

**PASADENA INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

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



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



**PASADENA INDEPENDENT SCHOOL DISTRICT**  
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**PASADENA INDEPENDENT SCHOOL DISTRICT**

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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, 2011, at a meeting of the board of trustees of such school district on January 24, 2012.

  
\_\_\_\_\_  
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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2011, 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 24, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees  
Pasadena Independent School District  
Pasadena, Texas  
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 54 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Texas City, Texas  
January 24, 2012

## **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 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2011.

#### **Financial Highlights**

1. The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$419,257,868 (*net assets*). Of this amount, \$125,003,662 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by \$12,615,451.
  - As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$154,482,644, an increase of \$9,333,108 in comparison with the prior year. The increase in governmental fund balances was primarily due to the increase in the general fund of \$5,588,154.
  - At the end of the current fiscal year, unassigned fund balance for the general fund was \$48,174,594, or 14% percent of total general fund expenditures.
  - The District's total bonded debt decreased by \$16,515,000 (4%) 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 16 through 17 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-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other 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 16 through 28 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 and Worker's Compensation Fund.

The basic proprietary fund financial statements can be found on pages 25 through 27 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 28 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 29 through 51 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information can be found on pages 54 through 55 of this report.

**Other Information**

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 58 through 76 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 \$419,257,868 at the close of the most recent fiscal year.

The largest portion of the District's net assets (\$236,149,687) 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>2011</b>                    | <b>2010</b>           |
| Current and other assets                       | \$ 188,048,414                 | \$ 194,567,595        |
| Capital and non current assets                 | 687,552,313                    | 699,452,743           |
| <b>Total Assets</b>                            | <b>875,600,727</b>             | <b>894,020,338</b>    |
| Current liabilities                            | 11,811,725                     | 25,334,127            |
| Long term liabilities                          | 444,531,134                    | 462,043,794           |
| <b>Total Liabilities</b>                       | <b>456,342,859</b>             | <b>487,377,921</b>    |
| <b>Net Assets:</b>                             |                                |                       |
| Invested in capital assets net of related debt | 236,149,687                    | 235,263,310           |
| Restricted                                     | 58,104,519                     | 51,899,858            |
| Unrestricted                                   | 125,003,662                    | 119,479,249           |
| <b>Total Net Assets</b>                        | <b>\$ 419,257,868</b>          | <b>\$ 406,642,417</b> |

Net assets (\$58,104,519) are restricted for state and federal programs, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* (\$125,003,662) may be used to meet the District's ongoing obligations to students and creditors. The District's net assets increased by \$12,615,451 during the current fiscal year primarily due to a net operating surplus and reduction of long-term debt.



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

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

|   | <b>Governmental Activities</b> |                       | <b>Percentage<br/>Change</b> |
|---|--------------------------------|-----------------------|------------------------------|
|   | <b>2011</b>                    | <b>2010</b>           |                              |
| <b>Program Revenues</b>                                     |                                |                       |                              |
| Charges for services  | \$ 13,978,344                  | \$ 15,693,765         | -11%                         |
| Operating grants  | 122,259,463                    | 124,926,147           | -2%                          |
| <b>General Revenues</b>                                     |                                |                       |                              |
| Property taxes  | 127,720,147                    | 138,280,155           | -8%                          |
| State aid - formula grants                                  | 238,000,383                    | 241,129,066           | -1%                          |
| Grants and contributions not restricted                     | 1,092,639                      | 1,210,903             | -10%                         |
| Interest earnings   | 1,325,113                      | 4,276,791             | -69%                         |
| Other   | 1,940,617                      | 644,213               |                              |
| <b>Total Revenues</b>                                       | <b>506,316,706</b>             | <b>526,161,040</b>    | <b>-4%</b>                   |
| <b>Expenses</b>   |                                |                       |                              |
| Instruction   | 281,367,024                    | 285,659,477           | -2%                          |
| Instructional resources and media services                  | 6,387,688                      | 6,200,687             | 3%                           |
| Curriculum and staff development                            | 7,621,886                      | 9,198,680             | -17%                         |
| Instructional leadership                                    | 6,251,276                      | 5,253,072             | 19%                          |
| School leadership   | 32,895,017                     | 31,544,642            | 4%                           |
| Guidance, counseling, and evaluation services               | 19,634,366                     | 19,262,473            | 2%                           |
| Social work services  | 233,151                        | 174,157               | 34%                          |
| Health services   | 4,643,035                      | 4,552,629             | 2%                           |
| Student transportation                                      | 12,559,177                     | 11,818,604            | 6%                           |
| Food service  | 27,838,575                     | 26,521,224            | 5%                           |
| Extracurricular activities                                  | 6,757,699                      | 7,089,138             | -5%                          |
| General administration                                      | 10,361,767                     | 9,765,102             | 6%                           |
| Plant, maintenance and operations                           | 47,322,211                     | 49,788,328            | -5%                          |
| Security and monitoring services                            | 4,907,271                      | 4,634,630             | 6%                           |
| Data processing services                                    | 4,956,293                      | 6,268,541             | -21%                         |
| Community services  | 293,667                        | 499,244               | -41%                         |
| Interest on long-term debt                                  | 17,443,988                     | 16,491,626            | 6%                           |
| Debt issuance costs and fees                                | 784,974                        | 658,073               | 19%                          |
| Payments to Juvenile Justice Alternative Education Programs | 355,238                        | 340,200               | 4%                           |
| Other governmental charges                                  | 1,086,952                      | 1,136,522             | -4%                          |
| <b>Total Expenses</b>                                       | <b>493,701,255</b>             | <b>496,857,049</b>    | <b>-1%</b>                   |
| Increase (Decrease) in Net Assets                           | 12,615,451                     | 29,303,991            | -57%                         |
| Beginning net assets  | 406,642,417                    | 377,338,426           | 8%                           |
| <b>Ending Net Assets</b>                                    | <b>\$ 419,257,868</b>          | <b>\$ 406,642,417</b> | <b>3%</b>                    |

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

**Governmental Activities**

Governmental activities increased the District's net assets by \$12,615,451. Key elements of this increase are as follows:

Revenues are generated primarily from three sources. Grants and contributions (program and general revenues) totaling \$123,352,102 represent 24 percent of total revenues, property taxes totaling \$127,720,147 represent 25 percent of total revenues and state-aid formula grants in the current year of \$238,000,383 made up 47 percent of total revenues. The remaining \$17,244,074 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$281,367,024), which represents 57 percent of total expenses. Plant maintenance and operations (\$47,322,211) represents 10 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 \$154,482,644, an increase of \$9,333,108 in comparison with the prior year. Although, the capital projects fund had a decrease in fund balance, the increase in ending governmental fund balances is primarily due to an increase in fund balance of the general fund and debt service fund.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$48,174,594, while total fund balance reached \$92,854,216. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14% of total general fund expenditures, while total fund balance represents 27% of that same amount.

The fund balance of the District's general fund increased by \$5,588,154 during the current fiscal year, primarily due expenditures being less than the budgeted amount.

The debt service fund has a total fund balance of \$52,594,921 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 \$7,760,070 was attributable to favorable swap agreements amendments and lower variable bond interest costs.

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

The capital projects fund has a total fund balance of \$355,128, all of which is committed or restricted for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$4,928,776 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             | \$ 380,800,785      | \$ 354,671,652         |
| Total expenditures         | 381,498,585         | 365,773,229            |
| Net change in fund balance | <u>\$ (697,800)</u> | <u>\$ (11,101,577)</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, 2011 amounts to \$668,319,869 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment and construction in progress. The total decrease in the District's investment in capital assets for the current fiscal year was \$11,833,842.

|  | <b>Balance</b>         |                        | <b>(Retirements)<br/>and Transfers</b> | <b>Balance</b>         |
|--|------------------------|------------------------|--|------------------------|
|  | <b>August 31, 2010</b> | <b>Additions</b>       |  | <b>August 31, 2011</b> |
| Capital assets, not being depreciated              |                        |                        |  |                        |
| Land   | \$ 53,450,073          | \$                     | \$                                     | \$ 53,450,073          |
| Construction in progress                           | 1,060,834              | 166,542                | (1,060,834)                            | 166,542                |
| <b>Total Capital Assets, not being depreciated</b> | <u>54,510,907</u>      | <u>166,542</u>         | <u>(1,060,834)</u>                     | <u>53,616,615</u>      |
| Capital assets, being depreciated                  |                        |                        |  |                        |
| Buildings and improvements                         | 785,141,554            | 7,499,330              | 550,833                                | 793,191,717            |
| Furniture and equipment                            | 89,565,357             | 5,014,111              | (141,999)                              | 94,437,469             |
| Capital lease assets                               | 1,505,212              |                        |  | 1,505,212              |
| <b>Total Capital Assets, being depreciated</b>     | <u>876,212,123</u>     | <u>12,513,441</u>      | <u>408,834</u>                         | <u>889,134,398</u>     |
| Less accumulated depreciation for:                 |                        |                        |  |                        |
| Buildings and improvements                         | (192,865,010)          | (14,704,130)           | 510,001                                | (207,059,139)          |
| Furniture and Equipment                            | (56,407,905)           | (9,770,536)            | 141,999                                | (66,036,442)           |
| Capital lease assets                               | (1,296,404)            | (39,159)               |  | (1,335,563)            |
| <b>Total Accumulated Depreciation</b>              | <u>(250,569,319)</u>   | <u>(24,513,825)</u>    | <u>652,000</u>                         | <u>(274,431,144)</u>   |
| <b>Governmental Capital Assets</b>                 | <u>\$ 680,153,711</u>  | <u>\$ (11,833,842)</u> | <u>\$</u>                              | <u>\$ 668,319,869</u>  |

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

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

**Long-Term Liabilities**

At the end of the current fiscal year, the District had \$ \$417,965,000 in bonded debt outstanding, a decrease of \$16,515,000 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, 2011, are as follows:

|                                 | <b>Balance<br/>August 31,<br/>2010</b> | <b>Additions</b>    | <b>Retirements</b>     | <b>Balance<br/>August 31,<br/>2011</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------|--|---------------------|------------------------|--|--------------------------------|
| General obligation bonds        | \$ 434,480,000                         | \$                  | \$ (16,515,000)        | \$ 417,965,000                         | \$ 13,490,000                  |
| Less deferred amounts:          |  |                     |                        |  |                                |
| For issuance premiums/discounts | 7,834,081                              |                     | (498,990)              | 7,335,091                              |                                |
| Gain or loss on refunding bonds | (5,206,267)                            |                     | 367,791                | (4,838,476)                            |                                |
| Accrued compensated absences    | 2,020,976                              |                     | (998,001)              | 1,022,975                              | 206,018                        |
| Long-term worker's compensation | 4,110,049                              | 1,767,968           | (2,063,917)            | 3,814,100                              |                                |
|                                 | <u>\$ 443,238,839</u>                  | <u>\$ 1,767,968</u> | <u>\$ (19,708,117)</u> | <u>\$ 425,298,690</u>                  | <u>\$ 13,696,018</u>           |

Additional information on the District's long-term liabilities can be found in Note 6 on pages 40 through 46 of the notes to the financial statements.

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

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

The District's fiscal year 2011-2012 capital budget includes the completion of the Braden Staff Development Center. The general fund includes an additional \$1.7 million for miscellaneous capital projects.

- Appraised value used for the 2011-2012 budget preparation is expected to remain constant \$9.5 million.
- General operating fund spending per student decreased in the 2011-2012 budget from \$7,297 to \$7,036 primarily due to state funding reductions.
- The Districts' 2011-2012 refined average daily attendance is expected to be 48,950. This is an increase of 610 or 1.3% over the actual amount of 48,340 for 2010-2011.

These indicators were taken into account when adopting the general fund budget for 2011-2012. Amounts available for appropriation in the general fund budget are \$372.5 million, a decrease of 2.2 % over the adopted 2010-2011 budget of \$380.8 million. State revenue will increase as the student population grows. The District will use these revenues to finance programs we currently offer and primarily fund teacher salaries.

General fund expenditures are budgeted to decrease 2.4% or \$9.0 million primarily due to state funding reductions. The District has added no major new programs or initiatives to the 2011-2012 budget. The District adopted a balanced budget for 2011-2012. 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**

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit A-1*

**STATEMENT OF NET ASSETS**

*August 31, 2011*

| <u>Data<br/>Control<br/>Codes</u> |   | <u>Governmental<br/>Activities</u> |
|-----------------------------------|---|------------------------------------|
|                                   | <b>Assets</b>                                   |                                    |
| 1110                              | Cash and cash equivalents                       | \$ 143,959,201                     |
| 1225                              | Property taxes receivables, net                 | 15,534,112                         |
| 1240                              | Due from other governments                      | 19,485,568                         |
| 1290                              | Other receivables, net                          | 370,281                            |
| 1300                              | Inventories                                     | 1,785,857                          |
| 1410                              | Deferred expenses                               | 6,054,937                          |
| 1420                              | Capital bond and other debt issuance costs      | 858,458                            |
|                                   | Capital assets not subject to depreciation:     |                                    |
| 1510                              | Land  | 53,450,073                         |
| 1580                              | Construction in progress                        | 166,542                            |
|                                   | Capital assets net of depreciation:             |                                    |
| 1520                              | Buildings and improvements, net                 | 586,132,578                        |
| 1530                              | Furniture and equipment, net                    | 28,401,027                         |
| 1550                              | Capital lease assets                            | 169,649                            |
| 1990                              | Deferred inflows: interest rate swap            | 19,232,444                         |
| 1000                              | <b>Total Assets</b>                             | <u>875,600,727</u>                 |
|                                   | <b>Liabilities</b>                              |                                    |
| 2110                              | Accounts payable                                | 4,826,498                          |
| 2140                              | Interest payable                                | 454,805                            |
| 2150                              | Payroll deductions and withholdings             | 3,335,338                          |
| 2160                              | Accrued wages payable                           | 59,450                             |
| 2180                              | Due to other governments                        | 343,644                            |
| 2190                              | Due to student groups                           | 15,075                             |
| 2200                              | Accrued expenses                                | 2,212,270                          |
| 2300                              | Unearned revenue                                | 564,645                            |
|                                   | Noncurrent Liabilities:                         |                                    |
| 2501                              | Due within one year                             | 13,696,018                         |
| 2502                              | Due in more than one year                       | 411,602,672                        |
| 2503                              | Deferred outflows: interest rate swap           | 19,232,444                         |
| 2000                              | <b>Total Liabilities</b>                        | <u>456,342,859</u>                 |
|                                   | <b>Net Assets</b>                               |                                    |
| 3200                              | Invested in capital assets, net of related debt | 236,149,687                        |
|                                   | <b>Restricted for:</b>                          |                                    |
| 3840                              | Food service                                    | 6,552,872                          |
| 3850                              | Debt service                                    | 49,425,891                         |
| 3870                              | Campus activity                                 | 2,125,756                          |
| 3900                              | Unrestricted                                    | 125,003,662                        |
| 3000                              | <b>Total Net Assets</b>                         | <u>\$ 419,257,868</u>              |

