

**PASADENA INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

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



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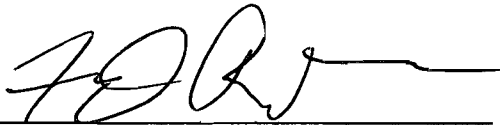
**CERTIFICATE OF BOARD**

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



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



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



## **Financial Section**





## Independent Auditors' Report

To the Board of Trustees  
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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2010, 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 to 13 and pages 53 to 54, 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 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the District. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nell Larson, AC". The signature is written in a cursive, flowing style.

Houston, Texas  
January 12, 2010

## **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, 2009.

#### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$337,338,426 (*net assets*). Of this amount, \$87,505,837 (*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 \$7,356,796.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$128,285,554, a decrease of \$24,005,981 in comparison with the prior year. The increase in governmental fund balances was primarily due to the decreases in the capital projects and general funds of \$33,669,229 and \$3,770,275, respectively. The debt service fund had an increase of \$10,874,398.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$58,288,135, or 16% percent of total general fund expenditures.
- The District's total bonded debt decreased by \$14,825,707 (3%) 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-one 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 an internal service fund to account for its self-funded health insurance. Because this service predominantly benefits governmental functions, it has 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 Health Insurance Fund.

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 50 of this report.

**Required Supplementary Information**

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

**Other Information**

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 56 through 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 \$377,338,426 at the close of the most recent fiscal year.

The largest portion of the District's net assets (\$248,130,421) 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**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 187,025,587	\$ 208,307,511
Capital and non current assets	688,602,741	670,370,502
<b>Total Assets</b>	<b>875,628,328</b>	<b>878,678,013</b>
Current liabilities	37,457,001	30,191,987
Long term liabilities	460,832,901	478,504,396
<b>Total Liabilities</b>	<b>498,289,902</b>	<b>508,696,383</b>
<b>Net Assets:</b>		
Invested in capital assets net of related debt	248,130,421	244,467,631
Restricted	41,702,168	29,894,751
Unrestricted	87,505,837	95,619,248
<b>Total Net Assets</b>	<b>\$ 377,338,426</b>	<b>\$ 369,981,630</b>

Net assets (\$41,702,168) are restricted for state and federal programs, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* (\$89,705,837) may be used to meet the District's ongoing obligations to students and creditors. The District's net assets increased by \$7,356,796 during the current fiscal year primarily due to increases in local tax revenues and insurance recovery related to Hurricane Ike.



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

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

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2009</b>	<b>2008</b>	
<b>Program Revenues</b>			
Charges for services	\$ 15,147,016	\$ 9,454,187	60%
Operating grants	79,281,475	75,301,397	5%
<b>General Revenues</b>			
Property taxes	140,037,727	137,748,874	2%
State aid- formula grants	237,599,920	240,467,119	-1%
Grants and contributions not restricted	385,939	884,051	-56%
Interest earnings	1,843,266	8,005,261	-77%
Other	11,304,985		
<b>Total Revenues</b>	<b>485,600,328</b>	<b>471,860,889</b>	<b>3%</b>
<b>Expenses</b>			
Instruction	269,777,425	255,018,780	6%
Instructional resources and media services	6,425,258	6,986,698	-8%
Curriculum and staff development	8,771,467	8,622,417	2%
Instructional leadership	4,728,369	4,835,423	-2%
School leadership	30,815,053	28,232,876	9%
Guidance, counseling, and evaluation services	15,665,185	13,833,474	13%
Social work services	201,238	231,556	-13%
Health services	4,503,752	4,170,425	8%
Student transportation	10,463,475	9,913,716	6%
Food service	24,052,049	23,508,375	2%
Extracurricular activities	6,580,363	6,480,643	2%
General administration	9,298,117	10,828,334	-14%
Plant, maintenance and operations	55,420,189	44,512,223	25%
Security and monitoring services	4,533,619	4,025,772	13%
Data processing services	6,974,071	4,613,734	51%
Community services	738,188	616,887	20%
Interest on long-term debt	18,340,469	20,275,039	-10%
Debt issuance costs and fees		468,774	-100%
Facilities acquisition and construction	25,613	64,142	-60%
Payments to Juvenile Justice Alternative Education Programs	53,189	243,244	-78%
Other governmental charges	876,443		
	<b>478,243,532</b>	<b>447,482,532</b>	<b>7%</b>
Increase (Decrease) in Net Assets	7,356,796	24,378,357	-70%
Beginning net assets	369,981,630	349,263,815	6%
Prior period adjustments		(3,660,542)	-100%
<b>Ending Net Assets</b>	<b>\$ 377,338,426</b>	<b>\$ 369,981,630</b>	<b>2%</b>

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

**Governmental Activities**

Governmental activities increased the District's net assets by \$7,356,796. Key elements of this increase are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling (\$79,667,414) represent 16 percent of total revenues and property taxes (\$140,037,727) represent 29 percent of total revenues. The remaining \$265,895,187 is generated from charges for services, investment earnings, and miscellaneous revenues. Tax revenues increased as a result of an increase in taxable values.

The primary functional expense of the District is instruction (\$269,777,425), which represents 56 percent of total expenses. Plant maintenance and operations (\$55,420,189) represents 12 percent of total expenses. The remaining individual functional categories of expenses are each less than seven percent of total expenses.

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

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

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$128,285,554, a decrease of \$24,005,981 in comparison with the prior year. Although, the debt service fund had an increase in fund balance, the decrease in ending governmental fund balances is primarily due to decreases in the capital projects and general fund fund balance.

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 \$58,288,135, while total fund balance reached \$72,216,035. 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 16 percent of total general fund expenditures, while total fund balance represents 19 percent of that same amount.

The fund balance of the District's general fund decreased by \$3,770,275 during the current fiscal year, primarily due to increases in instruction related costs (e.g. payroll) and plant and maintenance costs.

The debt service fund has a total fund balance of \$35,129,164 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 \$10,874,398 was attributable to higher property tax values.

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)**

The capital projects fund has a total fund balance of \$14,471,098, all of which is reserved for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$33,669,229 was primarily due to construction costs.

**Proprietary Fund**

The District’s proprietary fund financial statements, internal service funds for health insurance and worker’s compensation , provide detail information about the profitability of the funds. The net change in assets of the funds 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	\$ 342,218,290	\$ 356,223,799
Total expenditures	365,619,324	391,952,897
Net change in fund balance	<u>\$ (23,401,034)</u>	<u>\$ (35,729,098)</u>

**Capital Assets and Long-term Liabilities**

**Capital Assets**

The District’s investment in capital assets for its governmental type activities as of August 31, 2009 amounts to \$688,602,742 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment and construction in progress. The total increase in the District’s investment in capital assets for the current fiscal year was \$18,232,240.

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

- Construction was completed on several school buildings, renovations and portables with current year expenditures of \$2,871,153.

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

	<b>Balance August 31, 2008</b>	<b>Additions</b>	<b>(Retirements) and Transfers</b>	<b>Balance August 31, 2009</b>
Capital assets, not being depreciated				
Land	\$ 52,418,077	\$ 1,035,777	\$	\$ 53,453,854
Construction in progress	30,393,259	2,871,153	(30,393,259)	2,871,153
<b>Total Capital Assets, not being depreciated</b>	<b>82,811,336</b>	<b>3,906,930</b>	<b>(30,393,259)</b>	<b>56,325,007</b>
Capital assets, being depreciated				
Buildings and improvements	711,567,019	29,579,827	28,661,030	769,807,876
Furniture and equipment	79,272,220	5,561,330	(754,218)	84,079,332
Capital lease assets	1,505,212			1,505,212
<b>Total Capital Assets, being depreciated</b>	<b>792,344,451</b>	<b>35,141,157</b>	<b>27,906,812</b>	<b>855,392,420</b>
Less accumulated depreciation for:				
Buildings and improvements	(161,488,760)	(13,883,490)	1,732,229	(173,640,021)
Furniture and Equipment	(42,078,439)	(6,893,198)	754,218	(48,217,419)
Capital lease assets	(1,218,086)	(39,159)		(1,257,245)
<b>Total Accumulated Depreciation</b>	<b>(204,785,285)</b>	<b>(20,815,847)</b>	<b>2,486,447</b>	<b>(223,114,685)</b>
<b>Governmental Capital Assets</b>	<b>\$ 670,370,502</b>	<b>\$ 18,232,240</b>	<b>\$</b>	<b>\$ 688,602,742</b>

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 \$454,255,000 in bonded debt outstanding, a decrease of \$14,825,707 over 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, 2009, are as follows:

	<b>Balance August 31, 2008</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance August 31, 2009</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 469,080,707	\$	\$ (14,825,707)	\$ 454,255,000	\$ 15,075,000
Less deferred amounts:					
For issuance premiums/discounts	3,306,491		(236,038)	3,070,453	
Gain or loss on refunding bonds	(2,903,387)		223,198	(2,680,189)	
Accreted interest on premium compound interest bonds	2,838,223	85,445	(2,923,668)		
Loans payable					
Capital leases	1,095		(1,095)		
Accrued compensated absences	1,993,674	9,526		2,003,200	
Long-term worker's compensation	4,187,594		(3,157)	4,184,437	
	<b>\$ 478,504,397</b>	<b>\$ 94,971</b>	<b>\$ (17,766,467)</b>	<b>\$ 460,832,901</b>	<b>\$ 15,075,000</b>

Additional information on the District's long-term liabilities can be found in Note 6 on pages 42 through 45 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 2009-2010 capital budget forecasts spending \$17 million to complete capital projects, including 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 \$1.2 million for miscellaneous capital projects.

- Appraised value used for the 2009-2010 budget preparation is expected to remain relatively flat at \$10.3 million.
- General operating fund spending per student decreased in the 2009-2010 budget from \$7,115 to \$7,105. This is primarily due to staff reductions and salary budget adjustments.
- The Districts' 2009-2010 refined average daily attendance is expected to be 48,350. This is an increase of 790 or 1.6% over the actual amount of 47,560 for 2008-2009.

