employee was paid the correct amount. The employee status form did not include the employee's current pay.

The District was not able to provide us with documentation authorizing the stipends for certain employees tested. It is the practice of the Human Resource Department to send out addenda to the campuses to verify that employees are still performing the duties that make them eligible for the stipend in question. In addition, the District could not provide us with documentation that indicated principals had received and reviewed the Employee by Location and Job Code Report for its support personnel.

Effect: Proper documentation is imperative to ensure employees' pay is correct and all employees receiving compensation are valid District employees.

Cause: The District implemented new software in fiscal year 2008. In addition, turnover of key employees made it difficult to maintain documentation.

Recommendation: The Human Resource Department should ensure all supporting documentation related to employee compensation.

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

**II. Financial Statement Findings (Continued)**

**Finding #08-03 Review and Approval of Journal Entries**

Criteria: The District should have a formal procedure for review and approval of journal entries.

Condition: The District does not have a formal procedure to document its review and approval of journal entries.

Context: During our test of journal entries, we noted that there was no initial or signature approving the journal entry. Management requests that the senior bookkeeper enter the journal entries. According to management, this is its form of approval. In addition, if needed, management will enter their own journal entries. Furthermore, during our audit of account balances we noted that journal entries were prepared and posted incorrectly.

Effect: Without a formal procedure to document the District's review and approval of journal entries, material errors may occur.

Cause: There is no formal procedure to document District's review and approval of journal entries.

Recommendation: The District should review and initial journal entries prior to posting them into the system to avoid errors that could lead to material misstatements.

**Finding #08-04 Standard fiscal year-end close procedures**

Criteria: Standard fiscal year-end close procedures ensure that financial statements are free of material misstatements.

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

Context: During our audit, significant journal entries were necessary to correct the accounting records for TRS On-behalf, self-funded IBNR liability, accounts payable, capital assets, and net assets.

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

Cause: The District implemented new software during fiscal year 2008. As such, it was unable to develop closing procedures to ensure that proper journal entries were completed.

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

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

**II. Financial Statement Findings (Continued)**

**Finding #08-05 - Purchasing and Accounts Payable**

|                 |  |
|-----------------|--|
| Criteria:       | All non-standard disbursements \$500 or more require an e-mail approving the transaction..   |
| Condition:      | Of the 70 transactions (\$718,922) tested, 32 transactions (\$449,885) were non-standard and lacked supporting documentation evidenced through an e-mail |
| Context:        | We noted these non-standard transactions during our test of expenditures.  |
| Effect:         | Lack of approval for non-standards could lead to unauthorized purchases..  |
| Cause:          | The District was not able to provide supporting documentation for approval.  |
| Recommendation: | The District should ensure that all non-standards are approved via e-mail in accordance with its procedures..  |

**III. Federal Award Findings**

There are no current year Federal Award findings.

**IV. Status Of Prior Year Findings**

| <b>Finding #</b>                       | <b>Corrective Action Taken</b>   |
|--|--|
| <b>07-01 Special Education Cluster</b> | The District amended its final report and refunded the Texas Education Agency for the unapproved capital outlay. In addition, procedures are in place to ensure expenditures are approved and properly classified. |

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

**V. Corrective Action Plan**

**Finding #08-01**

**Description:** The Tax Office staff members are not sufficient to handle the load during peak times. To mitigate the lack of segregation of duties, reports providing detail for addition and cancellation of accounts, refunds, and voids will be submitted to the Accounting Department for its review.

**Responsible Party:** Zelda Cryar, Tax Assessor/Collector

**Estimated Completion Date:** Immediately.

**Finding # 08-02**

**Description:** Compensation documentation in Human Resources.

1. Stipend lists were sent to each location for the principal or director to verify. Once verifications and corrections were made they were sent back to Human Resources, signed by the principal or director. Stipend lists were then inputted into Lawson and then filed in a binder marked "2008-2009 Stipend List". A status report was required for any additional personnel added after the list had been compiled. These status reports were then filed in the employees' personnel folder.
2. Payroll location distributed a salary letter to all employees who were assigned to their locations for the employee to verify their salary. If the employee had questions they were directed to contact Human Resources.