*See Notes to the Financial Statements.*



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

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   | \$ 281,367,024        | \$ 4,682,327         | \$ 70,756,794                      | \$ (205,927,903)  |
| 12                              | Instructional resources and media services                  | 6,387,688             | 142,463              | 762,770                            | (5,482,455)   |
| 13                              | Curriculum and staff development                            | 7,621,886             | 85,191               | 2,462,925                          | (5,073,770)   |
| 21                              | Instructional leadership                                    | 6,251,276             | 62,545               | 2,020,606                          | (4,168,125)   |
| 23                              | School leadership   | 32,895,017            | 1,112,491            | 3,424,922                          | (28,357,604)  |
| 31                              | Guidance, counseling, and evaluation services               | 19,634,366            | 185,400              | 6,855,130                          | (12,593,836)  |
| 32                              | Social work services  | 233,151               | 2,286                | 80,834                             | (150,031)   |
| 33                              | Health services   | 4,643,035             | 55,414               | 4,794,130                          | 206,509   |
| 34                              | Student transportation                                      | 12,559,177            | 181,376              | 532,373                            | (11,845,428)  |
| 35                              | Food service  | 27,838,575            | 4,645,023            | 24,861,176                         | 1,667,624   |
| 36                              | Extracurricular activities                                  | 6,757,699             | 1,717,844            | 191,013                            | (4,848,842)   |
| 41                              | General administration                                      | 10,361,767            | 140,503              | 554,194                            | (9,667,070)   |
| 51                              | Plant, maintenance and operations                           | 47,322,211            | 819,306              | 3,762,857                          | (42,740,048)  |
| 52                              | Security and monitoring services                            | 4,907,271             | 62,559               | 755,838                            | (4,088,874)   |
| 53                              | Data processing services                                    | 4,956,293             | 83,440               | 158,599                            | (4,714,254)   |
| 61                              | Community services  | 293,667               | 176                  | 285,302                            | (8,189)   |
| 72                              | Interest on long-term debt                                  | 17,443,988            |                      |                                    | (17,443,988)  |
| 73                              | Debt issuance costs and fees                                | 784,974               |                      |                                    | (784,974)   |
| 95                              | Payments to Juvenile Justice Alternative Education Programs | 355,238               |                      |                                    | (355,238)   |
| 99                              | Other governmental charges                                  | 1,086,952             |                      |                                    | (1,086,952)   |
| <b>TG</b>                       | <b>Total governmental activities</b>                        | <b>\$ 493,701,255</b> | <b>\$ 13,978,344</b> | <b>\$ 122,259,463</b>              | <b>(357,463,448)</b>  |
| <b>Data Control Codes</b>       |   |                       |                      |                                    |   |
| <b>General revenues:</b>        |   |                       |                      |                                    |   |
| Taxes:                          |   |                       |                      |                                    |   |
| <b>MT</b>                       | Property taxes, levied for general purposes                 |                       |                      |                                    | 101,307,354   |
| <b>DT</b>                       | Property taxes, levied for debt service                     |                       |                      |                                    | 26,412,793  |
| <b>SF</b>                       | State-aid formula grants                                    |                       |                      |                                    | 238,000,383   |
| <b>GC</b>                       | Grants and contributions not restricted                     |                       |                      |                                    | 1,092,639   |
| <b>IE</b>                       | Investment earnings   |                       |                      |                                    | 1,325,113   |
| <b>MI</b>                       | Miscellaneous   |                       |                      |                                    | 1,940,617   |
| <b>TR</b>                       | <b>Total general revenues, special items, and transfers</b> |                       |                      |                                    | <b>370,078,899</b>  |
| <b>CN</b>                       | Change in net assets  |                       |                      |                                    | 12,615,451  |
| <b>NB</b>                       | <b>Net assets - beginning</b>                               |                       |                      |                                    | <b>406,642,417</b>  |
| <b>NE</b>                       | <b>Net assets - ending</b>                                  |                       |                      |                                    | <b>\$ 419,257,868</b>                                       |

See Notes to the Financial Statements.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

*August 31, 2011*

| <b>Data<br/>Control<br/>Codes</b>   | <b>General Fund</b>                    | <b>Debt Service<br/>Funds</b> | <b>Capital Projects<br/>Fund</b> |
|-------------------------------------|--|-------------------------------|----------------------------------|
| <b>Assets</b>                       |  |                               |                                  |
| 1110                                | \$ 69,380,980                          | \$ 52,612,611                 | \$ 5,281,924                     |
| <b>Receivables:</b>                 |  |                               |                                  |
| 1220                                | 19,842,605                             | 3,724,967                     |                                  |
| 1230                                | (7,022,718)                            | (1,010,742)                   |                                  |
| 1240                                | 10,416,831                             |                               |                                  |
| 1260                                | 13,575,500                             |                               |                                  |
| 1290                                | 364,633                                |                               |                                  |
| 1300                                | 896,193                                |                               |                                  |
| 1410                                | 5,414,697                              |                               |                                  |
| 1000                                | <u>\$ 112,868,721</u>                  | <u>\$ 55,326,836</u>          | <u>\$ 5,281,924</u>              |
| <b>Liabilities and Fund Balance</b> |  |                               |                                  |
| <b>Liabilities:</b>                 |  |                               |                                  |
| 2110                                | \$ 3,635,215                           | \$ 11,893                     | \$ 210,235                       |
| 2150                                | 3,335,338                              |                               |                                  |
| 2160                                | Accrued wages payable                  |                               |                                  |
| 2170                                | 20,000                                 | 5,797                         | 4,716,561                        |
| 2180                                | 72,401                                 |                               |                                  |
| 2190                                | 15,075                                 |                               |                                  |
| 2200                                | 14,323                                 |                               |                                  |
| 2300                                | 12,922,153                             | 2,714,225                     |                                  |
| 2000                                | <u>20,014,505</u>                      | <u>2,731,915</u>              | <u>4,926,796</u>                 |
| <b>Fund Balance:</b>                |  |                               |                                  |
| <b>Nonspendable</b>                 |  |                               |                                  |
| 3410                                | 896,193                                |                               |                                  |
| 3430                                | 5,646,776                              |                               |                                  |
| <b>Restricted</b>                   |  |                               |                                  |
| 3450                                | Federal/State funds grant restrictions |                               |                                  |
| 3480                                | Retirement of fund indebtedness        | 52,594,921                    |                                  |
| <b>Committed</b>                    |  |                               |                                  |
| 3510                                | 21,800,000                             |                               | 355,128                          |
| 3545                                | 8,200,000                              |                               |                                  |
| <b>Assigned</b>                     |  |                               |                                  |
| 3550                                | 5,000,000                              |                               |                                  |
| 3590                                | 3,136,653                              |                               |                                  |
| 3600                                | 48,174,594                             |                               |                                  |
| 3000                                | <u>92,854,216</u>                      | <u>52,594,921</u>             | <u>355,128</u>                   |
| 4000                                | <u>\$ 112,868,721</u>                  | <u>\$ 55,326,836</u>          | <u>\$ 5,281,924</u>              |

*See Notes to the Financial Statements.*

*Exhibit C-1*

| <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---|
| \$ 8,365,603                            | \$ 135,641,118                          |
|   | 23,567,572                              |
|   | (8,033,460)                             |
| 9,068,737                               | 19,485,568                              |
|   | 13,575,500                              |
| 5,648                                   | 370,281                                 |
| 889,664                                 | 1,785,857                               |
| 640,240                                 | 6,054,937                               |
| <u>\$ 18,969,892</u>                    | <u>\$ 192,447,373</u>                   |

|                   |                   |
|-------------------|-------------------|
| \$ 665,299        | \$ 4,522,642      |
|                   | 3,335,338         |
| 59,450            | 59,450            |
| 8,833,142         | 13,575,500        |
| 271,243           | 343,644           |
|                   | 15,075            |
|                   | 14,323            |
| 462,379           | 16,098,757        |
| <u>10,291,513</u> | <u>37,964,729</u> |

|                      |                       |
|----------------------|-----------------------|
| 889,664              | 1,785,857             |
| 457,654              | 6,104,430             |
| 5,205,305            | 5,205,305             |
|                      | 52,594,921            |
|                      | 22,155,128            |
| 2,125,756            | 10,325,756            |
|                      | 5,000,000             |
|                      | 3,136,653             |
|                      | 48,174,594            |
| <u>8,678,379</u>     | <u>154,482,644</u>    |
| <u>\$ 18,969,892</u> | <u>\$ 192,447,373</u> |

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

*Exhibit C-2*

| <u>Data<br/>Control<br/>Codes</u> |  |                              |
|-----------------------------------|--|------------------------------|
|                                   | <b>Total fund balance, governmental funds</b>  | \$ 154,482,644               |
|                                   | Amounts reported for governmental activities 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   | 668,319,869                  |
| 2                                 | Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts). | 15,534,112                   |
| 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.  | 858,458                      |
|                                   | 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   | (417,965,000)                |
| 5                                 | Premiums on issuance   | (7,335,091)                  |
| 6                                 | Deferred loss on refunding   | 4,838,476                    |
| 7                                 | Accrued compensated absences   | (1,022,975)                  |
| 8                                 | Accrued interest payable   | (454,805)                    |
| 9                                 | Addition of Internal Service fund net assets   | <u>2,002,180</u>             |
|                                   | <b>Total net assets - governmental activities</b>  | <u><u>\$ 419,257,868</u></u> |

*See Notes to the Financial Statements.*

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2011*

| <b>Data<br/>Control<br/>Codes</b> |  | <b>General Fund</b>  | <b>Debt Service<br/>Funds</b> | <b>Capital<br/>Projects Fund</b> |
|-----------------------------------|--|----------------------|-------------------------------|----------------------------------|
| <b>Revenues</b>                   |  |                      |                               |                                  |
| 5700                              | Local, intermediate, and out-of-state                          | \$ 108,256,720       | \$ 28,203,681                 | \$ 293                           |
| 5800                              | State program revenues   | 241,198,033          | 14,207,728                    |                                  |
| 5900                              | Federal program revenues                                       | 5,567,127            |                               |                                  |
| 5020                              | <b>Total revenues</b>  | <u>355,021,880</u>   | <u>42,411,409</u>             | <u>293</u>                       |
| <b>Expenditures</b>               |  |                      |                               |                                  |
| <b>Current:</b>                   |  |                      |                               |                                  |
| 0011                              | Instruction  | 206,816,702          |                               |                                  |
| 0012                              | Instruction resources and media services                       | 5,445,677            |                               |                                  |
| 0013                              | Curriculum and staff development                               | 4,977,929            |                               |                                  |
| 0021                              | Instructional leadership                                       | 4,112,015            |                               |                                  |
| 0023                              | School leadership  | 27,994,593           |                               |                                  |
| 0031                              | Guidance, counseling and evaluation services                   | 12,360,268           |                               |                                  |
| 0032                              | Social work services   | 150,929              |                               |                                  |
| 0033                              | Health services  | 3,773,565            |                               |                                  |
| 0034                              | Student transportation   | 12,351,247           |                               |                                  |
| 0035                              | Food services  | 18,083               |                               |                                  |
| 0036                              | Extracurricular activities                                     | 5,372,411            |                               |                                  |
| 0041                              | General administration   | 9,570,078            |                               |                                  |
| 0051                              | Plant maintenance and operations                               | 41,924,446           |                               |                                  |
| 0052                              | Security and monitoring services                               | 4,238,953            |                               |                                  |
| 0053                              | Data processing services                                       | 5,682,054            |                               |                                  |
| 0061                              | Community services   | 12,009               |                               |                                  |
| <b>Debt service:</b>              |  |                      |                               |                                  |
| 0071                              | Principal on long-term debt                                    | 290,000              | 16,225,000                    |                                  |
| 0072                              | Interest on long-term debt                                     | 18,977               | 17,641,904                    |                                  |
| 0073                              | Bond issuance costs and fees                                   |                      | 784,435                       |                                  |
| <b>Capital outlay:</b>            |  |                      |                               |                                  |
| 0081                              | Facilities acquisition and construction                        | 2,881,600            |                               | 4,929,069                        |
| <b>Intergovernmental:</b>         |  |                      |                               |                                  |
| 0095                              | Payments to Juvenile Justice Alternative<br>Education Programs | 355,238              |                               |                                  |
| 0099                              | Other intergovernmental charges                                | 1,086,952            |                               |                                  |
| 6030                              | <b>Total Expenditures</b>                                      | <u>349,433,726</u>   | <u>34,651,339</u>             | <u>4,929,069</u>                 |
| 1100                              | Excess (deficiency) of revenues over expenditures              | <u>5,588,154</u>     | <u>7,760,070</u>              | <u>(4,928,776)</u>               |
| 1200                              | Net change in fund balances                                    | 5,588,154            | 7,760,070                     | (4,928,776)                      |
| 0100                              | <b>Fund Balance - Beginning</b>                                | <u>87,266,062</u>    | <u>44,834,851</u>             | <u>5,283,904</u>                 |
| 3000                              | <b>Fund Balance - Ending</b>                                   | <u>\$ 92,854,216</u> | <u>\$ 52,594,921</u>          | <u>\$ 355,128</u>                |

*See Notes to the Financial Statements.*

*Exhibit C-3*

| <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|---|
| \$ 9,608,225                            | \$ 146,068,919                          |
| 7,041,946                               | 262,447,707                             |
| 93,284,830                              | 98,851,957                              |
| <u>109,935,001</u>                      | <u>507,368,583</u>                      |
| 60,002,196                              | 266,818,898                             |
| 560,053                                 | 6,005,730                               |
| 2,296,528                               | 7,274,457                               |
| 1,850,783                               | 5,962,798                               |
| 2,793,180                               | 30,787,773                              |
| 6,374,373                               | 18,734,641                              |
| 71,633                                  | 222,562                                 |
| 604,836                                 | 4,378,401                               |
| 1,190,717                               | 13,541,964                              |
| 28,629,612                              | 28,647,695                              |
| 1,031,891                               | 6,404,302                               |
| 192,964                                 | 9,763,042                               |
| 2,609,823                               | 44,534,269                              |
| 531,937                                 | 4,770,890                               |
|   | 5,682,054                               |
| 280,815                                 | 292,824                                 |
|   | 16,515,000                              |
|   | 17,660,881                              |
|   | 784,435                                 |
|   | 7,810,669                               |
|   | 355,238                                 |
|   | 1,086,952                               |
| <u>109,021,341</u>                      | <u>498,035,475</u>                      |
| <u>913,660</u>                          | <u>9,333,108</u>                        |
| 913,660                                 | 9,333,108                               |
| <u>7,764,719</u>                        | <u>145,149,536</u>                      |
| <u>\$ 8,678,379</u>                     | <u>\$ 154,482,644</u>                   |

**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, 2011*

| <u>Data<br/>Control<br/>Codes</u>   |                             |
|---|-----------------------------|
| Net change in fund balances - total governmental funds (from C-3)   | \$ 9,333,108                |
| Amounts reported for governmental activities in the statement of activities (B-1) are different because:  |                             |
| 1 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation (\$24,513,826) exceeded capital outlay (\$12,679,984) in the current period. | (11,833,842)                |
| 2 Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | (569,299)                   |
| 3 Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.   | 16,515,000                  |
| 4 Bond issuance costs paid during the current year will be amortized over the life of the bonds.  | (60,348)                    |
| 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:   |                             |
| 5 Decrease in interest payable not recognized in fund statements  | 145,503                     |
| 6 Decrease in long-term portion of accrued compensated absences.  | 998,001                     |
| 7 Amortization of bond premium/discount and deferred loss on refunding bonds.   | 131,199                     |
| 8 Market changes on certain investments are recorded in the Government-wide Statement of Activities   | (494,077)                   |
| 9 Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-3).   | (1,549,794)                 |
|   | <u>(1,549,794)</u>          |
| <b>Change in net assets of governmental activities (see B-1)</b>  | <u><u>\$ 12,615,451</u></u> |

*See Notes to the Financial Statements.*



**PASADENA INDEPENDENT SCHOOL DISTRICT***Exhibit D-1***STATEMENT OF NET ASSETS****PROPRIETARY FUNDS***August 31, 2011*

| <b>Data<br/>Control<br/>Codes</b> |                                      | <b>Governmental<br/>Activities</b> |
|-----------------------------------|--------------------------------------|------------------------------------|
|                                   |                                      | <b>Internal Service<br/>Fund</b>   |
|                                   | <b>Assets</b>                        |                                    |
|                                   | <b>Current Assets:</b>               |                                    |
| 1110-75                           | Cash and cash equivalents            | \$ 8,318,083                       |
| 1400                              | Other current assets                 | 51,374                             |
|                                   | <b>Total current assets</b>          | <u>\$ 8,369,457</u>                |
|                                   | <b>Current Liabilities:</b>          |                                    |
| 2110                              | Accounts payable                     | \$ 303,856                         |
| 2200                              | Accrued expenses                     | 2,249,321                          |
|                                   | <b>Total Current Liabilities</b>     | <u>2,553,177</u>                   |
|                                   | <b>Non-current liabilities:</b>      |                                    |
| 2590                              | Claims and judgments                 | 3,814,100                          |
|                                   | <b>Total Non-current Liabilities</b> | <u>3,814,100</u>                   |
| 2000                              | <b>Total Liabilities</b>             | <u>6,367,277</u>                   |
|                                   | <b>Net Assets</b>                    |                                    |
| 3900                              | Unrestricted net assets              | 2,002,180                          |
| 3000                              | <b>Total Net Assets</b>              | <u>\$ 2,002,180</u>                |

*See Notes to the Financial Statements.*

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
*For the Year Ended August 31, 2011*

*Exhibit D-2*

| <u>Data<br/>Control<br/>Codes</u>                | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
|  | <u>Internal Service<br/>Funds</u>  |
| <b>Operating Revenues</b>                        |                                    |
| 5749 Miscellaneous revenue from local sources    | \$ 995,736                         |
| 5754 Quasi-external interfund transactions       | 31,249,865                         |
| 5020 <b>Total Operating Revenues</b>             | <u>32,245,601</u>                  |
| <b>Operating Expenses</b>                        |                                    |
| 6100 Payroll costs                               | 806,132                            |
| 6200 Purchased and contracted services           | 62,848                             |
| 6400 Claims expense and other operating expenses | 32,937,914                         |
| 6030 <b>Total Operating Expenses</b>             | <u>33,806,894</u>                  |
| 1200 Operating Income (Loss)                     | (1,561,293)                        |
| <b>Non-Operating Revenues (Expenses)</b>         |                                    |
| 7020 Investment earnings                         | 11,499                             |
| <b>Total Nonoperating Revenues (Expenses)</b>    | <u>11,499</u>                      |
| 1200 Change in Net Assets                        | (1,549,794)                        |
| <b>Net Assets</b>                                |                                    |
| 0100 <b>Net Assets - Beginning</b>               | <u>3,551,974</u>                   |
| 3300 <b>Net Assets - Ending</b>                  | <u>\$ 2,002,180</u>                |