These indicators were taken into account when adopting the general fund budget for 2009-2010. Amounts available for appropriation in the general fund budget are \$371.9 million, an increase of 7.7 percent over the adopted 2008-2009 budget of \$345.4 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 less than one percent or \$3.1 million primarily due to staff reductions. General pay increases allowed the District to open the 2009-2010 school year with a minimum of teacher vacancies. The District has added no major new programs or initiatives to the 2009-2010 budget.

The District adopted a balanced budget for 2009-2010. 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, 2009

<b>Data Control Codes</b>		<b>Governmental Activities</b>
	<b>Assets</b>	
1110	Cash and cash equivalents	\$ 150,914,116
1225	Property taxes receivables, net	13,436,739
1240	Due from other governments	11,283,168
1290	Other receivables, net	3,067,209
1300	Inventories	2,932,789
1410	Deferred expenses	4,978,025
1420	Capital bond and other debt issuance costs	413,541
	Capital assets not subject to depreciation:	
1510	Land	53,453,854
1580	Construction in progress	2,871,153
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	596,167,855
1530	Furniture and equipment, net	35,861,912
1550	Capital lease assets	247,967
1000	<b>Total Assets</b>	<b>875,628,328</b>
	<b>Liabilities</b>	
2110	Accounts payable	16,176,070
2140	Interest payable	711,695
2150	Payroll deductions and withholdings	2,647,780
2160	Accrued wages payable	6,884
2180	Due to other governments	13,925,298
2190	Due to student groups	14,432
2200	Accrued expenditures	2,416,585
2300	Unearned revenue	1,558,257
	Noncurrent Liabilities:	
2501	Due within one year	15,075,000
2502	Due in more than one year	445,757,901
2000	<b>Total Liabilities</b>	<b>498,289,902</b>
	<b>Net Assets</b>	
3200	Invested in capital assets, net of related debt	248,130,421
	<b>Restricted for:</b>	
3840	Food service	2,294,017
3850	Debt service	37,484,069
3870	Campus activity	1,924,082
3900	Unrestricted	87,505,837
	<b>Total Net Assets</b>	<b>\$ 377,338,426</b>

See Notes to Financial Statements

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

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Primary Government
			Charges for Services	Operating Grants and Contributions	Governmental Activities
	<b>Governmental activities:</b>				
11	Instruction	\$ 269,777,425	\$ 5,543,347	\$ 37,825,301	\$ (226,408,777)
12	Instructional resources and media services	6,425,258	80,607	290,628	(6,054,023)
13	Curriculum and staff development	8,771,467	12,068	3,381,035	(5,378,364)
21	Instructional leadership	4,728,369	3,689	1,881,377	(2,843,303)
23	School leadership	30,815,053	1,126,113	1,801,656	(27,887,284)
31	Guidance, counseling, and evaluation services	15,665,185	284,655	3,488,930	(11,891,600)
32	Social work services	201,238		44,841	(156,397)
33	Health services	4,503,752		2,878,924	(1,624,828)
34	Student transportation	10,463,475	284,568	532,370	(9,646,537)
35	Food service	24,052,049	5,437,099	21,422,981	2,808,031
36	Extracurricular activities	6,580,363	1,256,310	188,411	(5,135,642)
41	General administration	9,298,117		470,574	(8,827,543)
51	Plant, maintenance and operations	55,420,189	1,033,238	4,057,383	(50,329,568)
52	Security and monitoring services	4,533,619	85,322	653,689	(3,794,608)
53	Data processing services	6,974,071		155,014	(6,819,057)
61	Community services	738,188		208,361	(529,827)
72	Interest on long-term debt	18,340,469			(18,340,469)
81	Facilities acquisition and construction	25,613			(25,613)
	Payments to Juvenile Justice				
95	Alternative Education Programs	53,189			(53,189)
99	Other governmental charges	876,443			(876,443)
<b>TG</b>	<b>Total governmental activities</b>	<b>\$ 478,243,532</b>	<b>\$ 15,147,016</b>	<b>\$ 79,281,475</b>	<b>(383,815,041)</b>
	<b>Data Control Codes</b>				
	<b>General revenues:</b>				
	Taxes:				
<b>MT</b>	Property taxes, levied for general purposes				110,409,026
<b>DT</b>	Property taxes, levied for debt service				29,628,701
<b>SF</b>	State-aid formula grants				237,599,920
<b>GC</b>	Grants and contributions not restricted				385,939
<b>IE</b>	Investment earnings				1,843,266
<b>MI</b>	Miscellaneous				11,304,985
<b>TR</b>	<b>Total general revenues, special items, and transfers</b>				<b>391,171,837</b>
<b>CN</b>	Change in net assets				7,356,796
<b>NB</b>	<b>Net assets - beginning</b>				<b>369,981,630</b>
<b>NE</b>	<b>Net assets - ending</b>				<b>\$ 377,338,426</b>

See Notes to Financial Statements

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

August 31, 2009

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service Funds</b>	<b>Capital Projects Fund</b>
<b>Assets</b>			
1110 Cash and temporary investments	\$ 82,741,667	\$ 35,146,742	\$ 17,970,536
<b>Receivables:</b>			
1220 Property taxes - delinquent	18,469,726	3,924,839	
1230 Allowance for uncollectible taxes (credit)	(7,387,891)	(1,569,935)	
1240 Receivables from other governments	6,227,274		
1260 Due from other funds	17,578		
1290 Other receivables	2,746,881		
1300 Inventories, at cost	1,246,520		
1410 Prepaid expenses	4,221,114		
<b>Total Assets</b>	<b>\$ 108,282,869</b>	<b>\$ 37,501,646</b>	<b>\$ 17,970,536</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
2110 Accounts payable	\$ 7,213,380	\$	\$ 3,374,481
2150 Payroll deduction and withholdings payable	2,647,780		
2160 Accrued wages payable			
2170 Due to other funds		17,578	124,957
2180 Payable to other governments	13,829,991		
2190 Due to student and employee groups	14,432		
2200 Accrued expenses	52,819		
2300 Deferred revenues	12,308,432	2,354,904	
2000 <b>Total Liabilities</b>	<b>36,066,834</b>	<b>2,372,482</b>	<b>3,499,438</b>
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410 Investments in inventories	1,246,520		
3420 Retirement of funded indebtedness		35,129,164	
3430 Prepaid items	4,221,114		
3440 Encumbrances	2,903,171		
3450 Food service operations			
3490 Other purposes	5,557,095		
<b>Unreserved, Designated for:</b>			
3510 Construction, repairs, renovation			14,471,098
<b>Unreserved, Undesignated Reported in:</b>			
3600 General fund	58,288,135		
3610 Special revenue funds			
3000 <b>Total Fund Balances</b>	<b>72,216,035</b>	<b>35,129,164</b>	<b>14,471,098</b>
4000 <b>Total Liabilities and Fund Balances</b>	<b>\$ 108,282,869</b>	<b>\$ 37,501,646</b>	<b>\$ 17,970,536</b>

See Notes to Financial Statements.

*Exhibit C-1*

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,620,746	\$ 140,479,691
	22,394,565
	(8,957,826)
5,055,894	11,283,168
124,957	142,535
298,835	3,045,716
1,686,269	2,932,789
704,611	4,925,725
<u>\$ 12,491,312</u>	<u>\$ 176,246,363</u>

\$ 5,588,202	\$ 16,176,063
	2,647,780
6,884	6,884
	142,535
95,308	13,925,299
	14,432
	52,819
331,661	14,994,997
<u>6,022,055</u>	<u>47,960,809</u>

1,686,269	2,932,789
	35,129,164
257,744	4,478,858
224,063	3,127,234
2,294,017	2,294,017
	5,557,095
	14,471,098
	58,288,135
2,007,164	2,007,164
6,469,257	128,285,554
<u>\$ 12,491,312</u>	<u>\$ 176,246,363</u>

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

*Exhibit C-2*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	\$ 128,285,554
	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	688,602,741
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).	13,436,739
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.	413,541
	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	(454,255,000)
5	Premiums on issuance	(3,070,453)
6	Deferred loss on refunding	2,680,189
7	Accrued compensated absences	(2,003,200)
8	Accrued interest payable	(711,695)
9	Addition of Internal Service fund net assets	<u>3,960,010</u>
	<b>Total net assets - governmental activities</b>	<u><u>\$ 377,338,426</u></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, 2009*

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service Funds</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>			
5700 Local, intermediate, and out-of-state	\$ 131,318,145	\$ 29,761,444	\$ 501,715
5800 State program revenues	233,732,434	17,438,566	
5900 Federal program revenues	3,204,591		
5020 <b>Total revenues</b>	<u>368,255,170</u>	<u>47,200,010</u>	<u>501,715</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction	223,337,714		
0012 Instruction resources and media services	5,995,986		
0013 Curriculum and instructional staff development	5,259,133		
0021 Instructional leadership	2,828,752		
0023 School leadership	27,791,249		
0031 Guidance, counseling and evaluation services	11,697,028		
0032 Social work services	157,253		
0033 Health services	4,099,067		
0034 Student transportation	11,842,992		
0035 Food services	28,025		
0036 Extracurricular activities	5,681,601		
0041 General administration	8,652,055		
0051 Plant maintenance and operations	49,753,688		
0052 Security and monitoring services	3,812,134		
0053 Data processing services	6,727,619		
0061 Community services	534,211		
<b>Debt service:</b>			
0071 Principal on long-term debt	1,190,000	13,635,707	
0072 Interest on long-term debt	52,469	22,689,905	
<b>Capital outlay:</b>			
0081 Facilities acquisition and construction	1,655,382		34,170,944
<b>Intergovernmental:</b>			
0095 Payments to Juvenile Justice Alt. Ed. Prgm.	53,189		
0099 Other intergovernmental charges	876,443		
6030 <b>Total Expenditures</b>	<u>372,025,990</u>	<u>36,325,612</u>	<u>34,170,944</u>
1100 Excess (deficiency) of revenues over expenditures	<u>(3,770,820)</u>	<u>10,874,398</u>	<u>(33,669,229)</u>
<b>Other Financing Sources (Uses)</b>			
7912 Sale of real or personal property	545		
7080 Total other financing sources and uses	545		
1200 Net change in fund balances	(3,770,275)	10,874,398	(33,669,229)
0100 <b>Fund Balance - September 1 (Beginning)</b>	<u>75,986,310</u>	<u>24,254,766</u>	<u>48,140,327</u>
3000 <b>Fund Balance - August 31 (Ending)</b>	<u>\$ 72,216,035</u>	<u>\$ 35,129,164</u>	<u>\$ 14,471,098</u>

See Notes to Financial Statements.