**Responsible Party:** Jerry Dennis

**Estimated Completion Date:** Immediately.

**Finding # 08-03**

**Description:** All journal entries will be approved by one of the following: Associate Superintendent of Finance, Director of Budget, Director of Accounting or Chief Accountant.

**Responsible Party:** Anna Winand, Director of Accounting

**Estimated Completion Date:** Immediately.

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

**V. Corrective Action Plan (Continued)**

**Finding # 08-04**

**Description:**

1. Self-funded IBNR liability: The District's third party administrator was unable to provide the District with an Incurred but not reported (INBR) liability. The District will work with an actuary to ensure that this liability is properly booked in the next fiscal year. Other historical data available to the District was used to calculate the current year IBNR. The District will also ensure that the prior year's IBNR liability is properly adjusted to reflect the current year liability.
2. Accounts Payable: All check runs will be reviewed by someone other than an accounts payable person to ensure accruals are not missed. After the cut-off point to be determined by management, only invoices over \$100,000 will be accrued. Staff will work closely with Construction bookkeeper to ensure all construction projects will be accrued.
3. TRS On-behalf: Due to many failures on the part of the Outside Consultants understanding the TRS calculations, this required the District's IT department to create the TRS Calculations. All the other TRS Calculations had been created and IT is in the process of completing the TRS On-behalf.

In addition, the District will ensure that it implements standard year-end close procedures for all significant areas.