*See Notes to the Financial Statements.*

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

*Exhibit D-3*

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
|   | <b>Internal Service<br/>Funds</b>  |
| <b>Cash Flows from Operating Activities:</b>  |                                    |
| Cash received from customers  | \$ 995,736                         |
| Cash receipts from quasi-external operating activities with other funds                 | 31,251,809                         |
| Cash payments for claims  | (26,652,667)                       |
| Cash payments for contract services   | (6,887,088)                        |
| Cash payments to employees  | (7,733)                            |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                             | <b>(1,299,943)</b>                 |
| <b>Cash Flows from Non-Capital Financing Activities:</b>                                |                                    |
| Advances from other funds   | (373,179)                          |
| <b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>                 | <b>(373,179)</b>                   |
| <b>Cash Flows from Investing Activities:</b>  |                                    |
| Interest on investments   | 11,499                             |
| <b>Net Cash Provided by Investing Activities</b>  | <b>11,499</b>                      |
| Net Increase in Cash and Cash Equivalents   | (1,661,623)                        |
| Cash and Cash Equivalents at Beginning of Year  | 9,979,706                          |
| <b>Cash and Cash Equivalents at End of Year</b>   | <b>\$ 8,318,083</b>                |
| <b>Reconciliation to Balance Sheet</b>  |                                    |
| Cash and Cash Equivalents Per Cash Flow   | \$ 8,318,083                       |
| <b>Cash and Cash Equivalents per Balance Sheet</b>                                      | <b>\$ 8,318,083</b>                |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b> |                                    |
| Operating Income (Loss)   | \$ (1,561,293)                     |
| <b>Change in Assets and Liabilities:</b>  |                                    |
| Decrease (increase) in Other Assets   | 1,944                              |
| Increase (decrease) in Accounts Payable   | 259,406                            |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                             | <b>\$ (1,299,943)</b>              |

*See Notes to the Financial Statements.*

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
*August 31, 2011*

*Exhibit E-1*

| <b>Data Control Codes</b> |                           | <b>865</b>                   |
|---------------------------|---------------------------|------------------------------|
|                           |                           | <b>Student Activity Fund</b> |
|                           | <b>Assets</b>             |                              |
| 1110                      | Cash and cash equivalents | \$ 342,135                   |
|                           | <b>Total Assets</b>       | \$ 342,135                   |
|                           | <b>Liabilities</b>        |                              |
| 2110                      | Accounts payable          | \$ 19,688                    |
| 2190                      | Due to others             | 322,447                      |
| 2000                      | <b>Total Liabilities</b>  | \$ 342,135                   |
|                           | <b>Net Assets</b>         | \$                           |

*See Notes to the 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, 2011. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

**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 considered nonspendable 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 | 50           |
| Vehicles               | 10           |
| Office equipment       | 10           |
| Computer equipment     | 10           |

**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, 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 workers' compensation and compensated absences are accounted for in the general fund.

**Fund Equity**

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

- Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).
- Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Child Nutrition Fund and other grant funds are classified as restricted.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The general fund has committed the following:
  - \$5,000,000 for land acquisition
  - \$16,800,000 for facilities construction and renovation
  - \$6,000,000 for facilities start up supplies
  - \$2,200,000 for technology
  - Fund balance in the campus activity funds at August 31, 2011, for campus use
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by a governing board or by an official to whom the Board of Trustees delegates the authority. The Board has assigned fund balances in the amount of \$5,000,000 for acquisition of land for construction and \$3,136,653 for encumbrances.
- Unassigned fund balance – amounts that are available for any purpose. Positive numbers can only be reported in the general fund. At August 31, 2011, the District reports an unassigned fund balance of \$48,174,594.

Beginning fund balances have been restated to reflect the above classifications.

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

**Fund Equity (continued)**

The District establishes (and modifies or rescinds) fund balance commitments by passage of resolution. A fund balance commitment is further indicated in the budget document as a commitment. Per Policy CE local, assigned fund balance amounts are established by the Board or an official that has been delegated the authority to assign amounts.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**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 will participate in the Temporary Liquidity Guarantee Program until December 31, 2012.

As of August 31, 2011, 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. TLGP 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 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."

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

**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 2011, 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. Treasury Bills, Treasury Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally-recognized rating service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. Lone Star is governed by an eleven-member Board of Trustees comprised of individuals representing entities participating in the pool. An advisory board composed of participants and other knowledgeable individuals provides additional oversight. Lone Star Investment Pool is restricted to invest in obligations of the United States or its agencies and instrumentalities; other obligations insured by the United States; fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously; and SEC-registered no-load money market mutual funds, the assets of which consist exclusively of the obligations described above.

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

|                                   | <b>Fair<br/>Market<br/>Value</b> | <b>Weighted<br/>Average<br/>Maturity<br/>(Days)</b> |
|-----------------------------------|----------------------------------|---|
| Cash and deposits                 | \$ 1,622,648                     | N/A   |
| <b>Investments</b>                |                                  |   |
| Local Government Investment Pools |                                  |   |
| Lone Star                         | 6,698,140                        | 40  |
| TexPool                           | 135,980,548                      | 46  |
| <b>Total Investments</b>          | <u>142,678,688</u>               | 46  |
| <b>Total Cash and Investments</b> | <u>\$ 144,301,336</u>            |   |

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

|                         |                       |
|-------------------------|-----------------------|
| Governmental activities | \$ 143,959,201        |
| Fiduciary fund          | 342,135               |
|                         | <u>\$ 144,301,336</u> |

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

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District 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, 2011, was \$1,325,113.

**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, 2011, 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 AA Af/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, were as follows:

|                                      | <u>General Fund</u>         | <u>Debt Service<br/>Funds</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>                |
|--------------------------------------|-----------------------------|-------------------------------|---|-----------------------------|
| Property Taxes                       | \$ 19,842,605               | \$ 3,724,967                  | \$                                      | \$ 23,567,572               |
| Due from other governments           | 10,416,831                  |                               | 9,068,737                               | 19,485,568                  |
| Other                                | 364,633                     |                               | 5,648                                   | 370,281                     |
| Gross Receivables                    | <u>30,624,069</u>           | <u>3,724,967</u>              | <u>9,074,385</u>                        | <u>43,423,421</u>           |
| Less allowance for doubtful accounts | (7,022,718)                 | (1,010,742)                   |   | (8,033,460)                 |
| <b>Net Total Receivables</b>         | <u><u>\$ 23,601,351</u></u> | <u><u>\$ 2,714,225</u></u>    | <u><u>\$ 9,074,385</u></u>              | <u><u>\$ 35,389,961</u></u> |

**Note 3 - Receivables (continued)**

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)                | \$ 12,819,887        | \$              |
| Delinquent property taxes receivable (Debt Service Fund)           | 2,714,225            |                 |
| Advanced collection of fees  |                      | 102,266         |
| Grant funds received prior to meeting all eligibility requirements |                      | 462,379         |
|  | <u>\$ 15,534,112</u> | <u>564,645</u>  |

**Note 4 - Capital Assets**

Capital asset activity for the year ended August 31, 2011, was as follows:

|  | <u>Balance</u>         |                        | <u>Balance</u>         |
|--|------------------------|------------------------|------------------------|
|  | <u>August 31, 2010</u> | <u>Additions</u>       | <u>August 31, 2011</u> |
| Capital assets, not being depreciated              |                        |                        |                        |
| Land   | \$ 53,450,073          | \$                     | \$ 53,450,073          |
| Construction in progress                           | 1,060,834              | 166,542                | 166,542                |
| <b>Total Capital Assets, not being depreciated</b> | <u>54,510,907</u>      | <u>166,542</u>         | <u>53,616,615</u>      |
| Capital assets, being depreciated                  |                        |                        |                        |
| Buildings and improvements                         | 785,141,554            | 7,499,330              | 793,191,717            |
| Furniture and equipment                            | 89,565,357             | 5,014,111              | 94,437,469             |
| Capital lease assets                               | 1,505,212              |                        | 1,505,212              |
| <b>Total Capital Assets, being depreciated</b>     | <u>876,212,123</u>     | <u>12,513,441</u>      | <u>889,134,398</u>     |
| Less accumulated depreciation for:                 |                        |                        |                        |
| Buildings and improvements                         | (192,865,010)          | (14,704,130)           | (207,059,139)          |
| Furniture and Equipment                            | (56,407,905)           | (9,770,536)            | (66,036,442)           |
| Capital lease assets                               | (1,296,404)            | (39,159)               | (1,335,563)            |
| <b>Total Accumulated Depreciation</b>              | <u>(250,569,319)</u>   | <u>(24,513,825)</u>    | <u>(274,431,144)</u>   |
| <b>Governmental Capital Assets</b>                 | <u>\$ 680,153,711</u>  | <u>\$ (11,833,842)</u> | <u>\$ 668,319,869</u>  |

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

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

|    | <u>Function</u>                            | <u>Depreciation<br/>Expense</u> |
|----|--|---------------------------------|
| 11 | Instruction                                | \$ 14,834,448                   |
| 12 | Instructional resources and media services | 381,958                         |
| 13 | Curriculum and staff development           | 349,232                         |
| 21 | Instructional leadership                   | 288,478                         |
| 23 | School leadership                          | 1,963,477                       |
| 31 | services                                   | 866,817                         |
| 32 | Social work services                       | 10,589                          |
| 33 | Health services                            | 264,634                         |
| 34 | Student transportation                     | 866,516                         |
| 35 | Food Services                              | 1,269                           |
| 36 | Extracurricular activities                 | 376,905                         |
| 41 | General administration                     | 671,324                         |
| 51 | Facilities maintenance and operations      | 2,941,257                       |
| 52 | Security and monitoring services           | 297,448                         |
| 53 | Data processing services                   | 398,631                         |
| 61 | Community services                         | 842                             |
|    |  | <u>\$ 24,513,825</u>            |

**Construction Commitments**

The District has active construction projects as of August 31, 2011. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

| <u>Project</u>              | <u>Approved<br/>Construction<br/>Budget</u> | <u>Construction<br/>in Progress</u> | <u>Remaining<br/>Commitment</u> |
|-----------------------------|---|-------------------------------------|---------------------------------|
| DeZavala Site Improvements  | \$ 89,537                                   | \$ 15,722                           | \$ 73,815                       |
| College Bound Renovation    | 194,968                                     | 138,953                             | 56,015                          |
| Thompson Int. Cooler Design | 3,423                                       | 3,000                               | 423                             |
| Jessup Elem Cooler Design   | 3,423                                       | 3,000                               | 423                             |
| Freeman Elem Spark Park     | 7,335                                       | 5,867                               | 1,468                           |
|                             | <u>\$ 298,686</u>                           | <u>\$ 166,542</u>                   | <u>\$ 132,144</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 non-major governmental funds. Interfund balances as of August 31, 2011, were as follows:

|                       | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|-----------------------|---------------------------------|------------------------------|
| General Fund          | \$ 13,575,500                   | \$ 20,000                    |
| Debt Service Funds    |                                 | 5,797                        |
| Capital Projects Fund |                                 | 4,716,561                    |
| Non-major Funds       |                                 | 8,833,142                    |
|                       | <u>\$ 13,575,500</u>            | <u>\$ 13,575,500</u>         |

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The District had no interfund transfers during the fiscal year.

**Note 6 - Long-Term Liabilities**

**Changes in Long-Term Liabilities**

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

|                                 | <u>Balance<br/>August 31,<br/>2010</u> | <u>Additions</u>    | <u>Retirements</u>     | <u>Balance<br/>August 31,<br/>2011</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------|--|---------------------|------------------------|--|--------------------------------|
| General obligation bonds        | \$ 434,480,000                         | \$                  | \$ (16,515,000)        | \$ 417,965,000                         | \$ 13,490,000                  |
| Less deferred amounts:          |  |                     |                        |  |                                |
| For issuance premiums/discounts | 7,834,081                              |                     | (498,990)              | 7,335,091                              |                                |
| Gain or loss on refunding bonds | (5,206,267)                            |                     | 367,791                | (4,838,476)                            |                                |
| Accrued compensated absences    | 2,020,976                              |                     | (998,001)              | 1,022,975                              | 206,018                        |
| Long-term worker's compensation | 4,110,049                              | 1,767,968           | (2,063,917)            | 3,814,100                              |                                |
|                                 | <u>\$ 443,238,839</u>                  | <u>\$ 1,767,968</u> | <u>\$ (19,708,117)</u> | <u>\$ 425,298,690</u>                  | <u>\$ 13,696,018</u>           |

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



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

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

| <u>Issue</u>  | <u>Original<br/>Issuance<br/>Amount</u> | <u>Interest Rate<br/>(%)</u> | <u>Maturity Date</u> | <u>Debt<br/>Outstanding</u> |
|---|---|------------------------------|----------------------|-----------------------------|
| Variable Rate Unlimited Tax School Building Bonds, Series 1996A | \$ 18,100,000                           | 6.05%                        | 2/15/2016            | \$ 1,100,000                |
| Variable Rate Unlimited Tax School Building Bonds, Series 2000A | 50,000,000                              | 6.00%                        | 2/15/2029            | 35,600,000                  |
| Unlimited Tax School Building & Refunding Bonds, Series 2005    | 36,059,737                              | 3.00-5.00%                   | 2/15/2021            | 20,655,000                  |
| Unlimited Tax Refunding Bonds, Series 2005 A                    | 14,605,000                              | 3.00-5.00%                   | 2/15/2017            | 8,645,000                   |
| 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                               | 3.50-6.25%                   | 2/15/2013            | 380,000                     |
| Unlimited Tax Refunding Bonds, Series 2006                      | 118,020,000                             | 4.00-5.00                    | 2/15/2036            | 111,955,000                 |
| Unlimited Tax Refunding Bonds, Series 2007                      | 66,980,000                              | 4.00-5.00%                   | 2/15/2026            | 62,230,000                  |
| Unlimited Tax Refunding Bonds, Series 2008                      | 42,930,000                              | 3.00-5.00%                   | 2/15/2022            | 41,510,000                  |
| Unlimited Tax Refunding Bonds, Series 2010                      | 56,385,000                              | 2.5-5.0%                     | 2/15/2029            | 55,990,000                  |
|   |   |                              |                      | <u>\$ 417,965,000</u>       |

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

| <u>Year Ending<br/>August 31</u> | <u>Principal</u>      | <u>Interest</u>       | <u>Totals</u>         |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| 2012                             | \$ 13,490,000         | \$ 19,728,980         | \$ 33,218,980         |
| 2013                             | 12,705,000            | 19,174,574            | 31,879,574            |
| 2014                             | 13,025,000            | 18,591,121            | 31,616,121            |
| 2015                             | 13,885,000            | 17,915,171            | 31,800,171            |
| 2016                             | 16,510,000            | 17,141,990            | 33,651,990            |
| 2017-2021                        | 94,785,000            | 72,059,588            | 166,844,588           |
| 2022-2026                        | 102,005,000           | 47,323,683            | 149,328,683           |
| 2027-2031                        | 84,450,000            | 24,120,088            | 108,570,088           |
| 2032-2036                        | 67,110,000            | 7,378,697             | 74,488,697            |
|                                  | <u>\$ 417,965,000</u> | <u>\$ 243,433,893</u> | <u>\$ 661,398,893</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, 2011, \$111,995,000 of refunded bonds outstanding are considered defeased.

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

**Interest Rate Swap Agreements**

**Variable Interest Rate Bonds Synthetic Fixed Rate Swaps**

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on March 23, 2005 the District entered into two identical pay fixed/receive variable rate swap agreements on the District's \$80,000,000 variable rate unlimited Tax School Building Bonds, Series 2005B (the bonds). The swap agreements and the bonds were issued at the same time. The swap agreements are with Morgan Stanley Capital Services (MS) and Bank of America (B of A), each in original notional amount of \$40,000,000 in order to synthetically fix the interest obligations of the variable interest bonds.