*Exhibit C-3*

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 8,965,733	\$ 170,547,037
10,098,808	261,269,808
<u>52,792,935</u>	<u>55,997,526</u>
<u>71,857,476</u>	<u>487,814,371</u>
30,761,975	254,099,689
95,508	6,091,494
3,215,277	8,474,410
1,739,747	4,568,499
1,026,255	28,817,504
3,307,085	15,004,113
35,098	192,351
173,021	4,272,088
143,029	11,986,021
24,451,549	24,479,574
641,761	6,323,362
163,807	8,815,862
2,851,774	52,605,462
518,679	4,330,813
	6,727,619
173,786	707,997
	14,825,707
	22,742,374
	35,826,326
	53,189
	<u>876,443</u>
<u>69,298,351</u>	<u>511,820,897</u>
<u>2,559,125</u>	<u>(24,006,526)</u>
	545
	<u>545</u>
2,559,125	(24,005,981)
<u>3,910,132</u>	<u>152,291,535</u>
<u>\$ 6,469,257</u>	<u>\$ 128,285,554</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, 2009*

**Data  
Control  
Codes**

	Net change in fund balances - total governmental funds (from C-3)	\$ (24,005,981)
	Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
	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.	
1		18,232,239
	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.	
2		
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,310,227)
4	Repayment of bond principal and capital lease is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	14,826,802
5	Bond issuance costs paid during the current year will be amortized over the life of the bonds.	(31,792)
	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:	
6	Decrease in interest payable not recognized in fund statements	1,581,539
7	Increase in long-term portion of accrued compensated absences	(9,526)
8	Amortization of bond premium/discount and deferred loss on refunding bonds and retirement of accumulated accretion for matured capital appreciation bonds	2,946,698
9	Internal service funds are used by management to charge the costs of certain activities, such as insurance and printing, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds.	(3,872,956)
	<b>Change in net assets of governmental activities</b>	<u><u>\$ 7,356,796</u></u>

See Notes to Financial Statements.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit D-1*

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

*August 31, 2009*

<u>Data Control Codes</u>		<u>Governmental Activities</u>
		<u>Internal Service Fund</u>
	<b>Assets</b>	
	<b>Current Assets:</b>	
1110-75	Cash and cash equivalents	\$ 10,434,420
	Receivables:	
1290	Other receivables	21,493
1400	Other current assets	52,300
1000	<b>Total Assets</b>	<u>10,508,213</u>
	<b>Liabilities</b>	
	<b>Current Liabilities:</b>	
2180	Payable to other governments	<u>2,363,766</u>
	<b>Total Current Liabilities</b>	<u>2,363,766</u>
	<b>Non-current liabilities:</b>	
2590	Claims and judgments	<u>4,184,437</u>
	<b>Total Non-current Liabilities</b>	<u>4,184,437</u>
2000	<b>Total Liabilities</b>	<u>6,548,203</u>
	<b>Net Assets</b>	
3900	Unrestricted net assets	3,960,010
3000	<b>Total Net Assets</b>	<u>\$ 3,960,010</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, 2009**

*Exhibit D-2*

<u>Data Control Codes</u>		<u>Governmental Activities</u>
		<u>Internal Service Funds</u>
	<b>Operating Revenues</b>	
5749	Miscellaneous revenue from local sources	\$ 86,646
5754	Quasi-external interfund transactions	26,548,065
5020	<b>Total Operating Revenues</b>	<u>26,634,711</u>
	<b>Operating Expenses</b>	
6100	Payroll costs	1,123,183
6400	Claims expense and other operating expenses	29,384,484
6030	<b>Total Operating Expenses</b>	<u>30,507,667</u>
1200	Operating Income (Loss)	(3,872,956)
	<b>Non-Operating Revenues (Expenses)</b>	
7020	Investment earnings	95,620
	<b>Total Nonoperating Revenues (Expenses)</b>	<u>95,620</u>
1200	Change in Net Assets	(3,777,336)
	<b>Net Assets</b>	
0100	<b>Net Assets - September 1 (Beginning)</b>	<u>7,737,346</u>
3300	<b>Net Assets - August 31 (Ending)</b>	<u>\$ 3,960,010</u>

See Notes to Financial Statements

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

*Exhibit D-3*

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>	
Cash receipts from quasi-external operating activities with other funds	\$ 26,932,910
Cash payments to suppliers for goods and services	(30,128,825)
Cash payments to employees	(1,114,730)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(4,310,645)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Advances from other funds	(3,157)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>	<u>(3,157)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	95,620
<b>Net Cash Provided by Investing Activities</b>	<u>95,620</u>
Net Increase in Cash and Cash Equivalents	(4,218,182)
Cash and Cash Equivalents at Beginning of Year	14,652,602
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 10,434,420</u>
<b>Reconciliation to Balance Sheet</b>	
Cash and Cash Equivalents Per Cash Flow	\$ 10,434,420
<b>Cash and Cash Equivalents per Balance Sheet</b>	<u>\$ 10,434,420</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (3,872,956)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
<b>Change in Assets and Liabilities:</b>	
Decrease (increase) in Receivables	298,200
Decrease (increase) in Other Assets	8,454
Increase (decrease) in Accrued Expenses	(744,343)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ (4,310,645)</u>

See Notes to Financial Statements

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit E-1*

**STATEMENT OF FIDUCIARY NET ASSETS**

*August 31, 2009*

**865**

<b>Data Control Codes</b>		<b>Student Activity Fund</b>
	<b>Assets</b>	
1110	Cash and cash equivalents	\$ 319,193
	<b>Total Assets</b>	<u>319,193</u>
	<b>Liabilities</b>	
2190	Due to others	\$ 319,193
2000	<b>Total Liabilities</b>	<u>\$ 319,193</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 general purpose 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 general purpose 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.

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*.



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

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

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.
- 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.

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

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

- The *internal service funds* account for 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 fund are charges to the funds and/or employees for self-funded health services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, (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, 2009. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

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

**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.

**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.

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

**Capital Assets (continued)**

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.

*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.

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

**Long-term Obligations (continued)**

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.

**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. The District's depository bank participates in the Temporary Liquidity Guarantee Program.

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

**Cash Deposit (continued).**

As of August 31, 2009, the District's non-interest bearing accounts were fully insured by the FDIC. The District's depository institution participates in the Temporary Liquidity Guarantee Program (TLGP), which is designed to avoid or mitigate adverse effects on economic conditions or financial stability, has two primary components. The Debt Guarantee Program, by which the FDIC will guarantee the payment of certain newly issued senior unsecured debt, and the Transaction Account Guarantee Program, by which the FDIC will guarantee certain noninterest-bearing transaction accounts. As a such, all non-interest bearing transactions accounts are fully insured by FDIC. In accordance with TRS Government Code 2257.022(2), collateralization is not required for deposits "reduced to the extent that the United States or an instrumentality of the United States insures the deposit."

**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 2009, 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, TNotes, 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)**

**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 Market Value</b>	<b>Weighted Average Maturity (Days)</b>
Cash and deposits	\$ 7,123,702	N/A
<b>Investments</b>		
Local Government Investment Pools		
Lone Star	9,960,917	51
Texpool	134,148,690	48
<b>Total Investments</b>	<u>144,109,607</u>	48
<b>Total Cash and Investments</b>	<u>\$ 151,233,309</u>	

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

Governmental activities	\$ 150,914,116
Fiduciary fund	319,193
	<u>\$ 151,233,309</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, 2009 was \$1,843,341.

**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, 2009, 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 Funds</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 18,469,726	\$ 3,924,839	\$	\$	\$ 22,394,565
Due from other governments	6,227,274			5,055,893	11,283,167
Other	2,746,881			298,835	3,045,716
Gross Receivables	<u>27,443,881</u>	<u>3,924,839</u>		<u>5,354,728</u>	<u>36,723,448</u>
Less allowance for doubtful accounts	<u>(7,387,891)</u>	<u>(1,569,935)</u>			<u>(8,957,826)</u>
<b>Net Total Receivables</b>	<u><u>\$ 20,055,990</u></u>	<u><u>\$ 2,354,904</u></u>	<u><u>\$</u></u>	<u><u>\$ 5,354,728</u></u>	<u><u>\$ 27,765,622</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)	11,081,835	\$
Delinquent property taxes receivable (Debt Service Fund)	2,354,904	
Grant funds received prior to meeting all eligibility requirements		1,558,258
	<u><u>\$ 13,436,739</u></u>	<u><u>1,558,258</u></u>

**Note 4 - Capital Assets**

Capital asset activity for the year ended August 31, 2009, was as follows:

	<u>Balance August 31, 2008</u>	<u>Additions</u>	<u>(Retirements) and Transfers</u>	<u>Balance August 31, 2009</u>
Capital assets, not being depreciated				
Land	\$ 52,418,077	\$ 1,035,777	\$	\$ 53,453,854
Construction in progress	30,393,259	2,871,153	(30,393,259)	2,871,153
<b>Total Capital Assets, not being depreciated</b>	<u>82,811,336</u>	<u>3,906,930</u>	<u>(30,393,259)</u>	<u>56,325,007</u>
Capital assets, being depreciated				
Buildings and improvements	711,567,019	29,579,827	28,661,030	769,807,876
Furniture and equipment	79,272,220	5,561,330	(754,218)	84,079,332
Capital lease assets	1,505,212			1,505,212
<b>Total Capital Assets, being depreciated</b>	<u>792,344,451</u>	<u>35,141,157</u>	<u>27,906,812</u>	<u>855,392,420</u>
Less accumulated depreciation for:				
Buildings and improvements	(161,488,760)	(13,883,490)	1,732,229	(173,640,021)
Furniture and Equipment	(42,078,439)	(6,893,198)	754,218	(48,217,419)
Capital lease assets	(1,218,086)	(39,159)		(1,257,245)
<b>Total Accumulated Depreciation</b>	<u>(204,785,285)</u>	<u>(20,815,847)</u>	<u>2,486,447</u>	<u>(223,114,685)</u>
<b>Governmental Capital Assets</b>	<u><u>\$ 670,370,502</u></u>	<u><u>\$ 18,232,240</u></u>	<u><u>\$</u></u>	<u><u>\$ 688,602,742</u></u>