**Responsible Party:** Anna Winand, Director of Accounting.

**Estimated Completion Date:** Immediately

**Finding # 08-05**

**Description:** The District will ensure that an email is obtained prior to processing non-standard transactions.

**Responsible Party:** Angela Eng

**Estimated Completion Date:** Immediately.

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

Exhibit J-1  
 Page 1 of 2

| Data Control Codes | (1)<br>Federal Grantor/<br>Pass-Through Grantor/<br>Program Title    | (2)<br>Federal CFDA<br>Number | (2A)<br>Pass-Through<br>Entity Identifying<br>Number | (3)<br>Federal<br>Expenditures |
|--------------------|--|-------------------------------|--|--------------------------------|
|                    | <b>U.S. Department of Health and Human Services</b>                  |                               |  |                                |
|                    | <b>Passed Through State Department of Education:</b>                 |                               |  |                                |
| 199                | Medicaid   | 93.778                        | 101-917  | \$ 123,338                     |
| 498                | CASE*  | 93.575                        | 101-917  | 468,633                        |
|                    | <b>Total U.S Department of Health and Human Services</b>             |                               |  | <u>591,971</u>                 |
|                    | <b>U.S Department of Education</b>                                   |                               |  |                                |
|                    | <b>Direct Programs:</b>  |                               |  |                                |
| 280                | GEAR UP Success  | 84.334A                       | 101-917  | 1,582,204                      |
| 281                | Literacy Through School Libraries                                    | 84.364A                       | 101-917  | 298,631                        |
| 282                | Readiness And Emergency Management                                   | 84.184                        | Q184E070017  | 438,607                        |
| 283                | Teaching American History  | 84.215X                       | 101-917  | 5,425                          |
|                    | <b>Total Direct Programs</b>   |                               |  | <u>2,324,867</u>               |
|                    | <b>Passed Through Stated Department of Education:</b>                |                               |  |                                |
| 204                | Title IV, Part A - SDFSC   | 84.186A                       | 08691001101917                                       | 193,973                        |
| 204                | Title IV, Part A - SDFSC   | 84.186A                       | 09691001101917                                       | 29,015                         |
|                    | <b>Total Title IV, Part A - SDFSC</b>                                |                               |  | <u>222,988</u>                 |
| 211                | Title I, Part A - Improving Basic Programs                           | 84.010A                       | 08610101101917                                       | 10,070,740                     |
| 211                | Title I, Part A - Improving Basic Programs                           | 84.010A                       | 09610101101917                                       | 1,343,421                      |
|                    | <b>Total Title I, Part A - Improving Basic Programs</b>              |                               |  | <u>11,414,161</u>              |
| 212                | ESEA, Title I, Part C - Education Of Migratory Children              | 84.011A                       | 08615001101917                                       | 172,992                        |
| 212                | ESEA, Title I, Part C - Education Of Migratory Children              | 84.011A                       | 09615001101917                                       | 36,079                         |
|                    | <b>Total ESEA, Title I, Part C - Education Of Migratory Children</b> |                               |  | <u>209,071</u>                 |
| 224                | IDEA - Part B, Formula*  | 84.027A                       | 086600011019176600                                   | 6,555,099                      |
| 224                | IDEA - Part B, Formula*  | 84.027A                       | 096600011019176600                                   | 894,994                        |
|                    | <b>Total IDEA - Part B, Formula</b>                                  |                               |  | <u>7,450,093</u>               |
| 225                | IDEA - Part B, Preschool*  | 84.173A                       | 086610011019176600                                   | 140,250                        |
| 225                | IDEA - Part B, Preschool*  | 84.173A                       | 096610011019176600                                   | 29,457                         |
|                    | <b>Total IDEA - Part B, Preschool*</b>                               |                               |  | <u>169,706</u>                 |
| 226                | IDEA- Part B High Cost Risk Pool*                                    | 84.027                        | 086600061019176680                                   | 149,064                        |
|                    | <b>Total IDEA- Part B High Cost Risk Pool*</b>                       |                               |  | <u>149,064</u>                 |
| 244                | Vocational Education-Basic Grant                                     | 84.048A                       | 08420006101917                                       | 513,773                        |
| 244                | Vocational Education-Basic Grant                                     | 84.048A                       | 09420006101917                                       | 30,811                         |
|                    | <b>Total Vocational Education-Basic Grant</b>                        |                               |  | <u>544,584</u>                 |
| 255                | Title II, Part A - TPTR  | 84.367A                       | 08694501101917                                       | 2,307,234                      |
| 255                | Title II, Part A - TPTR  | 84.367A                       | 09694501101917                                       | 59,622                         |
|                    | <b>Total Title II, Part A - TPTR</b>                                 |                               |  | <u>2,366,856</u>               |