**Objective**

The objective of the swaps is to hedge against the potential of rising interest rates in conjunction with the District's \$80,000,000 variable interest rate unlimited Tax School Building Bonds Series 2005B ("2005B Bonds"). The fair value balance and notional amount of the derivative instrument outstanding at August 31, 2011 and the changes in fair value of the derivative instrument for the year then ended are as follows:

| <b>Governmental<br/>Activities</b> | <b>Changes in Fair Value</b> |               | <b>Fair Value at August 31, 2011</b> |                | <b>Notional</b> |
|------------------------------------|------------------------------|---------------|--------------------------------------|----------------|-----------------|
|                                    | <b>Classification</b>        | <b>Amount</b> | <b>Classification</b>                | <b>Amount</b>  |                 |
| Cash Flow Hedge:                   |                              |               |                                      |                |                 |
| Pay-fixed interest rate swap       | Deferred Outflow             | \$ 427,489    | Liability                            | (\$19,232,444) | \$ 79,900,000   |

**Terms**

The Swap notional amount totals \$79,900,000 the principal amount of the associated 2005B Bonds. The District's swap agreements contain scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the 2005B Bonds in varying amounts during the years 2022 to 2035. Under the terms of the swaps, the District will pay a fixed rate of 3.689% and receive a floating rate equal to 68% of one month London Interbank Offered Rate (LIBOR) Index. All agreements were effective March 23, 2005, the date of issuance of the 2005B Bonds. The termination date is February 1, 2035.

For the fiscal year ending August 31, 2011, the effective rate on the 2005B Bonds associated with the Swap is as follows:

|  | <b>Terms</b> | <b>Rate<br/>Received<br/>(Paid)</b> |
|--|--------------|-------------------------------------|
| Variable rate payment received from counterparties | LIBOR x 68%  | 0.159%                              |
| Fixed rate (paid) received for swap                |              | (3.689)                             |
| Net rate (paid) received for swap                  |              | (3.530)                             |
| Average variable rate paid on 2005B Bonds          |              | (0.306)                             |
| Remarketing & liquidity fees on 2005B Bonds        |              | (0.675)                             |
| Effective rate of 2005B Bonds                      |              | (4.511)%                            |

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

**Swap Agreement (continued)**

In contrast, the fixed rate the District would have paid on General Obligation Bonds at a comparable maturity on the same sale date would have been 4.92%. The savings on the interest expenditures realized by participating in the Swap agreement has resulted in \$4,058,041 as compared to costs the District would have incurred if the debt had been issued as traditional fixed rate bonds at the time of issuance.

**Fair Value**

Because long-term LIBOR Swap interest rates have declined since inception of the Swaps, the Swaps had a negative fair value of \$19,232,444. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the Statement of Net Assets of the District in the “deferred inflow/outflow” accounts.

**Credit Risk**

As of August 31, 2011, the District was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the Swap become positive, the District would be exposed to credit risk on the Swap in the amount of its fair value.

| <b>Counterparty</b> | <b>Notional<br/>Amount</b> | <b>Fair Value</b> | <b>Counterparty<br/>credit rating<br/>(Moody/S&amp;P)</b> |
|---------------------|----------------------------|-------------------|---|
| Morgan Stanley      |                            |                   |   |
| Capital Services    | \$ 39,950,000              | \$ (9,589,098)    | A2/A  |
| Bank of America     | 39,950,000                 | (9,643,346)       | A2/A  |
|                     | \$ 79,900,000              | \$ (19,232,444)   |   |

**Basis Risk**

The District is exposed to basis risk on the Swaps because the variable payment received is based on LIBOR rather than Securities Industry and Financial Market Association (SIFMA). Should the relationship between LIBOR and SIFMA move to convergence the expected cost savings may not be realized.

**Interest Rate Risk**

On the pay fixed/receive variable interest rate swaps, the District’s net payment increases as LIBOR decreases. When LIBOR decreases, the District receives a lower payout from the Swaps and its net payments on the Swaps increase. Conversely, when LIBOR increases, the District receives a higher payout from the Swaps and its net payments on the Swaps decrease.

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

**Swap Agreement (continued)**

**Termination Risk**

The District may terminate for any reason. The District has the unilateral right to voluntarily terminate the Swap agreements at any time over their term at the then prevailing market value; therefore, voluntary termination is unlikely by the District if the fair value is negative. A Counterparty may terminate a Swap if the District fails to perform under the terms of the contract. The District's options are to terminate with the Swap providers at an agreed market value, assign the Swap to a third party based on bids or quotes, or enter into an off-setting transaction (a reversal). If the Swap should be terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the Swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the Swap's fair value.

The Swap agreements are subject to termination in the event of default or as follows:

- Agreement with Morgan Stanley: If the ratings assigned to either the District's or Morgan Stanley unenhanced long-term debt obligations are withdrawn or reduced to BBB- by S&P or Baa3 by Moody's.
- Agreement with Bank of America: If the ratings assigned to either the District's or Bank of America's long-term debt obligations are withdrawn or reduced to BBB- by S&P or Baa3 by Moody's.

As of August 31, 2011, Morgan Stanley was rated A2 and A by Moody's Investors Service and Standard & Poor's respectively, while Bank of America was rated A2 and A by Moody's and S&P respectively.

On September 21, 2011, Moody's Investor Service downgraded its credit rating on Bank of America to Baa1 from A2. In addition, Standard & Poor's lowered Bank of America's rating to A-1 on November 29, 2011.

Morgan Stanley's credit rating was lowered to A- by Standard & Poor's on November 29, 2011.

**Remarketing Risk**

The District has a risk that the remarketing agent will not be able to sell the variable rate bonds at a competitive rate. However, the District's Standby Bond Purchases Agreement mitigates the risk.

**Rollover Risk**

The District's Series 2005B Bonds and Swaps have matching notional maturity dates of February 1, 2035; therefore the District is not exposed to rollover risk at this time.

Currently, the District's Stand-by Purchase Bond Agreement is with Bank of America, N.A. and expires on July 30, 2014. The price and availability to renew or secure future agreements are subject to market conditions and may expose the District to possible renewal risk.

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

**Swap Agreement (continued)**

**Swap payments and associated debt**

As of August 31, 2011, the following are debt service requirement assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net Swap payments will vary.

| <b>Fiscal Year</b> |                      | <b>Variable Rate</b> |                      |                      |
|--------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Ending</b>      | <b>Principal</b>     | <b>Payments</b>      | <b>Hedging, Net</b>  | <b>Total</b>         |
| 2012               | \$                   | \$ 207,740           | \$ 3,366,986         | \$ 3,574,726         |
| 2013               |                      | 207,740              | 3,366,986            | 3,574,726            |
| 2014               |                      | 207,740              | 3,366,986            | 3,574,726            |
| 2015               |                      | 207,740              | 3,366,986            | 3,574,726            |
| 2016               |                      | 207,740              | 3,366,986            | 3,574,726            |
| 2017-2035          | 79,900,000           | 2,485,511            | 40,877,342           | 123,262,853          |
|                    | <u>\$ 79,900,000</u> | <u>\$ 3,524,211</u>  | <u>\$ 57,712,272</u> | <u>\$141,136,483</u> |

**Constant Maturity Swap**

To further reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on September 7, 2006 the District entered into a constant maturity Swap transaction pursuant to an agreement with Citibank N.A. in an original notional amount of \$40,000,000. The Swap agreement became effective on September 6, 2006.

Under the Swap agreement, the District was obligated to make monthly payments to Citibank calculated on a notional amount that was equal to the scheduled outstanding principal amount of the bonds at the SIFMA Municipal Swap Index Rates, and Citibank is obligated to make floating rate payments to the District calculated on a notional amount that is equal to the scheduled outstanding principal amount of the bonds at a rate equal to 68.53% of the ten-year LIBOR. The bonds and the Swap agreements had a stated final maturity date of August 15, 2036. The District terminated the constant maturity Swap with Citibank on November 16, 2010 and received a cash payment of \$1,588,135 which is recorded as interest earnings in the Debt Service Fund. Net receipts under the Swap contract from inception to its termination on November 16, 2010 were \$1,664,581, not including the \$1,588,135 received at termination for total net receipts of \$3,252,716.

**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, 2011, these payments were as follows:

| <u>August 31</u>             | <u>Amounts</u>    |
|------------------------------|-------------------|
| 2012                         | \$ 366,668        |
| 2013                         | 314,890           |
| 2014                         | 87,399            |
| 2015                         | 84,808            |
| Total minimum lease payments | <u>\$ 853,765</u> |

Rental Expenditures in Fiscal Year 2011 were \$ \$510,082 .

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

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

|                                  | <u>General Fund</u>   | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u>          |
|----------------------------------|-----------------------|--------------------------|------------------------------|---------------------------------|-----------------------|
| Property Taxes                   | \$ 101,747,521        | \$ 26,541,925            | \$                           | \$                              | \$ 128,289,446        |
| Investment Income                | 137,582               | 1,661,756                | 284                          | 8,069                           | 1,807,691             |
| Co-curricular Student Activities | 573,866               |                          |                              | 3,432,100                       | 4,005,966             |
| Food Sales                       |                       |                          |                              | 4,644,757                       | 4,644,757             |
| Other                            | 5,797,751             |                          | 9                            | 1,523,299                       | 7,321,059             |
|                                  | <u>\$ 108,256,720</u> | <u>\$ 28,203,681</u>     | <u>\$ 293</u>                | <u>\$ 9,608,225</u>             | <u>\$ 146,068,919</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**

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% 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 the particular action, the time required to amortize TRS' 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. State law provides for a member contribution rate of 6.4% for fiscal year 2011, 2010 and 2009, and a state contribution rate of 6.644% for fiscal year 2011 and 2010, and 6.58% for fiscal years 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2010 and increased to 6.644% for the period of January through August 2011.

**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 6.644% for fiscal year 2011 and 2010, and 6.58% for fiscal year 2009 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 6.644% (6.58% for fiscal year 2009).

Contributions made by the State, District and staff members to TRS for the years ended August 31, 2011, 2010, and 2009, are as follows:

| For the Year<br>Ended<br>August 31 | State TRS<br>Contributions<br>Made on Behalf<br>of the District | District<br>Required<br>Contributions<br>to TRS | Staff Members<br>Contributions<br>to TRS | Total<br>Covered<br>Payroll |
|------------------------------------|---|---|--|-----------------------------|
| 2011                               | \$ 15,632,327   | \$ 4,826,501                                    | \$ 19,707,480                            | \$ 307,929,373              |
| 2010                               | 15,288,578  | 4,216,455                                       | 18,907,161                               | 294,645,592                 |
| 2009                               | 15,266,703  | 3,824,098                                       | 18,165,317                               | 290,133,755                 |

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 2011, 2010, and 2009. 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, 2011, 2010, and 2009, are as follows:

| For the Year<br>Ended<br>August 31 | State TRS Care<br>Contributions<br>Made on Behalf<br>of the District | District<br>Required<br>Contributions<br>to TRS Care | Staff Members<br>Contributions<br>to TRS Care | Total<br>Covered<br>Payroll |
|------------------------------------|--|--|---|-----------------------------|
| 2011                               | \$ 2,352,849   | \$ 726,445   | \$ 2,001,588                                  | \$ 307,929,373              |
| 2010                               | 2,323,052  | 623,404  | 1,920,280                                     | 294,645,592                 |
| 2009                               | 2,320,171  | 581,167  | 1,884,919                                     | 290,133,755                 |

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



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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care 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, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$697,585, \$722,001, and \$653,348 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 District's 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, 2011, 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 and 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, 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, 2011, in reported claims that were unpaid and estimated incurred, but not reported, claims of \$2,249,321. 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.

**Note 11 - Self-Funded Health Insurance (continued)**

An analysis of claims liability for fiscal years 2011 and 2010 are as follows:

|                        | <u>2011</u>         | <u>2010</u>         |
|------------------------|---------------------|---------------------|
| Accrual, September 1   | \$ 2,326,551        | \$ 2,363,766        |
| Current year estimates | 25,777,038          | 28,335,354          |
| Payments for claims    | <u>(25,854,268)</u> | <u>(28,372,569)</u> |
| Accrual, August 31     | <u>\$ 2,249,321</u> | <u>\$ 2,326,551</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 \$3,814,100 as of August 31, 2011, 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 \$3,814,100 includes incurred but not reported claims. This liability reported in the fund at August 31, 2011, 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> |
|-----------------|---------------|
| 2002            | 333           |
| 2003            | 322           |
| 2004            | 337           |
| 2005            | 377           |
| 2006            | 386           |
| 2007            | 325           |
| 2008            | 365           |
| 2009            | 311           |
| 2010            | 365           |
| 2011            | 373           |
| 10-Year Average | <u>349</u>    |

**Note 12 - Self-Insured Worker’s Compensation (continued)**

Changes in the worker’s compensation claims liability amounts in fiscal years 2011, 2010, and 2009 are as follows:

|             | <u>Beginning of<br/>Year Accrual</u> | <u>Claims and<br/>Changes in<br/>Estimates</u> | <u>Claim<br/>Payments</u> | <u>End of Year<br/>Accrual</u> |
|-------------|--------------------------------------|--|---------------------------|--------------------------------|
| <b>2011</b> | \$ 4,110,049                         | \$ 502,450                                     | \$ 798,399                | \$ 3,814,100                   |
| <b>2010</b> | 4,184,437                            | 1,055,936                                      | 1,130,324                 | 4,110,049                      |
| <b>2009</b> | 4,187,594                            | 1,103,541                                      | 1,106,698                 | 4,184,437                      |

**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, 2011.

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**Required Supplementary Information**

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit G-1*

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

*For the Year Ended August 31, 2011*

|                      | <b>Budgeted Amounts</b>  |                      | <b>Actual<br/>Amounts,<br/>Budgetary<br/>Basis</b> | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |                      |
|----------------------|--|----------------------|--|---|----------------------|
|                      | <b>Original</b>  | <b>Final</b>         |  |   |                      |
| <b>Revenues</b>      |  |                      |  |   |                      |
| 5700                 | Local revenues   | \$ 110,834,330       | \$ 111,198,676                                     | \$ 108,256,720  | \$ (2,941,956)       |
| 5800                 | State program revenues   | 266,375,986          | 239,882,507  | 241,198,033   | 1,315,526            |
| 5900                 | Federal program revenues                                       | 3,590,469            | 3,590,469  | 5,567,127   | 1,976,658            |
| 5020                 | <b>Total revenues</b>  | <u>380,800,785</u>   | <u>354,671,652</u>                                 | <u>355,021,880</u>  | <u>350,228</u>       |
| <b>Expenditures</b>  |  |                      |  |   |                      |
| <b>Current:</b>      |  |                      |  |   |                      |
| 0011                 | Instruction  | 236,282,511          | 209,444,888  | 206,816,702   | 2,628,186            |
| 0012                 | Instruction resources and media services                       | 5,940,713            | 5,799,712  | 5,445,677   | 354,035              |
| 0013                 | Curriculum and instructional staff<br>development              | 5,249,481            | 5,480,666  | 4,977,929   | 502,737              |
| 0021                 | Instructional leadership                                       | 4,058,274            | 4,379,937  | 4,112,015   | 267,922              |
| 0023                 | School leadership  | 29,106,767           | 29,407,872   | 27,994,593  | 1,413,279            |
| 0031                 | Guidance, counseling and evaluation<br>services                | 13,167,354           | 13,308,921   | 12,360,268  | 948,653              |
| 0032                 | Social work services   | 171,726              | 171,726  | 150,929   | 20,797               |
| 0033                 | Health services  | 4,245,722            | 4,158,639  | 3,773,565   | 385,074              |
| 0034                 | Student transportation   | 10,973,200           | 13,013,036   | 12,351,247  | 661,789              |
| 0035                 | Food services  | 7,930                | 27,930   | 18,083  | 9,847                |
| 0036                 | Extracurricular activities                                     | 5,678,156            | 6,315,961  | 5,372,411   | 943,550              |
| 0041                 | General administration   | 9,620,923            | 9,979,605  | 9,570,078   | 409,527              |
| 0051                 | Facilities maintenance and operations                          | 44,238,636           | 45,239,854   | 41,924,446  | 3,315,408            |
| 0052                 | Security and monitoring services                               | 3,959,675            | 4,537,090  | 4,238,953   | 298,137              |
| 0053                 | Data processing services                                       | 5,543,162            | 7,238,936  | 5,682,054   | 1,556,882            |
| 0061                 | Community services   | 25,917               | 48,917   | 12,009  | 36,908               |
| <b>Debt Service:</b> |  |                      |  |   |                      |
| 0071                 | Principal on long-term debt                                    | 303,166              | 291,666  | 290,000   | 1,666                |
| 0072                 | Interest on long-term debt                                     | 17,272               | 28,772   | 18,977  | 9,795                |
| 0081                 | Capital outlay   | 1,114,000            | 5,105,101  | 2,881,600   | 2,223,501            |
| 0095                 | Payments to Juvenile Justice Alternative<br>Education Programs | 594,000              | 594,000  | 355,238   | 238,762              |
| 0099                 | Other intergovernmental charges                                | 1,200,000            | 1,200,000  | 1,086,952   | 113,048              |
| 6030                 | <b>Total Expenditures</b>                                      | <u>381,498,585</u>   | <u>365,773,229</u>                                 | <u>349,433,726</u>  | <u>16,339,503</u>    |
| 1100                 | Excess (deficiency) of revenues<br>over expenditures           | <u>(697,800)</u>     | <u>(11,101,577)</u>                                | <u>5,588,154</u>  | <u>16,689,731</u>    |
| 1200                 | Net change in fund balances                                    | (697,800)            | (11,101,577)                                       | 5,588,154   | 16,689,731           |
| 0100                 | <b>Fund balances - beginning</b>                               | <u>87,266,062</u>    | <u>87,266,062</u>                                  | <u>87,266,062</u>   |                      |
| 3000                 | <b>Fund balances - ending</b>                                  | <u>\$ 86,568,262</u> | <u>\$ 76,164,485</u>                               | <u>\$ 92,854,216</u>  | <u>\$ 16,689,731</u> |

The District adopts annual appropriations type budgets for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2011.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 25, 2010. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

#### **Expenditures in Excess of Appropriations**

Expenditures in the Child Nutrition Fund function 35 exceeded budgeted amounts by \$449,764.