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

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

	<b>Function</b>	<b>Expense</b>
11	Instruction	\$ 12,627,992
12	Instructional resources and media services	338,871
13	Curriculum and staff development	297,057
21	Instructional leadership	159,870
23	School leadership	1,570,706
31	services	661,072
32	Social work services	8,887
33	Health services	231,664
34	Student transportation	669,321
35	Food Services	1,584
36	Extracurricular activities	321,103
41	General administration	488,982
51	Plant maintenance and operations	2,812,535
52	Security and monitoring services	215,792
53	Data processing services	380,220
61	Community services	30,191
		<u>\$ 20,815,847</u>

**Construction Commitments**

The District has active construction projects as of August 31, 2009. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

<b>Project</b>	<b>Approved Construction Budget</b>	<b>Construction in Progress</b>	<b>Remaining Commitment</b>
De Zavala	\$ 3,256,401	\$ 2,834,163	\$ 422,238
South Belt Elem. Move	24,095	22,457	1,638
Kruses ES Room Demo	18,179	13,033	5,146
S. Houston HS Gym Survey	2,985	1,500	1,485
	<u>\$ 3,301,660</u>	<u>\$ 2,871,153</u>	<u>\$ 430,507</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, 2009, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 17,578	\$
Debt Service Funds		17,578
Capital Projects Fund		124,957
Nonmajor Funds	124,957	
	<u>\$ 142,535</u>	<u>\$ 142,535</u>

**Note 6 - Long-term Liabilities**

**Changes in Long-term Liabilities**

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

	<u>Balance August 31, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2009</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 469,080,707	\$	\$ (14,825,707)	\$ 454,255,000	\$ 15,075,000
Less deferred amounts:					
For issuance premiums/discounts	3,306,491		(236,038)	3,070,453	
Gain or loss on refunding bonds	(2,903,387)		223,198	(2,680,189)	
Accreted interest on premium					
compound interest bonds	2,838,223	85,445	(2,923,668)		
Loans payable					
Capital leases	1,095		(1,095)		
Accrued compensated absences	1,993,674	9,526		2,003,200	
Long-term worker's compensation	4,187,594		(3,157)	4,184,437	
	<u>\$ 478,504,397</u>	<u>\$ 94,971</u>	<u>\$ (17,766,467)</u>	<u>\$ 460,832,901</u>	<u>\$ 15,075,000</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 Issuance Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
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	4,460,000
Variable Rate Unlimited Tax School Building Bonds, Series 2000A	50,000,000	6.00%	2/15/2029	40,600,000
Unlimited Tax School Building Bonds, Series 2002	114,050,000	4.500-5.125%	8/31/2029	65,015,000
Unlimited Tax Refunding Bonds, Series 2003 A	7,035,000	2.75-3.25%	2/15/2010	1,500,000
Unlimited Tax School Building & Refunding Bonds, Series 2005	36,059,737	3.00-5.00%	2/15/2021	25,850,000
Unlimited Tax Refunding Bonds, Series 2005 A	14,605,000	3.00-5.00%	2/15/2017	11,075,000
Variable Rate Unlimited Tax School Building Bonds, Series 2005B	80,000,000	4.36%	2/1/2035	79,900,000
Limited Tax Refunding Bonds, Series 2005	6,370,000	3.50-3.625%	2/15/2013	950,000
Unlimited Tax Refunding Bonds, Series 2006	118,020,000	4.00-5.00	2/15/2036	114,805,000
Unlimited Tax Refunding Bonds, Series 2007	66,980,000	4.00-5.00%	2/15/2026	66,530,000
Unlimited Tax Refunding Bonds, Series 2008	42,930,000	3.00-5.00%	2/15/2022	42,470,000
				<u>\$ 454,255,000</u>

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 15,075,000	\$ 21,691,789	\$ 36,766,789
2011	14,425,000	21,045,227	35,470,227
2012	13,535,000	20,406,987	33,941,987
2013	12,780,000	19,830,677	32,610,677
2014	13,110,000	19,241,459	32,351,459
2015-2019	84,225,000	84,420,480	168,645,480
2020-2024	106,220,000	60,201,692	166,421,692
2025-2029	101,560,000	33,627,121	135,187,121
2030-2034	68,990,000	13,722,320	82,712,320
2035	15,290,000	781,021	16,071,021
2036	9,045,000	214,819	9,259,819
	<u>\$ 454,255,000</u>	<u>\$ 295,183,591</u>	<u>\$ 749,438,591</u>

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, 2009, \$58,670,000 of refunded bonds outstanding are 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.

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)**

**Operating Leases**

Commitments under operating lease agreements for facilities and equipment provide for minimum future rental payments. As of August 31, 2009 these payments are as follows:

<b>Year Ending</b>	<b>Amounts</b>
<b>August 31,</b>	
2010	\$ 1,563,022
2011	1,397,235
2012	728,405
Total minimum lease payments	<u>\$ 3,688,662</u>

Rental Expenditures in Fiscal Year 2009 were \$1,768,751

**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:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>
Property Taxes	\$112,909,982	\$ 29,437,953	\$	\$
Investment Income	1,019,688	323,491	217,049	13,763
Co-curricular Student Activities	430,214			3,040,967
Food Sales				5,437,099
Other	16,958,261		284,666	473,904
	<u>\$131,318,145</u>	<u>\$ 29,761,444</u>	<u>\$ 501,715</u>	<u>\$ 8,965,733</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.

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

**Funding Policy**

State law provides for a member contribution rate of 6.4% for fiscal years 2009, 2008, and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. In certain instances, the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. 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.

**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 year 2007) 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% (6.0% for fiscal year 2007).

Contributions made by the State, District and staff members to TRS for the years ended August 31, 2009, 2008, and 2007, are as follows:

For the Year Ended August 31	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Staff Members Contributions to TRS
2009	\$ 15,266,703	\$ 3,824,098	\$ 18,165,317
2008	14,241,279	3,509,373	17,265,075
2007	11,667,003	3,492,810	16,170,467

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**

**Fund 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.

**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 2009, 2008, and 2007. 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, 2009, 2008 and 2007 are as follows:

For the Year Ended August 31	State TRS Care Contributions Made on Behalf of the District	District Required Contributions to TRS Care	Staff Members Contributions to TRS Care
2009	\$ 2,320,171	\$ 581,167	\$ 1,884,919
2008	2,493,451	202,216	1,642,313
2007	2,365,002	161,634	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, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on-behalf of the District were \$653,348, \$610,681, and \$534,932 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-Funded Health Insurance**

During the year ended August 31, 2009, 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. 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.

An analysis of claims liability for fiscal year 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Accrual, September 1	\$ 3,108,110	\$ 1,549,584
Current year estimates	23,760,555	26,961,398
Payments for claims	24,504,899	25,402,872
Accrual, August 31	<u>\$ 2,363,766</u>	<u>\$ 3,108,110</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 \$4,184,437 as of August 31, 2009 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 \$4,184,437 includes incurred but not reported claims. This liability reported in the fund at August 31, 2009, 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:

<u>Year</u>	<u>Claims</u>
2000	334
2001	302
2002	333
2003	322
2004	337
2005	377
2006	386
2007	325
2008	366
2009	280
10 Year Average	<u><u>336</u></u>

Changes in the worker’s compensation claims liability amounts in fiscal years 2009, 2008 and 2007 are as follows:

	<u>Beginning of</u>	<u>Claims and</u>	<u>Claim</u>	<u>End of Year</u>
	<u>Year Accrual</u>	<u>Changes in</u>	<u>Payments</u>	<u>Accrual</u>
		<u>Estimates</u>		
<b>2009</b>	\$ 4,187,594	\$ 2,407,684	\$ 2,410,841	\$ 4,184,437
<b>2008</b>	4,523,831	2,125,879	2,462,116	4,187,594
<b>2007</b>	4,145,670	3,108,503	2,730,342	4,523,831

**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, 2009.

**Note 16 - Deficit Fund Equity**

The Worker's Compensation Internal Service Fund had deficit net assets of \$184,887 at August 31, 2009. 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, 2009*

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
5700 Local revenues	\$ 110,769,330	\$ 124,224,839	\$ 131,318,145	\$ 7,093,306
5800 State program revenues	229,066,951	229,266,951	233,732,434	4,465,483
5900 Federal program revenues	2,382,009	2,732,009	3,204,591	472,582
<b>Total revenues</b>	<b>342,218,290</b>	<b>356,223,799</b>	<b>368,255,170</b>	<b>12,031,371</b>
<b>Expenditures</b>				
<b>Current:</b>				
0011 Instruction	228,155,393	231,590,294	223,337,714	8,252,580
0012 Instruction resources and media services	6,009,649	6,327,725	5,995,986	331,739
0013 Curriculum and instructional staff	4,382,946	5,482,407	5,259,133	223,274
0021 Instructional leadership	3,717,306	3,067,606	2,828,752	238,854
0023 School leadership	26,034,519	27,924,097	27,791,249	132,848
Guidance, counseling and evaluation				
0031 services	11,338,973	11,769,989	11,697,028	72,961
0032 Social work services	154,583	209,583	157,253	52,330
0033 Health services	3,872,778	4,208,439	4,099,067	109,372
0034 Student transportation	9,528,430	12,428,513	11,842,992	585,521
0035 Food services	7,217	42,217	28,025	14,192
0036 Extracurricular activities	5,876,628	6,642,047	5,681,601	960,446
0041 General administration	8,466,820	9,119,136	8,652,055	467,081
0051 Plant maintenance and operations	44,920,338	52,224,107	49,753,688	2,470,419
0052 Security and monitoring services	3,742,585	3,973,137	3,812,134	161,003
0053 Data processing services	4,589,110	10,001,878	6,727,619	3,274,259
0061 Community services	492,918	602,918	534,211	68,707
<b>Debt Service:</b>				
0071 Principal on long-term debt	1,189,967	1,190,000	1,190,000	
0072 Interest on long-term debt	61,962	61,962	52,469	9,493
0081 Facilities acquisition and construction	1,280,000	3,289,640	1,655,382	1,634,258
0095 Payments to Juvenile Justice Alt. Ed. Prgm.	624,000	624,000	53,189	570,811
0099 Other intergovernmental charges	1,173,202	1,173,202	876,443	296,759
<b>Total Expenditures</b>	<b>365,619,324</b>	<b>391,952,897</b>	<b>372,025,990</b>	<b>19,926,907</b>
Excess (deficiency) of revenues				
1100 over expenditures	(23,401,034)	(35,729,098)	(3,770,820)	31,958,278
<b>Other Financing Sources (Uses)</b>				
7912 Sale of real or personal property			545	545
<b>Total other financing sources and uses</b>			<b>545</b>	<b>545</b>
Net change in fund balances	(23,401,034)	(35,729,098)	(3,770,275)	31,958,823
<b>Fund balances - beginning</b>	<b>75,986,310</b>	<b>75,986,310</b>	<b>75,986,310</b>	
<b>Fund balances - ending</b>	<b>\$ 52,585,276</b>	<b>\$ 40,257,212</b>	<b>\$ 72,216,035</b>	<b>\$ 31,958,823</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, 2009.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 20, 2008. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