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

Exhibit J-1  
 Page 2 of 2

| Data Control Codes  | (1)<br>Federal Grantor/<br>Pass-Through Grantor/<br>Program Title             | (2)<br>Federal CFDA Number | (2A)<br>Pass-Through Entity Identifying Number | (3)<br>Federal Expenditures |
|---|---|----------------------------|--|-----------------------------|
| <b>U.S Department of Education (Continued)</b>                                      |   |                            |  |                             |
| <b>Passed Through Stated Department of Education: (Continued)</b>                   |   |                            |  |                             |
| 262   | <i>Title II, Part D - Enhancing Education through Technology</i>              | 84.318X                    | 08630001101917                                 | \$ 92,117                   |
| 262   | <i>Title II, Part D - Enhancing Education through Technology</i>              | 84.318X                    | 09630001101917                                 | 38,893                      |
| 262   | <i>Title II, Part D - Enhancing Education through Technology (STAR)</i>       | 84.318X                    | 086300027110014                                | 352,989                     |
| <b>Total Title II, Part D - Enhancing Education through Technology</b>              |   |                            |  | <u>483,998</u>              |
| 263   | <i>Title III, Part A English Language Acquisition and Lanuage Enhancement</i> | 84.365A                    | 08671001101917                                 | 1,447,726                   |
| 263   | <i>Title III, Part A English Language Acquisition and Lanuage Enhancement</i> | 84.365A                    | 09671001101917                                 | 137,353                     |
| <b>Total Title III, Part A English Language Acquisition and Lanuage Enhancement</b> |   |                            |  | <u>1,585,078</u>            |
| 269   | <i>Title V, Part A - Innovative Program</i>                                   | 84.298A                    | 08685001101917                                 | 81,309                      |
| <b>Total Title V, Part A - Innovative Program</b>                                   |   |                            |  | <u>81,309</u>               |
| 286   | <i>Summer School LEP-RD 16</i>  | 84.369A                    | 101-917  | 27,954                      |
| <b>Total Summer School LEP - RD 16</b>  |   |                            |  | <u>27,954</u>               |
| <b>Total Passed through State Department of Education</b>                           |   |                            |  | <u>27,029,730</u>           |
| <b>Passed through the Harris Department of Education:</b>                           |   |                            |  |                             |
| 265   | <i>Title IV, Part B 21st Century Community Learning Centers</i>               | 84.287                     | 101-917  | 453,728                     |
| 265   | <i>Title IV, Part B 21st Century Community Learning Centers</i>               | 84.287                     | 101-917  | 10,858                      |
| <b>Total Title IV, Part B 21st Century Community Learning Centers</b>               |   |                            |  | <u>464,586</u>              |
| <b>Total U.S. Department of Education</b>   |   |                            |  | <u>27,494,316</u>           |
| <b>U.S. Department of Defense</b>   |   |                            |  |                             |
| <b>Direct Program:</b>  |   |                            |  |                             |
| 199   | <i>ROTC</i>   | 12.000                     | 101-917  | 205,102                     |
| <b>Total ROTC</b>   |   |                            |  | <u>205,102</u>              |
| <b>Total U.S. Department of Defense</b>   |   |                            |  | <u>205,102</u>              |
| <b>U.S. Department of Agriculture</b>   |   |                            |  |                             |
| <b>Passed through Texas Health and Human Services Commission:</b>                   |   |                            |  |                             |
| 240   | <i>USDA Commodities*</i>  | 10.555                     | 101-917  | \$ 1,828,038                |
| <b>Total Passed through Texas Health and Human Services Commission</b>              |   |                            |  | <u>1,828,038</u>            |
| <b>Passed Through State Department of Education:</b>                                |   |                            |  |                             |
| 240   | <i>School Breakfast Program*</i>  | 10.553                     | 71400801                                       | 3,587,861                   |
| 240   | <i>National School Lunch Program*</i>   | 10.555                     | 71300801                                       | 12,858,584                  |
| 242   | <i>Summer Feeding*</i>  | 10.559                     | 101-917  | 341,111                     |
| <b>Total Passed Through State Department of Education</b>                           |   |                            |  | <u>16,787,556</u>           |
| <b>Total U.S. Department of Agriculture</b>   |   |                            |  | <u>18,615,594</u>           |
| <b>Total Expenditures of Federal Awards</b>   |   |                            |  | <u>\$ 46,906,983</u>        |

\*Indicates clustered program under OMB Circular A-133 Compliance Supplement.

The accompanying notes are an integral part of this schedule.

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

*Exhibit J-2*

**Note 1 -Basis of Accounting**

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

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods

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

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

|                                      |                            |
|--------------------------------------|----------------------------|
| Total Expenditures of Federal Awards | \$46,906,983               |
| SHARS                                | <u>828,941</u>             |
| Reconciled balance                   | <u><u>\$47,735,924</u></u> |
| Related Expenditures on Exhibit C-3  |                            |
| General Fund                         | \$ 1,707,945               |
| Special Revenue Funds                | <u>46,027,979</u>          |
|                                      | <u><u>\$47,735,924</u></u> |

|  |             |
|--|-------------|
| <b>PASADENA INDEPENDENT SCHOOL DISTRICT</b>  |             |
| <b><i>REQUIED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS</i></b>  |             |
| <b><i>SCHEDULE K-1</i></b>   |             |
| <b><i>YEAR ENDED AUGUST 31, 2008</i></b>   |             |
| Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations? | No          |
| Did the district receive a clean audit? – Was there an unqualified opinion in the Annual Financial Report?   | Yes         |
| Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?  | No          |
| Was there any disclosure in the Annual Financial Report of material noncompliance?   | No          |
| Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end  | \$2,838,223 |