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**Other Supplementary Information**

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NON-MAJOR GOVERNMENTAL FUNDS**

August 31, 2011

|   | 211                        | 212                        | 224                   |
|---|----------------------------|----------------------------|-----------------------|
| <b>Data Control Codes</b>                       | <b>ESEA Title I Part A</b> | <b>ESEA Title I Part C</b> | <b>IDEA B Formula</b> |
| <b>Assets</b>                                   |                            |                            |                       |
| 1110 Cash and temporary investments             | \$                         | \$                         | \$                    |
| <b>Receivables:</b>                             |                            |                            |                       |
| 1240 Receivables from other governments         | 1,296,912                  | 28,749                     | 472,591               |
| 1290 Other receivables                          |                            |                            |                       |
| 1310 Inventories, at cost                       |                            |                            |                       |
| 1410 Prepaid expenses                           | 120,957                    |                            | 45,447                |
| 1000 <b>Total Assets</b>                        | <b>\$ 1,417,869</b>        | <b>\$ 28,749</b>           | <b>\$ 518,038</b>     |
| <br>  |                            |                            |                       |
| <b>Liabilities and Fund Balance</b>             |                            |                            |                       |
| <b>Liabilities:</b>                             |                            |                            |                       |
| <b>Current Liabilities:</b>                     |                            |                            |                       |
| 2110 Accounts payable                           | \$ 7,154                   | \$ 7,996                   | \$ 827                |
| 2160 Accrued wages payable                      |                            | 1,293                      |                       |
| 2170 Due to other funds                         | 1,410,715                  | 19,460                     | 335,729               |
| 2180 Due to other governments                   |                            |                            | 181,482               |
| 2300 Deferred revenues                          |                            |                            |                       |
| 2000 <b>Total Liabilities</b>                   | <b>1,417,869</b>           | <b>28,749</b>              | <b>518,038</b>        |
| <br>  |                            |                            |                       |
| <b>Fund Balance:</b>                            |                            |                            |                       |
| <b>Nonspendable</b>                             |                            |                            |                       |
| 3410 Investments in inventories                 |                            |                            |                       |
| 3430 Prepaid items                              |                            |                            |                       |
| <b>Restricted</b>                               |                            |                            |                       |
| 3450 Federal/State funds grant restrictions     |                            |                            |                       |
| <b>Committed</b>                                |                            |                            |                       |
| 3545 Other purposes                             |                            |                            |                       |
| 3000 <b>Total Fund Balances</b>                 |                            |                            |                       |
| 4000 <b>Total Liabilities and Fund Balances</b> | <b>\$ 1,417,869</b>        | <b>\$ 28,749</b>           | <b>\$ 518,038</b>     |

| 225                          | 240                 | 242                          | 244                      | 255                      | 263              |
|------------------------------|---------------------|------------------------------|--------------------------|--------------------------|------------------|
| IDEA B<br>Preschool<br>Grant | Child<br>Nutrition  | Summer<br>Feeding<br>Program | Vocational Ed -<br>Basic | ESEA Title II,<br>Part A | ESEA Title III   |
| \$ 40,080                    | \$ 5,584,433        | \$ 10,309                    | \$                       | \$                       | \$               |
| 2,624                        | 356,112             |                              | 73,570                   | 203,383                  | 71,859           |
|                              | 5,553               |                              |                          |                          |                  |
|                              | 889,664             |                              |                          |                          |                  |
| 2,199                        | 457,654             |                              |                          | 5,013                    | 7,903            |
| <u>\$ 44,903</u>             | <u>\$ 7,293,416</u> | <u>\$ 10,309</u>             | <u>\$ 73,570</u>         | <u>\$ 208,396</u>        | <u>\$ 79,762</u> |
| \$                           | \$ 162,336          | \$                           | \$ 878                   | \$                       | \$ 827           |
|                              |                     |                              | 2,429                    |                          |                  |
|                              | 588,766             |                              | 43,671                   | 208,396                  | 66,099           |
| 44,903                       |                     |                              | 26,592                   |                          | 12,836           |
| <u>44,903</u>                | <u>751,102</u>      |                              | <u>73,570</u>            | <u>208,396</u>           | <u>79,762</u>    |
|                              | 889,664             |                              |                          |                          |                  |
|                              | 457,654             |                              |                          |                          |                  |
|                              | 5,194,996           | 10,309                       |                          |                          |                  |
|                              | 6,542,314           | 10,309                       |                          |                          |                  |
| <u>\$ 44,903</u>             | <u>\$ 7,293,416</u> | <u>\$ 10,309</u>             | <u>\$ 73,570</u>         | <u>\$ 208,396</u>        | <u>\$ 79,762</u> |

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**August 31, 2011**

| <b>Data<br/>Control<br/>Codes</b>              | <b>265</b>                    | <b>266</b>                                     | <b>274</b>        |
|--|-------------------------------|--|-------------------|
| <b>Assets</b>                                  | <b>21st Century<br/>Grant</b> | <b>State Fiscal<br/>Stabilization<br/>Fund</b> | <b>Gear Up</b>    |
| 1110 Cash and temporary investments            | \$                            | \$   | \$                |
| <b>Receivables:</b>                            |                               |  |                   |
| 1240 Receivables from other governments        | 185,681                       | 2,579,348                                      | 126,359           |
| 1290 Other receivables                         |                               |  |                   |
| 1310 Inventories, at cost                      |                               |  |                   |
| 1410 Prepaid expenses                          |                               |  |                   |
| 1000 <b>Total Assets</b>                       | <u>\$ 185,681</u>             | <u>\$ 2,579,348</u>                            | <u>\$ 126,359</u> |
| <br><b>Liabilities and Fund Balance</b>        |                               |  |                   |
| <b>Liabilities:</b>                            |                               |  |                   |
| <b>Current Liabilities:</b>                    |                               |  |                   |
| 2110 Accounts payable                          | \$ 9,309                      | \$   | \$ 36,368         |
| 2160 Accrued wages payable                     | 18,073                        |  | 8,423             |
| 2170 Due to other funds                        | 158,299                       | 2,579,348                                      | 81,568            |
| 2180 Due to other governments                  |                               |  |                   |
| 2300 Deferred revenues                         |                               |  |                   |
| 2000 <b>Total Liabilities</b>                  | <u>185,681</u>                | <u>2,579,348</u>                               | <u>126,359</u>    |
| <br><b>Fund Balance:</b>                       |                               |  |                   |
| <b>Nonspendable</b>                            |                               |  |                   |
| 3410 Investments in inventories                |                               |  |                   |
| 3430 Prepaid items                             |                               |  |                   |
| <b>Restricted</b>                              |                               |  |                   |
| 3450 Federal/State funds grant restrictions    |                               |  |                   |
| <b>Committed</b>                               |                               |  |                   |
| 3540 Other purposes                            |                               |  |                   |
| 3000 <b>Total Fund Balances</b>                | <u></u>                       | <u></u>  | <u></u>           |
| 4000 <b>Total Liabilities and Fund Balance</b> | <u>\$ 185,681</u>             | <u>\$ 2,579,348</u>                            | <u>\$ 126,359</u> |

| 279                    | 280              | 283                                 | 284                 | 285                   | 286                                   |
|------------------------|------------------|-------------------------------------|---------------------|-----------------------|---------------------------------------|
| Title II, Part D- ARRA | TXHERRA (ARRA)   | IDEA B Special Education - Stimulus | IDEA B ARRA Funding | Title I, Part A- ARRA | Texas Title I Priority Schools (ARRA) |
| \$                     | \$               | \$                                  | \$                  | \$                    | \$                                    |
| 72,925                 | 43,661           | 1,566,061                           | 65,818              | 264,917               | 639,198                               |
| <u>\$ 72,925</u>       | <u>\$ 43,661</u> | <u>\$ 1,566,061</u>                 | <u>\$ 65,818</u>    | <u>\$ 264,917</u>     | <u>\$ 639,198</u>                     |
| \$ 15,067              | \$               | \$ 68,770                           | \$                  | \$ 14,753             | \$ 69,383                             |
| 57,858                 | 43,661           | 1,497,291                           | 65,818              | 250,164               | 27,413                                |
| <u>72,925</u>          | <u>43,661</u>    | <u>1,566,061</u>                    | <u>65,818</u>       | <u>264,917</u>        | <u>542,402</u>                        |
| <u>\$ 72,925</u>       | <u>\$ 43,661</u> | <u>\$ 1,566,061</u>                 | <u>\$ 65,818</u>    | <u>\$ 264,917</u>     | <u>\$ 639,198</u>                     |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NON-MAJOR GOVERNMENTAL FUNDS**

August 31, 2011

| <b>Data<br/>Control<br/>Codes</b> |   | <b>288<br/>Carol Whit PE,<br/>Homelessness<br/>Education and<br/>ICAC</b> | <b>289<br/>Miscellaneous<br/>Federal Grants</b> | <b>394<br/>Pregnancy,<br/>Education,<br/>and<br/>Parenting<br/>Program</b> |
|-----------------------------------|---|---|---|--|
|                                   | <b>Assets</b>                             |   |   |  |
| 1110                              | Cash and temporary investments            | \$ 60,573   | \$  | \$   |
|                                   | <b>Receivables:</b>                       |   |   |  |
| 1240                              | Receivables from other governments        | 251,658   | 107,781   | 9,760  |
| 1290                              | Other receivables                         |   |   |  |
| 1310                              | Inventories, at cost                      |   |   |  |
| 1410                              | Prepaid expenses                          |   |   |  |
| 1000                              | <b>Total Assets</b>                       | <b>\$ 312,231</b>   | <b>\$ 107,781</b>                               | <b>\$ 9,760</b>  |
|                                   | <b>Liabilities and Fund Balance</b>       |   |   |  |
|                                   | <b>Liabilities:</b>                       |   |   |  |
|                                   | <b>Current Liabilities:</b>               |   |   |  |
| 2110                              | Accounts payable                          | \$ 74,667   | \$ 10,074                                       | \$   |
| 2160                              | Accrued wages payable                     | 225   | 1,594   |  |
| 2170                              | Due to other funds                        | 237,339   | 92,096  | 9,760  |
| 2180                              | Due to other governments                  |   | 4,017   |  |
| 2300                              | Deferred revenues                         |   |   |  |
| 2000                              | <b>Total Liabilities</b>                  | <b>312,231</b>  | <b>107,781</b>                                  | <b>9,760</b>   |
|                                   | <b>Fund Balance:</b>                      |   |   |  |
|                                   | <b>Nonspendable</b>                       |   |   |  |
| 3410                              | Investments in inventories                |   |   |  |
| 3430                              | Prepaid items                             |   |   |  |
|                                   | <b>Restricted</b>                         |   |   |  |
| 3450                              | Federal/State funds grant restrictions    |   |   |  |
|                                   | <b>Committed</b>                          |   |   |  |
| 3540                              | Other purposes                            |   |   |  |
| 3000                              | <b>Total Fund Balances</b>                |   |   |  |
| 4000                              | <b>Total Liabilities and Fund Balance</b> | <b>\$ 312,231</b>   | <b>\$ 107,781</b>                               | <b>\$ 9,760</b>  |

| 397   | 404  | 409                                   | 411               |
|---|--|---------------------------------------|-------------------|
| <u>Advanced<br/>Placement<br/>Incentive</u> | <u>Student<br/>Succ. Init-<br/>Acc REA</u> | <u>Basic Skills /<br/>HS Students</u> | <u>Technology</u> |
| \$ 49,932                                   | \$   | \$ 66,679                             | \$                |
|   | 173,053                                    | 10,376                                |                   |
| <u>\$ 49,932</u>                            | <u>\$ 173,053</u>                          | <u>\$ 77,055</u>                      | <u>\$</u>         |
| \$  | \$ 39,495                                  | \$ 71                                 | \$                |
|   | 133,558                                    |                                       |                   |
| <u>49,932</u>                               |  | <u>76,984</u>                         |                   |
| <u>49,932</u>                               | <u>173,053</u>                             | <u>77,055</u>                         |                   |
| <u>\$ 49,932</u>                            | <u>\$ 173,053</u>                          | <u>\$ 77,055</u>                      | <u>\$</u>         |

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS**  
**August 31, 2011**

| <b>Data<br/>Control<br/>Codes</b> |   | <b>427</b>   | <b>429</b>          | <b>461</b>                           |
|-----------------------------------|---|--|---------------------|--------------------------------------|
|                                   |   | <b>Laura Bush<br/>Foundation/<br/>HB 1<br/>Mentors</b> | <b>Other Grants</b> | <b>Campus<br/>Activity<br/>Funds</b> |
|                                   | <b>Assets</b>                             |  |                     |                                      |
| 1110                              | Cash and temporary investments            | \$   | \$ 19,181           | \$ 2,228,782                         |
|                                   | <b>Receivables:</b>                       |  |                     |                                      |
| 1240                              | Receivables from other governments        |  | 461,444             |                                      |
| 1290                              | Other receivables                         |  | 95                  |                                      |
| 1310                              | Inventories, at cost                      |  |                     |                                      |
| 1410                              | Prepaid expenses                          |  | 552                 |                                      |
| 1000                              | <b>Total Assets</b>                       | \$   | \$ 481,272          | \$ 2,228,782                         |
|                                   | <b>Liabilities and Fund Balance</b>       |  |                     |                                      |
|                                   | <b>Liabilities:</b>                       |  |                     |                                      |
|                                   | <b>Current Liabilities:</b>               |  |                     |                                      |
| 2110                              | Accounts payable                          | \$   | \$ 18,711           | \$ 103,026                           |
| 2160                              | Accrued wages payable                     |  |                     |                                      |
| 2170                              | Due to other funds                        |  | 409,309             |                                      |
| 2180                              | Due to other governments                  |  | 1,413               |                                      |
| 2300                              | Deferred revenues                         |  | 51,839              |                                      |
| 2000                              | <b>Total Liabilities</b>                  |  | 481,272             | 103,026                              |
|                                   | <b>Fund Balance:</b>                      |  |                     |                                      |
|                                   | <b>Nonspendable</b>                       |  |                     |                                      |
| 3410                              | Investments in inventories                |  |                     |                                      |
| 3430                              | Prepaid items                             |  |                     |                                      |
|                                   | <b>Restricted</b>                         |  |                     |                                      |
| 3450                              | Federal/State funds grant restrictions    |  |                     |                                      |
|                                   | <b>Committed</b>                          |  |                     |                                      |
| 3540                              | Other purposes                            |  |                     | 2,125,756                            |
| 3000                              | <b>Total Fund Balances</b>                |  |                     | 2,125,756                            |
| 4000                              | <b>Total Liabilities and Fund Balance</b> | \$   | \$ 481,272          | \$ 2,228,782                         |