**Other Supplementary Information**

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NONMAJOR GOVERNMENTAL FUNDS**

August 31, 2009

		204	211	212
<b>Data Control Codes</b>		<b>Title IV Safe &amp; Drug Free</b>	<b>ESEA Title I Part A</b>	<b>ESEA Title I Part C</b>
<b>Assets</b>				
1110	Cash and temporary investments	\$	\$	\$
<b>Receivables:</b>				
1240	Receivables from other governments	20,913	773,695	9,561
1260	Due from other funds			
1290	Other receivables			
1310	Inventories, at cost			
1410	Prepaid expenses		204,694	
1000	<b>Total Assets</b>	<u>\$ 20,913</u>	<u>\$ 978,389</u>	<u>\$ 9,561</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$ 20,725	\$ 978,389	\$ 8,842
2160	Accrued wages payable	188		719
2180	Due to other governments			
2300	Deferred revenues			
2000	<b>Total Liabilities</b>	<u>20,913</u>	<u>978,389</u>	<u>9,561</u>
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
3410	Investments in inventories			
3430	Prepaid items			
3440	Encumbrances			
3450	Food service operations			
<b>Unreserved, Undesignated Reported in:</b>				
3610	Special revenue funds			
3000	<b>Total Fund Balances</b>			
4000	<b>Total Liabilities and Fund Balance</b>	<u>\$ 20,913</u>	<u>\$ 978,389</u>	<u>\$ 9,561</u>



224	225	226	240	242	244	255
IDEA B Formula	IDEA B Preschool Grant	IDEA B- Discretionary	Child Nutrition	Summer Feeding Program	Vocational Ed -Basic	ESEA Title II, Part A
\$	\$	\$	\$ 2,341,024	\$ 10,309	\$	\$
628,281	13,435	14,420	341,316		89,232	182,078
			124,957			
			21,296			278
			1,686,269			
98,350	5,624		257,744		831	29,742
<u>\$ 726,631</u>	<u>\$ 19,059</u>	<u>\$ 14,420</u>	<u>\$ 4,772,606</u>	<u>\$ 10,309</u>	<u>\$ 90,063</u>	<u>\$ 212,098</u>
\$ 726,631	\$ 19,059	\$ 14,420	\$ 415,448	\$	\$ 90,063	\$ 212,098
<u>726,631</u>	<u>19,059</u>	<u>14,420</u>	<u>415,448</u>		<u>90,063</u>	<u>212,098</u>
			1,686,269			
			257,744			
			129,437			
			2,283,708	10,309		
			4,357,158	10,309		
<u>\$ 726,631</u>	<u>\$ 19,059</u>	<u>\$ 14,420</u>	<u>\$ 4,772,606</u>	<u>\$ 10,309</u>	<u>\$ 90,063</u>	<u>\$ 212,098</u>

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

<b>Data Control Codes</b>		<b>262</b>	<b>263</b>	<b>265</b>
		<b>Enhancing Ed Through Technology</b>	<b>ESEA Title III</b>	<b>21st Century Grant</b>
	<b>Assets</b>			
1110	Cash and temporary investments	\$	\$	\$
	<b>Receivables:</b>			
1240	Receivables from other governments	18,614	87,245	251,827
1260	Due from other funds			
1290	Other receivables			9,440
1310	Inventories, at cost			
1410	Prepaid expenses		9,701	
1000	<b>Total Assets</b>	<u>\$ 18,614</u>	<u>\$ 96,946</u>	<u>\$ 261,267</u>
	<b>Liabilities and Fund Balance</b>			
	<b>Liabilities:</b>			
	<b>Current Liabilities:</b>			
2110	Accounts payable	\$ 18,614	\$ 53,936	\$ 259,955
2160	Accrued wages payable			1,312
2180	Due to other governments		43,010	
2300	Deferred revenues			
2000	<b>Total Liabilities</b>	<u>18,614</u>	<u>96,946</u>	<u>261,267</u>
	<b>Fund Balance:</b>			
	<b>Reserved for:</b>			
3410	Investments in inventories			
3430	Prepaid items			
3440	Encumbrances			
3450	Food service operations			
	<b>Unreserved, Undesignated Reported in:</b>			
3610	Special revenue funds			
3000	<b>Total Fund Balances</b>			
4000	<b>Total Liabilities and Fund Balance</b>	<u>\$ 18,614</u>	<u>\$ 96,946</u>	<u>\$ 261,267</u>

274	283	285	287	289	394	397
Gear Up	IDEA B Special Education - Stimulus	Title I, Part A- Stimulus	Homeless Education and Disaster Assistance	Title V Special Projects	Pregnancy, Education, and Parenting Program	Advanced Placement Incentive
\$	\$	\$	\$	\$	\$	\$ 72,792
128,403	215,332	111,682	15,757	721,245	30,905	
				22,647		
	55,811	38,487				
<u>\$ 128,403</u>	<u>\$ 271,143</u>	<u>\$ 150,169</u>	<u>\$ 15,757</u>	<u>\$ 743,892</u>	<u>\$ 30,905</u>	<u>\$ 72,792</u>
\$ 124,446 3,957	\$ 271,143	\$ 150,169	\$ 15,757	\$ 714,815 708	\$ 30,905	\$
<u>128,403</u>	<u>271,143</u>	<u>150,169</u>	<u>15,757</u>	<u>743,892</u>	<u>30,905</u>	<u>72,792</u>
				28,369		72,792
<u>\$ 128,403</u>	<u>\$ 271,143</u>	<u>\$ 150,169</u>	<u>\$ 15,757</u>	<u>\$ 743,892</u>	<u>\$ 30,905</u>	<u>\$ 72,792</u>

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

<u>Data Control Codes</u>	<b>399</b>	<b>401</b>	<b>404</b>
	<b>Investment Capital Funds</b>	<b>Optional Extended Year Program</b>	<b>Student Succ. Init-Acc REA</b>
<b>Assets</b>			
1110 Cash and temporary investments	\$	\$	\$
<b>Receivables:</b>			
1240 Receivables from other governments	66,709	247,986	298,876
1260 Due from other funds			
1290 Other receivables			
1310 Inventories, at cost			
1410 Prepaid expenses			
1000 <b>Total Assets</b>	<u>\$ 66,709</u>	<u>\$ 247,986</u>	<u>\$ 298,876</u>
 <b>Liabilites and Fund Balance</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110 Accounts payable	\$ 66,334	\$ 247,986	\$ 298,876
2160 Accrued wages payable			
2180 Due to other governments	375		
2300 Deferred revenues			
2000 <b>Total Liabilities</b>	<u>66,709</u>	<u>247,986</u>	<u>298,876</u>
 <b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410 Investments in inventories			
3430 Prepaid items			
3440 Encumbrances			
3450 Food service operations			
<b>Unreserved, Undesignated Reported in:</b>			
3610 Special revenue funds			
3000 <b>Total Fund Balances</b>	<u></u>	<u></u>	<u></u>
4000 <b>Total Liabilities and Fund Balance</b>	<u>\$ 66,709</u>	<u>\$ 247,986</u>	<u>\$ 298,876</u>

409	411	414	425	426	427	428
Basic Skills / HS Students	Technology	Accelerated Science Program	Texas Fitness Now	Texas Ed Excellence Award	Laura Bush Foundation/ HB 1 Mentors	High School Allotment
\$	\$ 83,082	\$	\$	\$	\$	\$
273,893			176,993	30,035	883	
500						
<u>\$ 274,393</u>	<u>\$ 83,082</u>	<u>\$</u>	<u>\$ 176,993</u>	<u>\$ 30,035</u>	<u>\$ 883</u>	<u>\$</u>
\$ 246,893	\$	\$	\$ 176,993	\$ 30,035	\$ 883	\$
27,500						
<u>274,393</u>			<u>176,993</u>	<u>30,035</u>	<u>883</u>	
	83,082					
	83,082					
<u>\$ 274,393</u>	<u>\$ 83,082</u>	<u>\$</u>	<u>\$ 176,993</u>	<u>\$ 30,035</u>	<u>\$ 883</u>	<u>\$</u>