| 480                                      | 497  | 498                         |  |
|--|--|-----------------------------|--|
| <b>PISD Ed<br/>Foundation<br/>Grants</b> | <b>Bus Grant<br/>and<br/>Measurable<br/>Outcomes</b> | <b>CASE<br/>Partnership</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
| \$ 162,039                               | \$   | \$ 143,595                  | \$ 8,365,603                                     |
|  | 4,897  |                             | 9,068,737  |
|  |  |                             | 5,648  |
|  |  |                             | 889,664  |
|  |  | 515                         | 640,240  |
| <u>\$ 162,039</u>                        | <u>\$ 4,897</u>                                      | <u>\$ 144,110</u>           | <u>\$ 18,969,892</u>                             |
|  |  |                             |  |
| \$ 25,587                                | \$   | \$                          | \$ 665,299                                       |
|  |  |                             | 59,450   |
|  | 1,835  |                             | 8,833,142  |
|  |  |                             | 271,243  |
| <u>136,452</u>                           | <u>3,062</u>   | <u>144,110</u>              | <u>462,379</u>                                   |
| <u>162,039</u>                           | <u>4,897</u>   | <u>144,110</u>              | <u>10,291,513</u>                                |
|  |  |                             |  |
|  |  |                             | 889,664  |
|  |  |                             | 457,654  |
|  |  |                             | 5,205,305  |
|  |  |                             | 2,125,756  |
|  |  |                             | <u>8,678,379</u>                                 |
| <u>\$ 162,039</u>                        | <u>\$ 4,897</u>                                      | <u>\$ 144,110</u>           | <u>\$ 18,969,892</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, 2011*

|  | 211                        | 212                        | 224                   |
|--|----------------------------|----------------------------|-----------------------|
| <b>Data Control Codes</b>                              | <b>ESEA Title I Part A</b> | <b>ESEA Title I Part C</b> | <b>IDEA B Formula</b> |
| <b>Revenues</b>  |                            |                            |                       |
| 5700 Local, intermediate, and out-of-state             | \$                         | \$                         | \$                    |
| 5800 State program revenues                            |                            |                            |                       |
| 5900 Federal program revenues                          | 15,328,026                 | 213,400                    | 6,274,737             |
| 5020 <b>Total revenues</b>                             | <u>15,328,026</u>          | <u>213,400</u>             | <u>6,274,737</u>      |
| <b>Expenditures</b>                                    |                            |                            |                       |
| <b>Current:</b>  |                            |                            |                       |
| 0011 Instruction                                       | 12,506,069                 | 65,840                     | 3,627,209             |
| 0012 Instruction resources and media services          |                            |                            |                       |
| 0013 Curriculum and instructional staff development    | 293,843                    | 98,255                     | 372,910               |
| 0021 Instructional leadership                          | 503,182                    | 48,589                     | 189,083               |
| 0023 School leadership                                 | 184,994                    |                            |                       |
| 0031 Guidance, counseling and evaluation services      | 1,506,012                  |                            | 2,074,460             |
| 0032 Social work services                              |                            |                            |                       |
| 0033 Health services                                   | 114,790                    |                            | 11,075                |
| 0034 Student transportation                            |                            |                            |                       |
| 0035 Food service                                      |                            |                            |                       |
| 0036 Extracurricular activities                        |                            |                            |                       |
| 0041 General administration                            |                            |                            |                       |
| 0051 Facilities maintenance and operations             | 318                        | 716                        |                       |
| 0052 Security and monitoring services                  |                            |                            |                       |
| 0061 Community services                                | 218,818                    |                            |                       |
| 6030 <b>Total Expenditures</b>                         | <u>15,328,026</u>          | <u>213,400</u>             | <u>6,274,737</u>      |
| 1100 Excess (deficiency) of revenues over expenditures |                            |                            |                       |
| 1200 Net change in fund balances                       |                            |                            |                       |
| 0100 <b>Fund balance - Beginning</b>                   |                            |                            |                       |
| 3000 <b>Fund balance - Ending</b>                      | <u>\$</u>                  | <u>\$</u>                  | <u>\$</u>             |

| 225                          | 240                    | 242                          | 244                     | 255                      | 263            |
|------------------------------|------------------------|------------------------------|-------------------------|--------------------------|----------------|
| IDEA B<br>Preschool<br>Grant | Child<br>Nutrition     | Summer<br>Feeding<br>Program | Vocational Ed<br>-Basic | ESEA Title<br>II, Part A | ESEA Title III |
| \$                           | \$ 4,652,826<br>69,613 | \$                           | \$                      | \$                       | \$             |
| 65,911                       | 24,790,348             |                              | 714,529                 | 2,214,444                | 1,537,058      |
| 65,911                       | 29,512,787             |                              | 714,529                 | 2,214,444                | 1,537,058      |
| 65,911                       |                        |                              | 460,353                 | 1,767,166                | 1,399,433      |
|                              |                        |                              |                         | 108,001                  | 59,560         |
|                              |                        |                              |                         | 339,277                  | 78,065         |
|                              |                        |                              | 254,176                 |                          |                |
|                              | 28,629,612             |                              |                         |                          |                |
| 65,911                       | 28,629,612             |                              | 714,529                 | 2,214,444                | 1,537,058      |
|                              | 883,175                |                              |                         |                          |                |
|                              | 883,175                |                              |                         |                          |                |
|                              | 5,659,139              | 10,309                       |                         |                          |                |
| \$                           | \$ 6,542,314           | \$ 10,309                    | \$                      | \$                       | \$             |

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

|                           |   | 265                       | 266                                    | 274              |
|---------------------------|---|---------------------------|--|------------------|
| <b>Data Control Codes</b> |   | <b>21st Century Grant</b> | <b>State Fiscal Stabilization Fund</b> | <b>Gear Up</b>   |
| <b>Revenues</b>           |   |                           |  |                  |
| 5700                      | Local, intermediate, and out-of-state             | \$                        | \$                                     | \$               |
| 5800                      | State program revenues                            |                           |  |                  |
| 5900                      | Federal program revenues                          | 606,956                   | 25,793,479                             | 1,149,250        |
| 5020                      | <b>Total revenues</b>                             | <u>606,956</u>            | <u>25,793,479</u>                      | <u>1,149,250</u> |
| <b>Expenditures</b>       |   |                           |  |                  |
| <b>Current:</b>           |   |                           |  |                  |
| 0011                      | Instruction                                       | 291,430                   | 23,014,562                             | 873,176          |
| 0012                      | Instruction resources and media services          |                           | 405,174                                |                  |
| 0013                      | Curriculum and instructional staff development    |                           |  |                  |
| 0021                      | Instructional leadership                          | 15,437                    |  | 267,055          |
| 0023                      | School leadership                                 | 300,089                   | 1,112,010                              |                  |
| 0031                      | Guidance, counseling and evaluation services      |                           | 816,527                                |                  |
| 0032                      | Social work services                              |                           |  |                  |
| 0033                      | Health services                                   |                           | 445,206                                |                  |
| 0034                      | Student transportation                            |                           |  |                  |
| 0035                      | Food service                                      |                           |  |                  |
| 0036                      | Extracurricular activities                        |                           |  |                  |
| 0041                      | General administration                            |                           |  |                  |
| 0051                      | Facilities maintenance and operations             |                           |  | 7,582            |
| 0052                      | Security and monitoring services                  |                           |  |                  |
| 0061                      | Community services                                |                           |  | 1,437            |
| 6030                      | <b>Total Expenditures</b>                         | <u>606,956</u>            | <u>25,793,479</u>                      | <u>1,149,250</u> |
| 1100                      | Excess (deficiency) of revenues over expenditures |                           |  |                  |
| 1200                      | Net change in fund balances                       |                           |  |                  |
| 0100                      | <b>Fund balance - Beginning</b>                   |                           |  |                  |
| 3000                      | <b>Fund balance - Ending</b>                      | <u>\$</u>                 | <u>\$</u>                              | <u>\$</u>        |

| 279                    | 280            | 283                                 | 284                 | 285                   | 286                                   |
|------------------------|----------------|-------------------------------------|---------------------|-----------------------|---------------------------------------|
| Title II, Part D- ARRA | TXHERRA (ARRA) | IDEA B Special Education - Stimulus | IDEA B ARRA Funding | Title I, Part A- ARRA | Texas Title I Priority Schools (ARRA) |
| \$                     | \$             | \$                                  | \$                  | \$                    | \$                                    |
| 290,414                | 71,319         | 4,512,570                           | 199,867             | 3,473,485             | 1,794,338                             |
| <u>290,414</u>         | <u>71,319</u>  | <u>4,512,570</u>                    | <u>199,867</u>      | <u>3,473,485</u>      | <u>1,794,338</u>                      |
| 153,071                | 22,271         | 2,658,347                           | 174,524             | 2,584,134             | 1,393,478                             |
| 102,989                |                | 286,376                             | 25,343              | 9,881                 |                                       |
| 32,467                 | 47,348         | 12,037                              |                     | 587,374               | 18,334                                |
|                        |                | 1,545,911                           |                     | 242,470               | 282,973                               |
|                        |                |                                     |                     | 457                   | 7,672                                 |
|                        | 1,700          | 9,899                               |                     |                       | 71,633                                |
| 1,887                  |                |                                     |                     |                       | 18,334                                |
|                        |                |                                     |                     | 2,432                 | 1,914                                 |
|                        |                |                                     |                     | 46,737                |                                       |
| <u>290,414</u>         | <u>71,319</u>  | <u>4,512,570</u>                    | <u>199,867</u>      | <u>3,473,485</u>      | <u>1,794,338</u>                      |
|                        |                |                                     |                     |                       |                                       |
|                        |                |                                     |                     |                       |                                       |
| <u>\$</u>              | <u>\$</u>      | <u>\$</u>                           | <u>\$</u>           | <u>\$</u>             | <u>\$</u>                             |

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

| <b>Data<br/>Control<br/>Codes</b> |   | <b>288<br/>Carol Whit PE,<br/>Homelessness<br/>Education and<br/>ICAC</b> | <b>289<br/>Miscellaneous<br/>Federal Grants</b> | <b>394<br/>Pregnancy,<br/>Education,<br/>and<br/>Parenting<br/>Program</b> |
|-----------------------------------|---|---|---|--|
|                                   | <b>Revenues</b>                                   |   |   |  |
| 5700                              | Local, intermediate, and out-of-state             | \$  | \$  | \$   |
| 5800                              | State program revenues                            |   |   | 54,278   |
| 5900                              | Federal program revenues                          | 1,036,848   | 2,850,405                                       |  |
| 5020                              | <b>Total revenues</b>                             | 1,036,848   | 2,850,405                                       | 54,278   |
|                                   | <b>Expenditures</b>                               |   |   |  |
|                                   | <b>Current:</b>                                   |   |   |  |
| 0011                              | Instruction                                       | 487,070   | 114,803   | 54,278   |
| 0012                              | Instruction resources and media services          |   |   |  |
| 0013                              | Curriculum and instructional staff development    | 1,245   | 269,861   |  |
| 0021                              | Instructional leadership                          | 48,775  | 3,890   |  |
| 0023                              | School leadership                                 |   |   |  |
| 0031                              | Guidance, counseling and evaluation services      |   | 84,000  |  |
| 0032                              | Social work services                              |   |   |  |
| 0033                              | Health services                                   |   |   |  |
| 0034                              | Student transportation                            |   |   |  |
| 0035                              | Food service                                      |   |   |  |
| 0036                              | Extracurricular activities                        |   |   |  |
| 0041                              | General administration                            | 489   |   |  |
| 0051                              | Facilities maintenance and operations             | 17,608  | 2,322,128                                       |  |
| 0052                              | Security and monitoring services                  | 467,838   | 55,723  |  |
| 0061                              | Community services                                | 13,823  |   |  |
| 6030                              | <b>Total Expenditures</b>                         | 1,036,848   | 2,850,405                                       | 54,278   |
| 1100                              | Excess (deficiency) of revenues over expenditures |   |   |  |
| 1200                              | Net change in fund balances                       |   |   |  |
| 0100                              | <b>Fund balance - Beginning</b>                   |   |   |  |
| 3000                              | <b>Fund balance - Ending</b>                      | \$  | \$  | \$   |

| 397   | 404  | 409                                   | 411               |
|---|--|---------------------------------------|-------------------|
| <u>Advanced<br/>Placement<br/>Incentive</u> | <u>Student<br/>Succ. Init-<br/>Acc REA</u> | <u>Basic Skills /<br/>HS Students</u> | <u>Technology</u> |
| \$ 39,400                                   | \$ 726,975                                 | \$ 311,382                            | \$ 1,434,785      |
| <u>39,400</u>                               | <u>726,975</u>                             | <u>311,382</u>                        | <u>1,434,785</u>  |
| 39,400                                      | 715,937                                    | 261,356                               | 1,517,392         |
|   |  | 16,794                                |                   |
|   |  | 31,326                                |                   |
|   | 10,761                                     | 1,473                                 |                   |
|   | 277  | 433                                   |                   |
| <u>39,400</u>                               | <u>726,975</u>                             | <u>311,382</u>                        | <u>1,517,392</u>  |
|   |  |                                       | (82,607)          |
|   |  |                                       | (82,607)          |
|   |  |                                       | 82,607            |
| <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, 2011*

| <b>Data<br/>Control<br/>Codes</b> |   | <b>427</b>   | <b>429</b>          | <b>461</b>                           |
|-----------------------------------|---|--|---------------------|--------------------------------------|
|                                   |   | <b>Laura Bush<br/>Foundation/<br/>HB 1<br/>Mentors</b> | <b>Other Grants</b> | <b>Campus<br/>Activity<br/>Funds</b> |
|                                   | <b>Revenues</b>                                   |  |                     |                                      |
| 5700                              | Local, intermediate, and out-of-state             | \$   | \$ 21,000           | \$ 3,432,100                         |
| 5800                              | State program revenues                            | 2,313  | 4,403,200           |                                      |
| 5900                              | Federal program revenues                          |  |                     |                                      |
| 5020                              | <b>Total revenues</b>                             | <u>2,313</u>   | <u>4,424,200</u>    | <u>3,432,100</u>                     |
|                                   | <b>Expenditures</b>                               |  |                     |                                      |
|                                   | <b>Current:</b>                                   |  |                     |                                      |
| 0011                              | Instruction                                       | 2,313  | 3,632,598           | 1,487,061                            |
| 0012                              | Instruction resources and media services          |  | 81,628              | 59,546                               |
| 0013                              | Curriculum and instructional staff development    |  | 62,269              | 11,708                               |
| 0021                              | Instructional leadership                          |  | 2,681               | 2,093                                |
| 0023                              | School leadership                                 |  | 170,493             | 669,105                              |
| 0031                              | Guidance, counseling and evaluation services      |  | 81,389              | 3,769                                |
| 0032                              | Social work services                              |  |                     |                                      |
| 0033                              | Health services                                   |  | 22,098              | 68                                   |
| 0034                              | Student transportation                            |  |                     |                                      |
| 0035                              | Food service                                      |  |                     |                                      |
| 0036                              | Extracurricular activities                        |  | 674                 | 1,031,217                            |
| 0041                              | General administration                            |  | 160,020             |                                      |
| 0051                              | Facilities maintenance and operations             |  | 205,000             | 54,124                               |
| 0052                              | Security and monitoring services                  |  | 5,350               | 317                                  |
| 0061                              | Community services                                |  |                     |                                      |
| 6030                              | <b>Total Expenditures</b>                         | <u>2,313</u>   | <u>4,424,200</u>    | <u>3,319,008</u>                     |
| 1100                              | Excess (deficiency) of revenues over expenditures |  |                     | <u>113,092</u>                       |
| 1200                              | Net change in fund balances                       |  |                     | 113,092                              |
| 0100                              | <b>Fund balance - Beginning</b>                   |  |                     | <u>2,012,664</u>                     |
| 3000                              | <b>Fund balance - Ending</b>                      | <u>\$</u>  | <u>\$</u>           | <u>\$ 2,125,756</u>                  |



| 480                             | 497  | 498                 |  |
|---------------------------------|--|---------------------|--|
| PISD Ed<br>Foundation<br>Grants | Bus Grant<br>and<br>Measurable<br>Outcomes | CASE<br>Partnership | Total - Other<br>Governmental<br>Funds |
| \$ 190,686                      | \$ 1,190,717                               | \$ 120,896          | \$ 9,608,225                           |
|                                 |  |                     | 7,041,946                              |
|                                 |  | 367,446             | 93,284,830                             |
| <u>190,686</u>                  | <u>1,190,717</u>                           | <u>488,342</u>      | <u>109,935,001</u>                     |
| 190,686                         |  | 442,328             | 60,002,196                             |
|                                 |  | 3,824               | 560,053                                |
|                                 |  |                     | 2,296,528                              |
|                                 |  |                     | 1,850,783                              |
|                                 |  | 42,190              | 2,793,180                              |
|                                 |  |                     | 6,374,373                              |
|                                 |  |                     | 71,633                                 |
|                                 |  |                     | 604,836                                |
|                                 | 1,190,717                                  |                     | 1,190,717                              |
|                                 |  |                     | 28,629,612                             |
|                                 |  |                     | 1,031,891                              |
|                                 |  |                     | 192,964                                |
|                                 |  |                     | 2,609,823                              |
|                                 |  |                     | 531,937                                |
|                                 |  |                     | 280,815                                |
| <u>190,686</u>                  | <u>1,190,717</u>                           | <u>488,342</u>      | <u>109,021,341</u>                     |
|                                 |  |                     | 913,660                                |
|                                 |  |                     | 913,660                                |
|                                 |  |                     | 7,764,719                              |
| <u>\$</u>                       | <u>\$</u>                                  | <u>\$</u>           | <u>\$ 8,678,379</u>                    |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*Exhibit H-3*

**COMBINING STATEMENTS OF NET ASSETS**

**INTERNAL SERVICE FUNDS**

*For the Year Ended August 31, 2011*

| <u>Data<br/>Control<br/>Codes</u> | <b>753<br/>Employee<br/>Health<br/>Insurance</b> | <b>770<br/>Worker's<br/>Compensation<br/>Fund</b> | <b>Total</b>        |
|-----------------------------------|--|---|---------------------|
| <b>Assets</b>                     |  |   |                     |
| <b>Current assets:</b>            |  |   |                     |
| 1110                              | \$ 3,057,835                                     | \$ 5,260,248                                      | \$ 8,318,083        |
| 1410                              |  | 51,374  | 51,374              |
|                                   | <u>\$ 3,057,835</u>                              | <u>\$ 5,311,622</u>                               | <u>\$ 8,369,457</u> |
| <b>Liabilities</b>                |  |   |                     |
| <b>Current Liabilities:</b>       |  |   |                     |
| 2110                              | \$ 303,856                                       | \$  | \$ 303,856          |
| 2200                              | 2,249,321  |   | 2,249,321           |
|                                   | <u>2,553,177</u>                                 |   | <u>2,553,177</u>    |
| <b>Non-current liabilities:</b>   |  |   |                     |
| 2590                              |  | 3,814,100   | 3,814,100           |
|                                   |  | <u>3,814,100</u>                                  | <u>3,814,100</u>    |
| 2000                              | <u>2,553,177</u>                                 | <u>3,814,100</u>                                  | <u>6,367,277</u>    |
| <b>Net Assets</b>                 |  |   |                     |
| 3900                              | 504,658  | 1,497,522   | 2,002,180           |
| 3000                              | <u>\$ 504,658</u>                                | <u>\$ 1,497,522</u>                               | <u>\$ 2,002,180</u> |

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**Exhibit H-4**

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

**INTERNAL SERVICE FUNDS**

*For the Year Ended August 31, 2011*

| <u>Data Control Codes</u>                | <u>753<br/>Employee Health Insurance</u>      | <u>770<br/>Worker's Compensation Fund</u> | <u>Total</u>        |
|--|---|---|---------------------|
| <b>Operating Revenues</b>                |   |   |                     |
| 5745                                     | Miscellaneous revenue from local sources      | \$ 995,736                                | \$ 995,736          |
| 5754                                     | Quasi-external interfund transactions         | 29,449,865                                | 31,249,865          |
| 5020                                     | <b>Total operating revenues</b>               | <u>30,445,601</u>                         | <u>32,245,601</u>   |
| <b>Operating Expenses</b>                |   |   |                     |
| 6100                                     | Payroll costs                                 | 7,733                                     | 806,132             |
| 6200                                     | Purchased and contracted services             | 62,848                                    | 62,848              |
| 6400                                     | Claims expense and other operating expenses   | 32,937,914                                | 32,937,914          |
| 6030                                     | <b>Total Operating Expenses</b>               | <u>33,008,495</u>                         | <u>33,806,894</u>   |
| 1200                                     | Operating Income (Loss)                       | (2,562,894)                               | (1,561,293)         |
| <b>Non-Operating Revenues (Expenses)</b> |   |   |                     |
| 7020                                     | Earnings - temporary deposits and investments | 6,850                                     | 11,499              |
|  | <b>Total Nonoperating Revenues</b>            | <u>6,850</u>                              | <u>11,499</u>       |
| 1200                                     | Change in Net Assets                          | (2,556,044)                               | (1,549,794)         |
| <b>Net Assets</b>                        |   |   |                     |
| 0100                                     | <b>Net Assets - Beginning</b>                 | <u>3,060,702</u>                          | <u>3,551,974</u>    |
| 3300                                     | <b>Net Assets - Ending</b>                    | <u>\$ 504,658</u>                         | <u>\$ 2,002,180</u> |

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

*Exhibit H-5*

|   | <b>Employee<br/>Health<br/>Insurance</b> | <b>Worker's<br/>Compensation<br/>Fund</b> | <b>Total</b>          |
|---|--|---|-----------------------|
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                                 |  |   |                       |
| <b>Cash Flows from Operating Activities:</b>  |  |   |                       |
| Cash received from customers  | \$ 995,736                               | \$  | \$ 995,736            |
| Cash receipts from quasi-external operating activities with other funds                 | 29,449,865                               | 1,801,944                                 | 31,251,809            |
| Cash payments for claims  | (25,854,268)                             | (798,399)                                 | (26,652,667)          |
| Cash payments for contract services   | (6,887,088)                              |   | (6,887,088)           |
| Cash payments to employees  | (7,733)                                  |   | (7,733)               |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                             | <u>(2,303,488)</u>                       | <u>1,003,545</u>                          | <u>(1,299,943)</u>    |
| <b>Cash Flows from Non-Capital Financing Activities:</b>                                |  |   |                       |
| Changes in claims and judgements  | (77,230)                                 | (295,949)                                 | (373,179)             |
| <b>Net Cash Provided by (Used for) Non-Capital Financing Activities</b>                 | <u>(77,230)</u>                          | <u>(295,949)</u>                          | <u>(373,179)</u>      |
| <b>Cash Flows from Investing Activities:</b>  |  |   |                       |
| Interest on investments   | 6,850                                    | 4,649                                     | 11,499                |
| <b>Net Cash Provided by Investing Activities</b>  | <u>6,850</u>                             | <u>4,649</u>                              | <u>11,499</u>         |
| Net Increase in Cash and Cash Equivalents   | (2,373,868)                              | 712,245                                   | (1,661,623)           |
| Cash and Cash Equivalents at Beginning of Year  | 5,431,703                                | 4,548,003                                 | 9,979,706             |
| <b>Cash and Cash Equivalents at End of Year</b>   | <u>\$ 3,057,835</u>                      | <u>\$ 5,260,248</u>                       | <u>\$ 8,318,083</u>   |
| <b>Reconciliation to Balance Sheet:</b>   |  |   |                       |
| Cash and Cash Equivalents Per Cash Flow   | \$ 3,057,835                             | \$ 5,260,248                              | \$ 8,318,083          |
| <b>Cash and Cash Equivalents per Balance Sheet</b>                                      | <u>\$ 3,057,835</u>                      | <u>\$ 5,260,248</u>                       | <u>\$ 8,318,083</u>   |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b> |  |   |                       |
| Operating Income (Loss)   | \$ (2,562,894)                           | \$ 1,001,601                              | \$ (1,561,293)        |
| <b>Change in Assets and Liabilities:</b>  |  |   |                       |
| Decrease (increase) in Other Assets   |  | 1,944                                     | 1,944                 |
| Increase (decrease) in Accounts Payable   | 259,406                                  |   | 259,406               |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                             | <u>\$ (2,303,488)</u>                    | <u>\$ 1,003,545</u>                       | <u>\$ (1,299,943)</u> |

## **Required TEA Schedules**

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended August 31, 2011*

| <b>Last Ten<br/>Fiscal Years</b> | <b>1</b>           |  | <b>2</b>            | <b>3</b>  | <b>10</b>                                |
|----------------------------------|--------------------|--|---------------------|---|--|
|                                  | <b>Tax Rates</b>   |  | <b>Debt Service</b> | <b>Net Assessed/Appraised<br/>Value For School<br/>Tax Purposes</b> | <b>Beginning<br/>Balance<br/>8/31/10</b> |
|                                  | <b>Maintenance</b> |  |                     |   |  |
| 2002 & prior                     | Various            |  | Various             |   | \$ 2,611,613                             |
| 2003                             | 1.515000           |  | 0.017250            | 6,421,236,921   | 737,710                                  |
| 2004                             | 1.515000           |  | 0.260000            | 6,940,927,017   | 936,058                                  |
| 2005                             | 1.515000           |  | 0.260000            | 7,483,889,115   | 1,073,867                                |
| 2006                             | 1.545000           |  | 0.260000            | 7,604,110,083   | 1,083,450                                |
| 2007                             | 1.410000           |  | 0.280000            | 8,483,545,585   | 1,139,567                                |
| 2008                             | 1.070000           |  | 0.280000            | 8,526,003,321   | 1,200,088                                |
| 2009                             | 1.070000           |  | 0.280000            | 10,387,222,963  | 1,845,925                                |
| 2010                             | 1.070000           |  | 0.280000            | 10,169,692,944  | 3,912,610                                |
| 2011                             | 1.070000           |  | 0.280000            | 9,425,999,982   |  |
| <b>1000 Totals</b>               |                    |  |                     |   | <b>\$ 14,540,888</b>                     |

*Exhibit J-1*

| <b>20</b>                                | <b>31</b>                                    | <b>32</b>                                     | <b>40</b>                                | <b>50</b>   |
|--|--|---|--|---|
| <b>Current<br/>Year's<br/>Total Levy</b> | <b>Maintenance<br/>Total<br/>Collections</b> | <b>Debt Service<br/>Total<br/>Collections</b> | <b>Entire<br/>Year's<br/>Adjustments</b> | <b>Ending<br/>Balance<br/>8/31/11</b>                             |
| \$                                       | \$ 107,021                                   | \$ 9,064                                      | \$ (60,522)                              | \$ 2,435,006  |
|  | 27,270                                       | 311   | (20,121)                                 | 690,008   |
|  | 36,905                                       | 6,333   | (23,656)                                 | 869,164   |
|  | 63,303                                       | 10,864  | (78,526)                                 | 921,174   |
|  | 90,410                                       | 15,215  | (1,955)                                  | 975,870   |
|  | 138,922                                      | 27,587  | 7,716                                    | 980,774   |
|  | 191,411                                      | 50,089  | 5,450                                    | 964,038   |
|  | 409,426                                      | 107,139                                       |  | 1,329,360   |
|  | 976,651                                      | 255,565                                       | (742,735)                                | 1,937,659   |
| <u>127,251,000</u>                       | <u>98,211,824</u>                            | <u>25,700,290</u>                             | <u>123</u>                               | <u>3,339,009</u>  |
| <u>\$ 127,251,000</u>                    | <u>\$ 100,253,143</u>                        | <u>\$ 26,182,457</u>                          | <u>\$ (914,226)</u>                      | <u>14,442,062</u>   |
|  |  |   |  | <u>9,125,510</u>  |
|  |  |   |  | <u>\$ 23,567,572</u>  |
|  |  |   |  | <u>Total taxes receivable per Governmental Fund Balance Sheet</u> |

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

*Exhibit J-2*

| Account Number | Account Name   | 1<br>(702)<br>School<br>Board | 2<br>(703)<br>Tax<br>Collection | 3<br>(701)<br>Supt's<br>Office | 4<br>(750)<br>Indirect<br>Cost | 5<br>(720)<br>Direct<br>Cost | 6<br>(other)<br>Miscellaneous | 7<br>Total    |
|----------------|--|-------------------------------|---------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------------|---------------|
| 611X-6146      | PAYROLL COSTS  |                               | \$346,027                       | \$ 758,686                     | \$ 7,264,195                   | \$ -                         | \$ -                          | \$ 8,368,908  |
| 6149           | Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)                      |                               |                                 |                                |                                |                              |                               | -             |
| 6149           | Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53) |                               |                                 |                                | 173,397                        |                              |                               | 173,397       |
| 6211           | Legal Services   |                               | -                               | 205,069                        |                                | 3,456                        |                               | 208,525       |
| 6212           | Audit Services   |                               |                                 |                                | 114,130                        |                              |                               | 114,130       |
| 6213           | Tax Appraisal and Collection (Appraisal district costs <u>only</u> from function 99)                       |                               | 1,086,952                       |                                |                                |                              |                               | 1,086,952     |
| 6214           | Lobbying   |                               |                                 |                                |                                |                              |                               | -             |
| 621X           | Other Prof. Services   |                               |                                 | 28,579                         | 147,253                        |                              |                               | 175,832       |
| 6220           | Tuition and Transfer Payments  |                               |                                 |                                | -                              |                              |                               | -             |
| 6230           | Education Service Centers  |                               |                                 |                                | 1,714                          | -                            |                               | 1,714         |
| 6240           | Contr. Maint. and Repair   |                               |                                 |                                |                                | 407,077                      |                               | 407,077       |
| 6250           | Utilities  |                               |                                 |                                |                                |                              |                               | -             |
| 6260           | Rentals  | 945                           |                                 | 1,891                          | 263,530                        |                              |                               | 266,366       |
| 6290           | Miscellaneous Contr.   |                               | 8,000                           | 7,390                          | 95,667                         |                              |                               | 111,057       |
| 6320           | Textbooks and Reading  |                               | 66                              | 3,291                          | 38,765                         |                              |                               | 42,122        |
| 6330           | Testing Materials  |                               |                                 | -                              | -                              |                              |                               | -             |
| 63XX           | Other Supplies Materials   | 204                           | 54,041                          | 12,924                         | 740,570                        |                              |                               | 807,739       |
| 6410           | Travel, Subsistence, Stipends  | 12,859                        | 2,839                           | 14,667                         | 47,430                         |                              |                               | 77,795        |
| 6420           | Ins. and Bonding Costs   |                               |                                 |                                | 227,334                        |                              |                               | 227,334       |
| 6430           | Election Costs   | 1,095                         |                                 |                                |                                |                              |                               | 1,095         |
| 6490           | Miscellaneous Operating  | 31,432                        | 2,029                           | 30,096                         | 277,057                        |                              |                               | 340,614       |
| 6500           | Debt Service   |                               |                                 |                                |                                |                              |                               | -             |
| 6600           | Capital Outlay   |                               |                                 |                                |                                |                              | 317,354                       | 317,354       |
| 6000           | TOTAL  | \$ 46,535                     | \$ 1,499,954                    | \$ 1,062,593                   | \$ 9,391,042                   | \$ 410,533                   | \$ 317,354                    | \$ 12,728,011 |

Total expenditures/expenses for General and Special Revenue Funds  
 (plus Food Service Enterprise Fund if present) 9 \$458,460,475

Less: Deductions of Unallowable Costs

| Fiscal Year                                |                       |
|--|-----------------------|
| Total Capital Outlay (6600)                | 10 <u>\$7,496,970</u> |
| Total Debt & Lease (6500)                  | 11 <u>308,976</u>     |
| Plant Maintenance (Function 51, 6100-6400) | 12 <u>44,283,869</u>  |
| Food (Function 35, 6341 and 6499)          | 13 <u>13,768,617</u>  |
| Stipends (6413)                            | 14 <u>9,391,042</u>   |
| Column 4 (above) - Total Indirect Cost     | <u>9,391,042</u>      |
| Subtotal:                                  | <u>\$75,249,474</u>   |
| Net Allowed Direct Cost                    | <u>383,211,001</u>    |

| Cumulative  |                         |
|---|-------------------------|
| Total Cost of Buildings before Depreciation (1520)                  | 15 <u>\$793,191,717</u> |
| Historical Cost of Buildings over 50 years old                      | 16 <u>9,606,609</u>     |
| Amount of Federal Money in building Cost (Net of #16)               | 17 <u>82,389,259</u>    |
| Total Cost of Furniture & Equipment before Depreciation (1530&1540) | 18 <u>7,684,172</u>     |
| Historical Cost of Furniture & Equipment over 16 years old          | 19 <u>-</u>             |
| Amount of Federal Money in Furniture & Equipment (Net of #19)       | 20 <u>-</u>             |

(8) Note A - \$1,704,617 in Function 53 expenditures are included in this report on administrative costs.  
\$1,086,952 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, 2011**