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

<u>Data Control Codes</u>	<b>429</b>	<b>461</b>	<b>480</b>
	<u>Other Grants</u>	<u>Campus Activity Funds</u>	<u>PISD Ed Foundation Grants</u>
<b>Assets</b>			
1110 Cash and temporary investments	\$	\$ 1,952,637	\$ 133,417
<b>Receivables:</b>			
1240 Receivables from other governments	135,885		
1260 Due from other funds			
1290 Other receivables	161,690	82,984	
1310 Inventories, at cost			
1410 Prepaid expenses			
1000 <b>Total Assets</b>	<u>\$ 297,575</u>	<u>\$ 2,035,621</u>	<u>\$ 133,417</u>
 <b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110 Accounts payable	\$ 264,395	\$ 16,913	\$
2160 Accrued wages payable			
2180 Due to other governments			
2300 Deferred revenues	33,180		133,417
2000 <b>Total Liabilities</b>	<u>297,575</u>	<u>16,913</u>	<u>133,417</u>
 <b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410 Investments in inventories			
3430 Prepaid items			
3440 Encumbrances		94,626	
3450 Food service operations			
<b>Unreserved, Undesignated Reported in:</b>			
3610 Special revenue funds		1,924,082	
3000 <b>Total Fund Balances</b>		<u>2,018,708</u>	
4000 <b>Total Liabilities and Fund Balance</b>	<u>\$ 297,575</u>	<u>\$ 2,035,621</u>	<u>\$ 133,417</u>

495	496	497	498	
Internet Crimes Against Children	HGAC Clean Vehicle Program	Measurable Outcomes	CASE Partnership	Total Nonmajor Governmental Funds
\$ 24,423	\$	\$ 3,062	\$	\$ 4,620,746
	79,989		90,704	5,055,894
				124,957
				298,835
				1,686,269
			3,627	704,611
<u>\$ 24,423</u>	<u>\$ 79,989</u>	<u>\$ 3,062</u>	<u>\$ 94,331</u>	<u>\$ 12,491,312</u>
\$	\$ 79,989	\$	\$ 33,490	\$ 5,588,202
24,423				6,884
		3,062	60,841	95,308
<u>24,423</u>	<u>79,989</u>	<u>3,062</u>	<u>94,331</u>	<u>331,661</u>
				6,022,055
				1,686,269
				257,744
				224,063
				2,294,017
				2,007,164
				6,469,257
<u>\$ 24,423</u>	<u>\$ 79,989</u>	<u>\$ 3,062</u>	<u>\$ 94,331</u>	<u>\$ 12,491,312</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, 2009*

		204	211	212
<b>Data Control Codes</b>		<b>Title IV Safe &amp; Drug Free</b>	<b>ESEA Title I Part A</b>	<b>ESEA Title I Part C</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	156,404	12,740,753	151,570
5020	<b>Total revenues</b>	<u>156,404</u>	<u>12,740,753</u>	<u>151,570</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	17,255	10,321,816	79,054
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	57,483	169,300	71,292
0021	Instructional leadership		432,050	1,224
0023	School leadership		174,617	
0031	Guidance, counseling and evaluation services		1,375,652	
0032	Social work services			
0033	Health services		104,173	
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0051	Plant maintenance and operations			
0052	Security and monitoring services	81,666		
0061	Community services		163,145	
6030	<b>Total Expenditures</b>	<u>156,404</u>	<u>12,740,753</u>	<u>151,570</u>
1200	Net change in fund balances			
0100	<b>Fund balance - September 1 (beginning)</b>			
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>



224	225	226	240	242	244	255
IDEA B Formula	IDEA B Preschool Grant	IDEA B-Discretionary	Child Nutrition	Summer Feeding Program	Vocational Ed -Basic	ESEA Title II, Part A
\$	\$	\$	\$ 5,451,139	\$	\$	\$
			549,063			
7,993,497	196,423	14,420	20,512,288		755,669	2,238,180
<u>7,993,497</u>	<u>196,423</u>	<u>14,420</u>	<u>26,512,490</u>		<u>755,669</u>	<u>2,238,180</u>
5,198,128	196,267	14,420			532,332	555,785
463,274						1,406,700
714,232					2,645	275,695
1,542,965	156				220,692	
68,848						
			24,262,357			
6,050						
<u>7,993,497</u>	<u>196,423</u>	<u>14,420</u>	<u>24,262,357</u>		<u>755,669</u>	<u>2,238,180</u>
			2,250,133			
			2,107,025	10,309		
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,357,158</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, 2009*

	262	263	265
<b>Data Control Codes</b>	<b>Enhancing Ed Through Technology</b>	<b>ESEA Title III</b>	<b>21st Century Grant</b>
<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$
5800	State program revenues		
5900	Federal program revenues	266,382	663,655
5020	<b>Total revenues</b>	<u>266,382</u>	<u>663,655</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011	Instruction	92,114	419,356
0012	Instruction resources and media services		
0013	Curriculum and instructional staff development	174,268	374,883
0021	Instructional leadership		75,818
0023	School leadership		240,877
0031	Guidance, counseling and evaluation services		
0032	Social work services		
0033	Health services		
0034	Student transportation		
0035	Food service		
0036	Extracurricular activities		
0041	General administration		
0051	Plant maintenance and operations		3,422
0052	Security and monitoring services		
0061	Community services		
6030	<b>Total Expenditures</b>	<u>266,382</u>	<u>663,655</u>
1200	Net change in fund balances		
0100	<b>Fund balance - September 1 (beginning)</b>		
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>

274	283	285	287	289	394	397
Gear Up	IDEA B Special Education - Stimulus	Title I, Part A- Stimulus	Homeless Education and Disaster Assistance	Title V Special Projects	Pregnancy, Education, and Parenting Program	Advanced Placement Incentive
\$	\$	\$	\$	\$	\$	\$
					99,440	22,582
1,128,720	215,332	111,682	15,757	3,589,157		
1,128,720	215,332	111,682	15,757	3,589,157	99,440	22,582
879,101	40,399	111,682	2,222	22,821	64,342	21,277
				800		
204	31,168			206,757		1,305
232,360				2,308		
			12,971	29,387		
	143,765			20,000		
					35,098	
				10,817		
				189,192		
			564	101,335		
6,414				2,814,033		
				191,707		
10,641						
1,128,720	215,332	111,682	15,757	3,589,157	99,440	22,582
\$	\$	\$	\$	\$	\$	\$

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

		399	401	404
<b>Data Control Codes</b>		<b>Investment Capital Funds</b>	<b>Optional Extended Year Program</b>	<b>Student Succ. Init- Acc REA</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues	100,089	247,986	1,549,288
5900	Federal program revenues			
5020	<b>Total revenues</b>	<u>100,089</u>	<u>247,986</u>	<u>1,549,288</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	22,180	247,986	1,548,834
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	77,871		
0021	Instructional leadership			
0023	School leadership			
0031	Guidance, counseling and evaluation services	38		
0032	Social work services			
0033	Health services			
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0051	Plant maintenance and operations			
0052	Security and monitoring services			454
0061	Community services			
6030	<b>Total Expenditures</b>	<u>100,089</u>	<u>247,986</u>	<u>1,549,288</u>
1200	Net change in fund balances			
0100	<b>Fund balance - September 1 (beginning)</b>			
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

409	411	414	425	426	427	428
<u>Basic Skills / HS Students</u>	<u>Technology</u>	<u>Accelerated Science Program</u>	<u>Texas Fitness Now</u>	<u>Texas Ed Excellence Award</u>	<u>Laura Bush Foundation/H B 1 Mentors</u>	<u>High School Allotment</u>
\$ 555,312	\$ 1,408,669	\$ 24,777	\$ 347,645	\$ 722,234	\$ 423,028	\$ 3,560,970
<u>555,312</u>	<u>1,408,669</u>	<u>24,777</u>	<u>347,645</u>	<u>722,234</u>	<u>423,028</u>	<u>3,560,970</u>
471,304	1,325,100	22,747	288,319	685,233	403,991	3,560,970
73,813		2,030	59,326	9,550	825	
	487			23,714	18,212	
				3,737		
10,000						
195						
<u>555,312</u>	<u>1,325,587</u>	<u>24,777</u>	<u>347,645</u>	<u>722,234</u>	<u>423,028</u>	<u>3,560,970</u>
	83,082					
<u>\$</u>	<u>\$ 83,082</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, 2009*

<b>Data Control Codes</b>		<b>429</b>	<b>461</b>	<b>480</b>
		<b>Other Grants</b>	<b>Campus Activity Funds</b>	<b>PISD Ed Foundation Grants</b>
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$ 22,920	\$ 3,040,947	\$ 119,934
5800	State program revenues	487,725		
5900	Federal program revenues			
5020	<b>Total revenues</b>	<u>510,645</u>	<u>3,040,947</u>	<u>119,934</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	218,080	1,571,877	119,934
0012	Instruction resources and media services	16,331	74,618	
0013	Curriculum and instructional staff development	6,670	11,171	
0021	Instructional leadership		3,415	
0023	School leadership		500,485	
0031	Guidance, counseling and evaluation services		80	
0032	Social work services			
0033	Health services			
0034	Student transportation	52,223		
0035	Food service			
0036	Extracurricular activities		641,761	
0041	General administration	51,908		
0051	Plant maintenance and operations	5,884	11,381	
0052	Security and monitoring services	159,549	249	
0061	Community services			
6030	<b>Total Expenditures</b>	<u>510,645</u>	<u>2,815,037</u>	<u>119,934</u>
1200	Net change in fund balances		225,910	
0100	<b>Fund balance - September 1 (beginning)</b>		<u>1,792,798</u>	
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$ 2,018,708</u>	<u>\$</u>

495	496	497	498	
Internet Crimes Against Children	HGAC Clean Vehicle Program	Measurable Outcomes	CASE Partnership	Total-Other Governmental Funds
\$ 85,577	\$ 79,989	\$	\$ 165,227	\$ 8,965,733
			268,963	10,098,808
<u>85,577</u>	<u>79,989</u>		<u>434,190</u>	<u>52,792,935</u>
				71,857,476
			383,667	30,761,975
			2,934	95,508
				3,215,277
				1,739,747
			43,717	1,026,255
				3,307,085
				35,098
				173,021
	79,989			143,029
				24,451,549
				641,761
				163,807
523			3,872	2,851,774
85,054				518,679
<u>85,577</u>	<u>79,989</u>		<u>434,190</u>	<u>173,786</u>
				69,298,351
				2,559,125
				3,910,132
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,469,257</u>

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**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit G-3*