*Exhibit J-3*

| <b>Data<br/>Control<br/>Code</b> | <b>Explanation</b>   | <b>Amount</b>          |
|----------------------------------|--|------------------------|
| 1.                               | Total General Fund Balance 8/31/11 (Exhibit C-1 object 3000 for the General Fund only)   | \$ 92,854,216          |
| 2.                               | Total Nonspendable Fund Balance 8/31/11 (from Exhibit C-1 - total of object 341X-344X for the General Fund only)   | 6,542,969              |
| 3.                               | Total Restricted Fund Balance 8-31-11 (from Exhibit C-1 - total of object 345X-349X for the General Fund only)   |                        |
| 4.                               | Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)  | 30,000,000             |
| 5.                               | Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)   | 8,136,653              |
| 6.                               | Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)  | 5,000,000              |
| 7.                               | Estimate of two month's average cash disbursements during fiscal year  | 60,000,000             |
| 8.                               | Estimate of delayed payments from state sources (58xx)   |                        |
| 9.                               | 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 |                        |
| 10.                              | Estimate of delayed payments from federal sources (59xx)   | 3,200,000              |
| 11.                              | 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)                          |                        |
| 12.                              | General Fund Optimum Balance and Cash Flow (2+3+4+5+6+7+8+9+10+11)   | <u>112,879,622</u>     |
| 13.                              | Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-13)  | <u>\$ (20,025,406)</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

Exhibit J-4

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION PROGRAM FUND

For the Year Ended August 31, 2011

| Data<br>Control<br>Codes | Budget                                |                     |                     | Variance with<br>Final Budget<br>Favorable |                   |
|--------------------------|---------------------------------------|---------------------|---------------------|--|-------------------|
|                          | Original                              | Final               | Actual              |  |                   |
| <b>Revenues</b>          |                                       |                     |                     |  |                   |
| 5700                     | Local, Intermediate, and Out-of-State | \$ 5,792,553        | \$ 5,792,553        | \$ 4,652,826                               | \$ (1,139,727)    |
| 5800                     | State Program Revenues                | 732,274             | 732,274             | 69,613                                     | (662,661)         |
| 5900                     | Federal Program Revenues              | 21,655,021          | 21,655,021          | 24,790,348                                 | 3,135,327         |
| 5020                     | <b>Total Revenues</b>                 | <u>28,179,848</u>   | <u>28,179,848</u>   | <u>29,512,787</u>                          | <u>1,332,939</u>  |
| <b>Expenditures</b>      |                                       |                     |                     |  |                   |
| <b>Current:</b>          |                                       |                     |                     |  |                   |
| 0035                     | Food Services                         | <u>28,179,848</u>   | <u>28,179,848</u>   | <u>28,629,612</u>                          | <u>(449,764)</u>  |
| 6030                     | <b>Total Expenditures</b>             | <u>28,179,848</u>   | <u>28,179,848</u>   | <u>28,629,612</u>                          | <u>(449,764)</u>  |
| 1200                     | Increase (Decrease) in Fund Balance   |                     |                     | 883,175                                    | 883,175           |
| 0100                     | <b>Fund Balance - Beginning</b>       | <u>5,659,139</u>    | <u>5,659,139</u>    | <u>5,659,139</u>                           |                   |
| 3000                     | <b>Fund Balance - Ending</b>          | <u>\$ 5,659,139</u> | <u>\$ 5,659,139</u> | <u>\$ 6,542,314</u>                        | <u>\$ 883,175</u> |

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit J-5

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2011

| Data Control Codes                    | Budget   |                      |                      | Variance with Final Budget Favorable |                     |
|---------------------------------------|--|----------------------|----------------------|--------------------------------------|---------------------|
|                                       | Original                                       | Final                | Actual               |                                      |                     |
| <b>Revenues</b>                       |  |                      |                      |                                      |                     |
| 5700                                  | Local, Intermediate, and Out-of-State          | \$ 28,500,000        | \$ 28,500,000        | \$ 28,203,681                        | \$ (296,319)        |
| 5800                                  | State Program Revenues                         | 15,400,000           | 15,400,000           | 14,207,728                           | (1,192,272)         |
| 5020                                  | <b>Total Revenues</b>                          | <u>43,900,000</u>    | <u>43,900,000</u>    | <u>42,411,409</u>                    | <u>(1,488,591)</u>  |
| <b>Expenditures</b>                   |  |                      |                      |                                      |                     |
| <b>Debt Service:</b>                  |  |                      |                      |                                      |                     |
| 0071                                  | Principal on long-term debt                    | 20,500,000           | 20,500,000           | 16,225,000                           | 4,275,000           |
| 0072                                  | Interest on long-term debt                     | 23,000,000           | 22,600,000           | 17,641,904                           | 4,958,096           |
| 0073                                  | Bond issuance costs and fees                   | 400,000              | 800,000              | 784,435                              | 15,565              |
| 6030                                  | <b>Total Expenditures</b>                      | <u>43,900,000</u>    | <u>43,900,000</u>    | <u>34,651,339</u>                    | <u>9,248,661</u>    |
| 1100                                  | Excess (Deficiency) Revenues Over Expenditures |                      |                      | <u>7,760,070</u>                     | <u>7,760,070</u>    |
| <b>Other Financing Sources (Uses)</b> |  |                      |                      |                                      |                     |
| 7940                                  | Other resources                                |                      |                      |                                      |                     |
| 1200                                  | Increase (Decrease) in Fund Balance            |                      |                      | <u>7,760,070</u>                     | <u>7,760,070</u>    |
| 0100                                  | <b>Fund Balance - Beginning</b>                | <u>44,834,851</u>    | <u>44,834,851</u>    | <u>44,834,851</u>                    |                     |
| 3000                                  | <b>Fund Balance - Ending</b>                   | <u>\$ 44,834,851</u> | <u>\$ 44,834,851</u> | <u>\$ 52,594,921</u>                 | <u>\$ 7,760,070</u> |

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**Federal Awards Section**

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

To the Board of Trustees  
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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

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

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

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

To the Board of Trustees  
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 direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

  
Texas City, Texas  
January 24, 2012



**Independent Auditors' Report on Compliance with Requirements that  
Could have a Direct and Material Effect on 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 Pasadena Independent School District's (the "District") compliance with the types of requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

***Internal Control over Compliance***

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

To the Board of Trustees  
Pasadena Independent School District  
Pasadena, Texas  
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Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

***Closing***

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

  
Texas City, Texas  
January 24, 2012

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

**I. Summary of Auditors' Results**

**Financial Statements**

|  |               |
|--|---------------|
| Type of auditors' report issued:   | Unqualified   |
| Internal control over financial reporting:   |               |
| Material weakness(es) identified?  | No            |
| Significant 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>U.S. 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)                         | 84.389A             |
| Special Education Cluster:  |                     |
| IDEA, Part B - Formula  | 84.027A             |
| IDEA, Part B - Preschool  | 84.173A             |
| IDEA, Part B - Formula (ARRA)   | 84.391A             |
| IDEA, Part B - Preschool (ARRA)   | 84.392A             |
| School Improvement Grants (ARRA)  | 84.388A             |
| Title XIV - State Fiscal Stabilization Funds (ARRA)                       | 84.394A             |
| 1. Dollar Threshold Considered Between Type A and Type B Federal Programs | \$2,825,314         |
| 2. Auditee qualified as low-risk auditee?                                 | Yes                 |

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For The Year Ended August 31, 2010**

**II. Financial Statement Findings**

There are no current year findings.

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

There are no current federal award findings.

**IV. Status Of Prior Year Findings**

There were no prior year findings

PASADENA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2011

Exhibit K-1

Page 1 of 2

| Data Control Codes   | (1)<br>Federal Grantor/<br>Pass-Through Grantor/<br>Program Title       | (2)<br>Federal CFDA<br>Number | (2A)<br>Pass-Through<br>Entity Identifying<br>Number | (3)<br>Federal<br>Expenditures |
|--|---|-------------------------------|--|--------------------------------|
| <b>U.S Department of Education</b>   |   |                               |  |                                |
| <b>Direct Programs:</b>  |   |                               |  |                                |
| 274  | GEAR UP Success   | 84.334A                       | P334A060082  | \$ 1,172,831                   |
| 289  | Teaching American History   | 84.215X                       | U215X80069   | 411,562                        |
| 288  | Carol White Physical Education  | 84.215F                       | Q215F100246  | 428,846                        |
| <b>Total Direct Programs</b>   |   |                               |  | <u>2,013,239</u>               |
| <b>Passed Through State Department of Education:</b>                             |   |                               |  |                                |
| 211  | Title I, Part A - Improving Basic Programs*                             | 84.010A                       | 11610101101917                                       | 14,684,646                     |
| 211  | Title I, Part A - Improving Basic Programs*                             | 84.010A                       | 12610101101917                                       | 938,912                        |
| 212  | ESEA, Title I, Part C - Education Of Migratory Children                 | 84.011A                       | 11615001101917                                       | 202,040                        |
| 212  | ESEA, Title I, Part C - Education Of Migratory Children                 | 84.011A                       | 12615001101917                                       | 16,100                         |
| 224  | IDEA - Part B, Formula**  | 84.027A                       | 116600011019176600                                   | 5,935,511                      |
| 224  | IDEA - Part B, Formula**  | 84.027A                       | 126600011019176000                                   | 472,716                        |
| 225  | IDEA - Part B, Preschool**  | 84.173A                       | 116610011019176610                                   | 63,286                         |
| 225  | IDEA - Part B, Preschool**  | 84.173A                       | 126610011019176610                                   | 2,624                          |
| 244  | Carl Perkins-Basic Grant  | 84.048A                       | 11420006101917                                       | 640,959                        |
| 244  | Carl Perkins-Basic Grant  | 84.048A                       | 12420006101917                                       | 73,570                         |
| 255  | Title II, Part A - TPTR   | 84.367A                       | 11694501101917                                       | 2,041,556                      |
| 255  | Title II, Part A - TPTR   | 84.367A                       | 12694501101917                                       | 172,888                        |
| 263  | Title III, Part A English Language Acquisition and Language Enhancement | 84.365A                       | 11671001101917                                       | 1,465,199                      |
| 263  | Title III, Part A English Language Acquisition and Language Enhancement | 84.365A                       | 12671001101917                                       | 71,859                         |
| 265  | Title IV, Part B 21st Century Community Learning Centers                | 84.287C                       | 116950167110033                                      | 74,439                         |
| 266  | Title XIV State Fiscal Stabilization Funds Grant (ARRA)                 | 84.394A                       | 11557001101917                                       | 25,793,479                     |
| 279  | Title II, Part D Technology (ARRA)                                      | 84.386A                       | 10553001101917                                       | 119,843                        |
| 279  | Target Teach in Texas (T3) Collaborative Grant (ARRA)                   | 84.386A                       | 10553002710037                                       | 190,021                        |
| 283  | IDEA - B Formula (ARRA)**   | 84.391A                       | 10554001101917                                       | 4,731,071                      |
| 284  | IDEA - B Preschool (ARRA)**   | 84.392A                       | 10555001101917                                       | 199,867                        |
| 285  | Title I, Part A - Improving Basic Programs (ARRA)*                      | 84.389A                       | 10551001101917                                       | 3,581,278                      |
| 286  | Texas Title 1 Priority Schools (ARRA)                                   | 84.388A                       | 105520017110050                                      | 652,376                        |
| 286  | Texas Title 1 Priority Schools(ARRA)                                    | 84.388A                       | 105520017110051                                      | 1,141,962                      |
| 289  | Summer School LEP-RD 16   | 84.369A                       | 69551102   | 69,900                         |
| <b>Total Passed through State Department of Education</b>                        |   |                               |  | <u>63,336,102</u>              |
| <b>Passed through the Harris Department of Education:</b>                        |   |                               |  |                                |
| 265  | Title IV, Part B 21st Century Community Learning Centers                | 84.287                        | 1746001215   | 452,042                        |
| 265  | Title IV, Part B 21st Century Community Learning Centers                | 84.287                        | 1746001215   | 74,706                         |
| 265  | Title IV, Part B 21st Century Community Learning Centers                | 84.287                        | 1746001215   | 5,769                          |
| <b>Total Passed through the Harris Department of Education</b>                   |   |                               |  | <u>532,517</u>                 |
| <b>Passed through the Region X:</b>  |   |                               |  |                                |
| 288  | Homeless Education Disaster   | 84.196                        | S383A090021  | 131,295                        |
| 280  | Homeless Education (ARRA)   | 84.387A                       | TXMVP-2  | 71,319                         |
| <b>Total Passed through Region X</b>   |   |                               |  | <u>202,614</u>                 |
| <b>Passed through the Intercultural Development Research Association (IDRA):</b> |   |                               |  |                                |
| 289  | IDRA Transitions Project  | 84.350A                       | U350B090010  | 1,983                          |
| <b>Total Passed through the IDRA</b>   |   |                               |  | <u>1,983</u>                   |
| <b>Total U.S. Department of Education</b>  |   |                               |  | <u><u>66,086,455</u></u>       |

PASADENA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2011

Exhibit K-1

Page 2 of 2

| Data Control Codes  | (1)<br>Federal Grantor/<br>Pass-Through Grantor/<br>Program Title | (2)<br>Federal CFDA Number | (2A)<br>Pass-Through Entity Identifying Number | (3)<br>Federal Expenditures |
|---|---|----------------------------|--|-----------------------------|
| <b>U.S. Department of Agriculture</b>                           |   |                            |  |                             |
| <b>Passed Through the Texas Department of Agriculture:</b>      |   |                            |  |                             |
| Non Cash assistance (commodities):                              |   |                            |  |                             |
| 240   | National School Lunch Program**                                   | 10.555                     | 00527  | \$ 2,218,346                |
| 240   | Fresh Fruits and Vegetable Program                                | 10.558                     | 00527  | 38,059                      |
| Cash Assistance   |   |                            |  |                             |
| 242   | Summer Feeding  | 10.559                     | 00527  | 611,513                     |
| <b>Total Passed Through the Texas Department of Agriculture</b> |   |                            |  | <b>2,867,918</b>            |
| <b>Passed Through State Department of Education:</b>            |   |                            |  |                             |
| Cash Assistance:  |   |                            |  |                             |
| 240   | School Breakfast Program**  | 10.553                     | 71400901                                       | 5,028,679                   |
| 240   | National School Lunch Program**                                   | 10.555                     | 71300901                                       | 16,893,751                  |
| <b>Total Passed Through State Department of Education:</b>      |   |                            |  | <b>21,922,430</b>           |
| <b>Total U.S. Department of Agriculture</b>                     |   |                            |  | <b>24,790,348</b>           |
| <b>U.S. Department of Health and Human Services</b>             |   |                            |  |                             |
| <b>Passed Through State Department of Education:</b>            |   |                            |  |                             |
| 199   | Medicaid  | 93.778                     | 529-07-0157-00079                              | 61,636                      |
| 498   | CASE  | 93.575                     | 1746001215                                     | 367,446                     |
| <b>Total U.S Department of Health and Human Services</b>        |   |                            |  | <b>429,082</b>              |
| <b>U.S. Department of Homeland Security</b>                     |   |                            |  |                             |
| <b>Passed through Texas department of Public Safety</b>         |   |                            |  |                             |
|   | Public Assistance Grant - FEMA Aid                                | 97.036                     | 1791-DR-TX                                     | 2,320,348                   |
| <b>Total U.S. Department of Homeland Security</b>               |   |                            |  | <b>2,320,348</b>            |
| <b>U.S. Department of Justice</b>                               |   |                            |  |                             |
| <b>Direct Programs:</b>   |   |                            |  |                             |
| 288   | Internet Crimes Against Children                                  | 16.543                     | 2009-MC-CX-K051                                | 495,182                     |
| <b>Total Direct Programs</b>                                    |   |                            |  | <b>495,182</b>              |
| <b>Passed through State Department of Education:</b>            |   |                            |  |                             |
| 289   | Internet Crimes Against Children (ARRA)                           | 16.800                     | 1018407  | 55,722                      |
| <b>Total Passed through State Department of Education:</b>      |   |                            |  | <b>55,722</b>               |
| <b>Total U.S. Department of Justice</b>                         |   |                            |  | <b>550,904</b>              |
| <b>Total Expenditures of Federal Awards</b>                     |   |                            |  | <b>\$ 94,177,137</b>        |

\* Title I, Part A Cluster

\*\* Special Education Cluster

\*\*\* Child Nutrition Cluster

**Note 1 - Basis of Accounting**

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

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

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

**Note 2 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

**Note 3 - Reconciliation to Basic Financial Statements**

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

|                                      |                             |
|--------------------------------------|-----------------------------|
| Total Expenditures of Federal Awards | \$ 94,177,137               |
| SHARS                                | 3,882,021                   |
| ROTC                                 | 270,168                     |
| E-Rate                               | 383,724                     |
| Other Federal Revenue                | 138,907                     |
| Reconciled balance                   | <u><u>\$ 98,851,957</u></u> |

**Note 4 - General Fund Expenditures**

Federal awards reported in the general fund are summarized as follows:

|                                     |                      |
|-------------------------------------|----------------------|
| Related Expenditures on Exhibit C-3 |                      |
| General Fund                        | \$ 5,567,127         |
| Special Revenue Funds               | 93,284,830           |
|                                     | <u>\$ 98,851,957</u> |