**COMBINING STATEMENTS OF NET ASSETS**

**INTERNAL SERVICE FUNDS**

*For the Year Ended August 31, 2009*

<b>Data Control Codes</b>		<b>753 Employee Health Insurance</b>	<b>770 Worker's Compensation Fund</b>	<b>Total</b>
	<b>Assets</b>			
	<b>Current assets:</b>			
1110	Cash and cash equivalents	\$ 6,487,895	\$ 3,946,525	\$ 10,434,420
	Receivables:			
1290	Other receivables	20,768	725	21,493
1410	Other current assets		52,300	52,300
1000	<b>Total Assets</b>	<u>\$ 6,508,663</u>	<u>\$ 3,999,550</u>	<u>\$ 10,508,213</u>
	<b>Liabilities</b>			
	<b>Current Liabilities:</b>			
2200	Accrued expenses	\$ 2,363,766	\$	\$ 2,363,766
	<b>Total current liabilities</b>	<u>2,363,766</u>		<u>2,363,766</u>
	<b>Non-current liabilities:</b>			
2590	Claims and judgments		4,184,437	4,184,437
	<b>Total non-current liabilities</b>		<u>4,184,437</u>	<u>4,184,437</u>
2000	<b>Total Liabilities</b>	<u>2,363,766</u>	<u>4,184,437</u>	<u>6,548,203</u>
	<b>Net Assets</b>			
3900	Unrestricted net assets	4,144,897	(184,887)	3,960,010
3000	<b>Total Net Assets</b>	<u>\$ 4,144,897</u>	<u>\$ (184,887)</u>	<u>\$ 3,960,010</u>

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**Exhibit G-4**

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

*INTERNAL SERVICE FUNDS*

*For the Year Ended August 31, 2009*

<b>Data Control Codes</b>		<b>753 Employee Health Insurance</b>	<b>770 Worker's Compensation Fund</b>	<b>Total</b>
	<b>Operating Revenues</b>			
5745	Miscellaneous revenue from local sources	\$ 68,388	\$ 18,258	\$ 86,646
5754	Quasi-external interfund transactions	25,248,065	1,300,000	26,548,065
5020	<b>Total operating revenues</b>	25,316,453	1,318,258	26,634,711
	<b>Operating Expenses</b>			
6100	Payroll costs	16,485	1,106,698	1,123,183
6400	Claims expense and other operating expenses	29,384,484		29,384,484
6030	<b>Total Operating Expenses</b>	29,400,969	1,106,698	30,507,667
1200	Operating Income (Loss)	(4,084,516)	211,560	(3,872,956)
	<b>Non-Operating Revenues (Expenses)</b>			
7020	Earnings - temporary deposits and investments	83,199	12,421	95,620
	<b>Total Nonoperating Revenues</b>	83,199	12,421	95,620
1200	Change in Net Assets	(4,001,317)	223,981	(3,777,336)
	<b>Net Assets</b>			
0100	<b>Net Assets - September 1 (Beginning)</b>	8,146,214	(408,868)	7,737,346
3300	<b>Net Assets - August 31 (Ending)</b>	\$ 4,144,897	\$ (184,887)	\$ 3,960,010

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

Exhibit G-5

	753	770	
	<b>Employee Health Insurance</b>	<b>Worker's Compensation 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	\$ 25,615,376	\$ 1,317,534	\$26,932,910
Cash payments to suppliers for goods and services	(30,128,825)		(30,128,825)
Cash payments to employees	(16,485)	(1,098,245)	(1,114,730)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(4,529,934)</u>	<u>219,289</u>	<u>(4,310,645)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Changes in claims and judgements		(3,157)	(3,157)
<b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>		<u>(3,157)</u>	<u>(3,157)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	83,199	12,421	95,620
<b>Net Cash Provided by Investing Activities</b>	<u>83,199</u>	<u>12,421</u>	<u>95,620</u>
Net Increase in Cash and Cash Equivalents	(4,446,735)	228,553	(4,218,182)
Cash and Cash Equivalents at Beginning of Year	10,934,630	3,717,972	14,652,602
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 6,487,895</u>	<u>\$ 3,946,525</u>	<u>\$ 10,434,420</u>
<b>Reconciliation to Balance Sheet:</b>			
Cash and Cash Equivalents Per Cash Flow	<u>\$ 6,487,895</u>	<u>\$ 3,946,525</u>	<u>\$ 10,434,420</u>
<b>Cash and Cash Equivalents per Balance Sheet</b>	<u>\$ 6,487,895</u>	<u>\$ 3,946,525</u>	<u>\$ 10,434,420</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (4,084,516)	\$ 211,560	\$ (3,872,956)
<b>Change in Assets and Liabilities:</b>			
Decrease (increase) in Receivables	298,925	(725)	298,200
Decrease (increase) in Other Assets		8,454	8,454
Increase (decrease) in Accrued Expenses	(744,343)		(744,343)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ (4,529,934)</u>	<u>\$ 219,289</u>	<u>\$ (4,310,645)</u>

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## **Other Supplementary Information**

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended August 31, 2009*

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 8/31/08</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
	<u>1</u>	<u>2</u>		
2000 and prior	Various	Various	Various	\$ 2,945,057
2001	1.480000	0.130000	5,647,803,975	685,021
2002	1.534900	0.130000	5,956,532,344	820,359
2003	1.515000	0.172500	6,421,236,921	853,908
2004	1.515000	0.260000	6,940,927,017	1,064,507
2005	1.515000	0.260000	7,483,889,115	1,235,026
2006	1.545000	0.260000	7,604,110,083	1,517,895
2007	1.410000	0.280000	8,483,545,858	2,172,583
2008	1.070000	0.280000	8,526,003,321	3,508,999
2009	1.070000	0.280000	10,387,222,963	
<b>1000 Totals</b>				<u><u>\$ 14,803,355</u></u>

*Exhibit H-1*

<b>20</b>	<b>30</b>	<b>30a</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/09</b>
\$	\$ 66,896	\$ 9,122	\$ (1,078,927)	\$ 1,790,112
	23,126	2,031	(2,534)	657,330
	26,609	2,254	(3,104)	788,392
	52,294	5,954	(4,063)	791,597
	65,048	11,163	26,547	1,014,843
	100,457	17,240	1,374	1,118,703
	181,566	30,555	(42,051)	1,263,723
	675,574	134,157	66,644	1,429,496
	1,340,383	350,754	(212,956)	1,604,906
<u>140,227,510</u>	<u>108,211,285</u>	<u>28,316,972</u>	<u>46,805</u>	<u>3,746,058</u>
<u>\$ 140,227,510</u>	<u>\$ 110,743,238</u>	<u>\$ 28,880,202</u>	<u>\$ (1,202,265)</u>	<u>14,205,160</u>
				<u>8,189,405</u>
				<u>\$ 22,394,565</u>

Total taxes receivable per Governmental Fund Balance Sheet

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COSTS FOR 2010-2011**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**YEAR ENDED AUGUST 31, 2009**

*Exhibit H-2*

Account Number		(1)	(2)	(3)	(4)	(5)	(6)	(7)
		702	703	701	750	750	(other)	Total
		School Board	Tax Collection	Supt's Office	Indirect Cost	Direct Cost	Misc.	Total
611X-6146	Payroll Costs	\$	\$ 329,430	\$ 503,416	\$6,330,359	\$	\$	\$ 7,163,205
6,149	Fringe Benefits (Unused Leave not in functions 41 and 53)				233,987			233,987
6211	Legal Services			399,666		51,856		451,522
6212	Audit Services				65,500			65,500
6213	Tax Appraisal / Collection		876,443					876,443
621X	Other Professional Services			20,587	293,911			314,498
6230	Education Service Centers				1,290			1,290
6240	Maintenance and Repairs					406,562		406,562
6260	Rentals	1,021		1,353	301,539			303,913
6290	Miscellaneous Contracts	1,750			108,692			110,442
6320	Textbooks and Reading		143	1,073	35,098			36,314
63XX	Other Supplies	207	42,260	7,905	1,278,380			1,328,752
6410	Travel, Subsistence and Stipends	10,508	1,852	5,961	39,834			58,155
6420	Insurance and Bonding				222,328			222,328
6430	Election Expense	23,302						23,302
6490	Miscellaneous Operating	27,170	1,294	32,929	240,115			301,508
6600	Capital Outlay						46,857	46,857
<b>Total</b>		<u>\$ 63,958</u>	<u>\$ 1,251,422</u>	<u>\$ 972,890</u>	<u>\$ 9,151,033</u>	<u>\$ 458,418</u>	<u>\$ 46,857</u>	<u>\$ 11,944,578</u>

**Other Information:**

**Total expenditures for General and Special Revenue Funds (Exhibit C-3)** (9) \$ 441,324,341

LESS: Deductions of Unallowable Costs:

**Fiscal Year**

Total Capital Outlay (6600)	(10)	4,877,150
Total Debt & Lease (6500)	(11)	1,242,469
Plant Maintenance (Function 51, 6100-6400)	(12)	52,323,583
Food (Function 35, 6341 and 6499)	(13)	11,072,398
Stipends (6413)	(14)	
Column 4 above - Total Indirect Cost		<u>9,151,033</u>

Subtotal

78,666,633

**Net Allowable Direct Cost**

\$ 362,657,708

**Cumulative**

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 769,807,876
Historical Cost of Buildings over 50 years old	(16)	8,413,549
Amount of Federal Money in Building Cost (Net of #16)	(17)	
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	(18)	85,584,543
Historical Cost of Furniture & Equipment over 16 years old	(19)	139,879
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	

(8) Note A \$2,018,286 in Function 53 expenditures are included in this report on administrative costs.

\$876,443 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, 2009**

*Exhibit H-3*

1.	Total General Fund Balance 8-31-09 (Exhibit C-1 object 3000 for the General Fund only)	\$ 72,216,035
2.	Total Reserved Fund Balance 8-31-09 (from Exhibit C-1 - total of object 3400s for the General Fund only)	13,927,900
3.	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	
4.	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	25,500,000
5.	Estimate of one month average cash disbursements during the regular school session (9-1-08 to 5-31-09)	29,500,000
6.	Estimate of delayed payments from state sources (58xx) including August payment delays	
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)	4,500,000
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).	
10.	General Fund Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9)	<u>73,427,900</u>
11.	Excess or Deficit Undesignated Unreserved General Fund Fund Balance (1-10)	<u>\$ (1,211,865)</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, 2009*

Data Control Codes		Child Nutrition			Variance Favorable (Unfavorabl
		Budget		Actual	
		Original	Final		
	<b>Revenues</b>				
5700	Local, Intermediate, and Out-of-State	\$ 6,764,750	\$ 5,764,750	\$ 5,451,139	\$ (313,611)
5800	State Program Revenues	529,496	529,496	549,063	19,567
5900	Federal Program Revenues	19,047,379	19,047,379	20,512,288	1,464,909
5030	<b>Total Revenues</b>	<u>26,341,625</u>	<u>25,341,625</u>	<u>26,512,490</u>	<u>1,170,865</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
0035	Food Services	26,341,625	25,341,625	24,262,357	1,079,268
	<b>Debt Service:</b>				
0071	Principal				
0072	Interest and Fiscal Agent Fees				
6030	<b>Total Expenditures</b>	<u>26,341,625</u>	<u>25,341,625</u>	<u>24,262,357</u>	<u>1,079,268</u>
1200	Increase (Decrease) in Fund Balance			2,250,133	2,250,133
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>2,107,025</u>	<u>2,107,025</u>	<u>2,107,025</u>	
3000	<b>Fund Balance - August 31 (Ending)</b>	<u>\$ 2,107,025</u>	<u>\$ 2,107,025</u>	<u>\$ 4,357,158</u>	<u>\$ 2,250,133</u>

See Notes to Financial Statements.

*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 (Unfavorable)</b>
\$ 26,690,000	\$ 28,690,000	\$ 29,761,444	\$ 1,071,444
15,400,000	15,400,000	17,438,566	2,038,566
<u>42,090,000</u>	<u>44,090,000</u>	<u>47,200,010</u>	<u>3,110,010</u>
16,847,400	14,008,537	13,635,707	372,830
25,242,600	25,081,463	22,689,905	2,391,558
<u>42,090,000</u>	<u>39,090,000</u>	<u>36,325,612</u>	<u>2,764,388</u>
	5,000,000	10,874,398	5,874,398
<u>24,254,766</u>	<u>24,254,766</u>	<u>24,254,766</u>	
<u>\$ 24,254,766</u>	<u>\$ 29,254,766</u>	<u>\$ 35,129,164</u>	<u>\$ 5,874,398</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, 2009 which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A *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.

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 or material weaknesses. We do not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

### **Compliance and Other Matters**

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

### **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.

A handwritten signature in black ink that reads "Nell Larson, AC". The signature is written in a cursive style.

Texas City, Texas  
January 12, 2010



**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, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with 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, 2009.

### **Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 12, 2010

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

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant 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 Circular A-133?	No

Identification of major programs:

<b>Name of Federal Program or Cluster</b>	<b>CFDA Numbers</b>
<b>US Department of Education</b>	
Title I, Part A Cluster	
Title I, Part A - Improving Basic Programs and School Improvement Program	84.010A
Title I, Part A - Improving Basic Programs (ARRA)	84.389
Special Education Cluster	
IDEA, Part B - Formula	84.027
IDEA, Part B - Preschool	84.173
IDEA, Part B - High Cost Risk Pool	84.027
IDEA, Part B - Formula (ARRA)	84.391
Carl D. Perkins - Career and Technical Education	84.048A
<b>US Department of Agriculture</b>	
Child Nutrition Cluster:	
National School Lunch Program - Non-cash assistance (commodities)	10.555
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Feeding Program	10.559
<b>US Department of Homeland Security</b>	
Public Assistance Grant - FEMA Aid	97.036
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$1,604,348
2. Auditee qualified as low-risk auditee?	Yes

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

**II. Financial Statement Findings**

There were no current year findings.

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

There were no current federal award findings.

**IV. Status Of Prior Year Findings**

<b>Finding #</b>	<b>Status</b>
<b>08-01</b> Tax Office - Segregation of Duties and Asset Safeguards	Resolved.
<b>08-02</b> Human Resource and Payroll - Segregation of Duties and Adequate Documentation	Resolved.
<b>08-03</b> Review and Approval of Journal Entries	Resolved.
<b>08-04</b> Standard fiscal year-end close procedures	Resolved.
<b>08-05</b> Purchasing and Accounts Payable	Resolved.

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

Exhibit J-1  
 Page 1 of 3

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal 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	\$ 150,078
498	CASE	93.575	101-917	268,962
<b>Total U.S Department of Health and Human Services</b>				<u>419,040</u>
<b>U.S Department of Education</b>				
<b>Direct Programs:</b>				
274	GEAR UP Success	84.334A	101-917	1,151,437
289	Readiness And Emergency Management	84.184	101-917	103,065
289	Teaching American History	84.215X	101-917	246,941
287	Literacy Through School Libraries	84.364A	101-917	800
<b>Total Direct Programs</b>				<u>1,502,243</u>
<b>Passed Through Stated Department of Education:</b>				
204	Title IV, Part A - SDFSC	84.186A	09691001101917	135,492
204	Title IV, Part A - SDFSC	84.186A	10691001101917	20,913
<b>Total Title IV, Part A - SDFSC</b>				<u>156,405</u>
211	Title I, Part A - Improving Basic Programs*	84.010A	09610101101917	12,240,483
211	Title I, Part A - Improving Basic Programs*	84.010A	10610101101917	773,668
<b>Total Title I, Part A - Improving Basic Programs and ARRA</b>				<u>13,014,151</u>
212	ESEA, Title I, Part C - Education Of Migratory Children	84.011A	09615001101917	145,667
212	ESEA, Title I, Part C - Education Of Migratory Children	84.011A	10615001101917	9,561
<b>Total ESEA, Title I, Part C - Education Of Migratory Children</b>				<u>155,228</u>
224	IDEA - Part B, Formula**	84.027	096600011019176600	7,539,257
224	IDEA - Part B, Formula**	84.027	106600011019176000	623,992
<b>Total IDEA - Part B, Formula</b>				<u>8,163,249</u>
225	IDEA - Part B, Preschool**	84.173	096610011019176600	187,352
225	IDEA - Part B, Preschool**	84.173	106610011019176000	13,435
<b>Total IDEA - Part B, Preschool</b>				<u>200,787</u>
226	IDEA- Part B High Cost Risk Pool**	84.027	096600061019176680	14,420
<b>Total IDEA- Part B High Cost Risk Pool</b>				<u>14,420</u>
244	Vocational Education-Basic Grant	84.048A	09420006101917	717,320
244	Vocational Education-Basic Grant	84.048A	10420006101917	38,349
<b>Total Vocational Education-Basic Grant</b>				<u>755,669</u>
255	Title II, Part A - TPTR	84.367A	09694501101917	2,099,559
255	Title II, Part A - TPTR	84.367A	10694501101917	182,078
<b>Total Title II, Part A - TPTR</b>				<u>2,281,637</u>

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

Exhibit J-1  
 Page 2 of 3

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) 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	09630001101917	\$ 116,505
262	<i>Title II, Part D - Enhancing Education through Technology</i>	84.318X	10630001101917	18,614
262	<i>Title II, Part D - Enhancing Education through Technology (STAR)</i>	84.318X	086300027110014	137,853
<b>Total Title II, Part D - Enhancing Education through Technology</b>				<u>272,972</u>
263	<i>Title III, Part A English Language Acquisition and Language Enhancement</i>	84.365A	09671001101917	1,686,838
263	<i>Title III, Part A English Language Acquisition and Language Enhancement</i>	84.365A	10671001101917	87,245
<b>Total Title III, Part A English Language Acquisition and Language Enhancement</b>				<u>1,774,083</u>
283	<i>IDEA - B Formula (ARRA)**</i>	84.391	10554001101917	215,332
<b>Total IDEA - B Formula (ARRA)</b>				<u>215,332</u>
285	<i>Title I, Part A - Improving Basic Programs (ARRA)*</i>	84.389	10551001101917	111,682
<b>Total Title I, Part A - Improving Basic Programs (ARRA)</b>				<u>111,682</u>
289	<i>Summer School LEP-RD 16</i>	84.369A	101-917	8,033
<b>Total Summer School LEP - RD 16</b>				<u>8,033</u>
287	<i>Homeless Education Disaster</i>	84.383A	101-917	15,757
<b>Total Homeless Education Disaster</b>				<u>15,757</u>
<b>Total Passed through State Department of Education</b>				<u>28,641,648</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	645,586
265	<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287	101-917	24,837
<b>Total Title IV, Part B 21st Century Community Learning Centers</b>				<u>670,423</u>
<b>Total U.S. Department of Education</b>				<u>29,312,071</u>

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

Exhibit J-1  
 Page 3 of 3

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. Department of Agriculture</b>				
<b>Passed Through the Texas Department of Agriculture:</b>				
240	Non Cash assistance (commodities) National School Lunch Program**	10.555	101-917	1,803,696
240	CACFP	10.558	101-917	60,702
<b>Total Passed Through the Texas Department of Agriculture</b>				<u>1,864,398</u>
<b>Passed Through State Department of Education:</b>				
<i>Cash Assistance</i>				
240	School Breakfast Program**	10.553	71400901	4,129,779
240	National School Lunch Program**	10.555	71300901	13,946,838
<b>Total Passed Through State Department of Education:</b>				<u>18,076,617</u>
<b>Passed Through Health and Human Services Commission</b>				
242	Summer Feeding**	10.559	101-917	571,273
<b>Total Passed Through Health and Human Services Commission</b>				<u>571,273</u>
<b>Total U.S. Department of Agriculture</b>				<u>20,512,288</u>
<b>U.S Department of Homeland Security</b>				
<b>Passed through Texas department of Public Safety</b>				
	Public Assistance Grant - FEMA Aid	97.036	101-917	3,234,892
<b>Total Passed through Texas Department of Public Safety</b>				<u>3,234,892</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 53,478,291</u>

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

The accompanying notes are an integral part of this schedule.

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**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	\$53,478,291
SHARS	2,313,312
ROTC	187,178
Other Federal Revenue	18,745
Reconciled balance	<u>\$55,997,526</u>
Related Expenditures on Exhibit C-3	
General Fund	\$ 3,204,591
Special Revenue Funds	<u>52,792,935</u>
	<u>\$55,997,526</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, 2009</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.	\$0