



Independent School District

Comprehensive Annual
Financial Report

For the Year Ended
August 31, 2008

*Alief Independent School District
4250 Cook Road
Houston, Texas 77072
www.aliefisd.net*



Independent School District

Comprehensive Annual Financial Report
For the Year Ended August 31, 2008

Prepared by the Business Services Division:

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Deputy Superintendent of Business
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Controller
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Accountant

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**Alief Independent School District
Comprehensive Annual Financial Report
For the Year Ended August 31, 2008
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Introductory Section

**Alief Independent School District
Principal Officials and Advisors**

Board of Trustees

<u>Board of Trustees</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Ms. Sarah Winkler, President	11 Years	2009	Homemaker
Mr. Nghi Ho, Vice-President	8 Years	2009	Financial Planner
Dr. John Hansen, Secretary	15 Years	2011	Investment Manager
Mr. Rick Moreno, Asst. Secretary	1 Year	2011	Paramedic
Mr. Gary Cook, Member	10 Years	2009	Hospital Administration
Mr. Charles Cothran, Member	3 Years	2009	Retired School Administrator
Ms. Ann Williams, Member	1 Year	2011	Information Systems Engineer

Administrative Officials

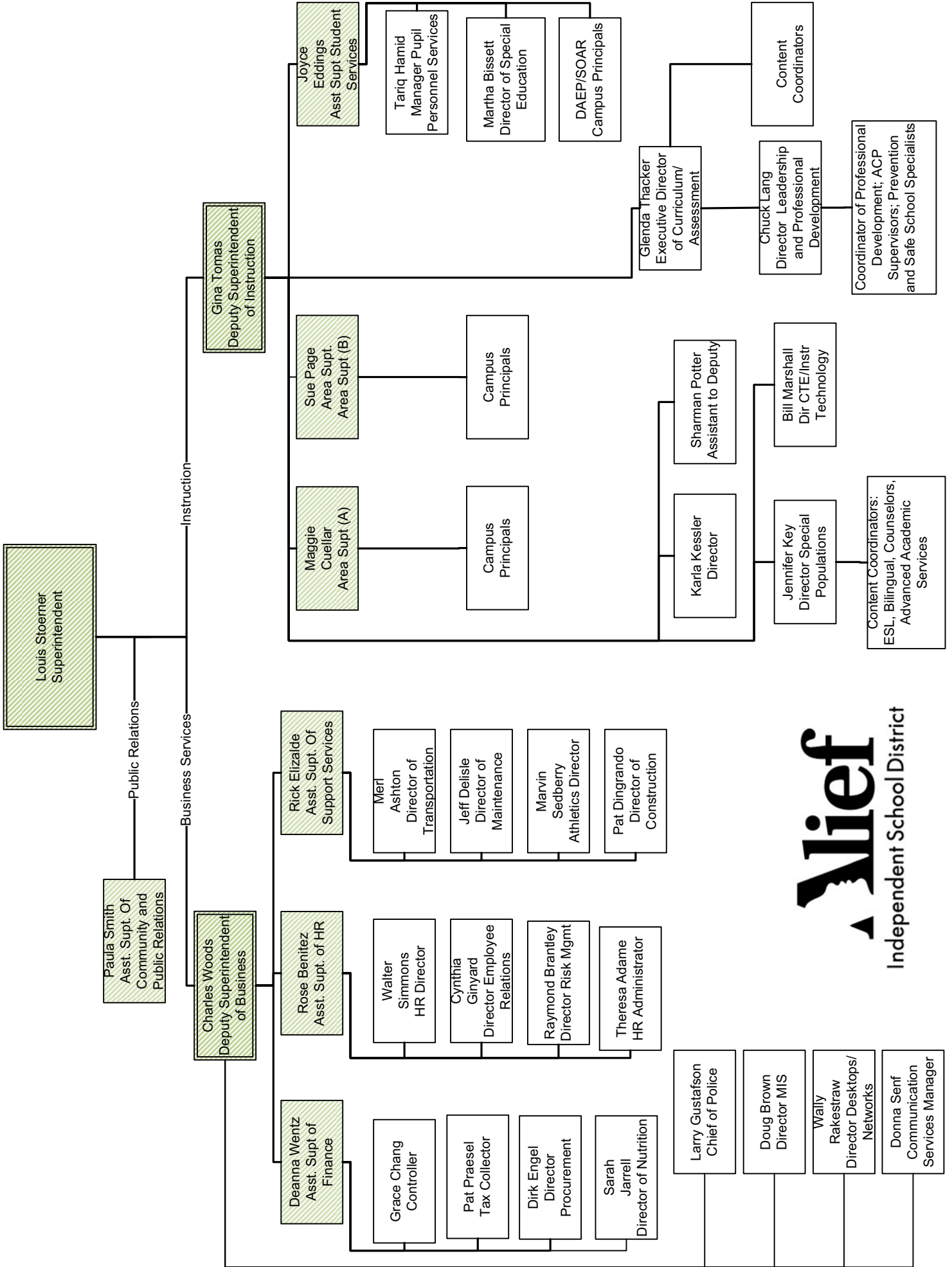
<u>Official</u>	<u>Position</u>	<u>Length of Service</u>
Dr. Louis Stoerner	Superintendent of Schools	20 Years
Mr. Charles Woods	Deputy Superintendent of Business	12 Years
Ms. Gina Tomas	Deputy Superintendent of Instruction	21 Years
Ms. Deanna Wentz	Assistant Superintendent of Finance	13 Years

Consultants and Advisors

Vinson & Elkins, L.L.P.
Bond Counsel – Houston, Texas

Coastal Securities
Financial Advisor – Houston, Texas

Null-Lairson, P.C.
Independent Auditors – Houston, Texas



January 20, 2009

Board of Trustees
Alief Independent School District
Harris County, Texas

Dear Board Members:

State law requires that all general-purpose local governments publish within 150 days of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Alief Independent School District for the fiscal year ended August 31, 2008.

This report consists of management’s representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. In order to provide a reasonable basis for making those representations, management of the District has established a comprehensive internal control framework that is designed to protect the government’s assets from loss, theft, or misuse. Additionally, the internal control framework is designed to compile sufficient reliable information for the preparation of the District’s financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the District’s comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Null-Lairson, P.C., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2008 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District’s financial statements for the fiscal year ended August 31, 2008 are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District’s separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

The Alief Independent School District, established in 1917, encompasses 36.6 square miles in southwest Harris County. The District is an independent political subdivision of the State of Texas governed by an elected board of trustees. The board is elected to staggered four-year terms by the District's residents. The District is located primarily within the City of Houston and totally within Harris County, Texas. The Alief Independent School District has a population of approximately 250,000 and employs approximately 5,941 employees. These employees adequately provide educational services for the 45,257 students enrolled in the Alief Independent School District. The twenty-four elementary schools (pre-kindergarten through fourth or fifth grade), six intermediate schools (fifth and sixth grades), six middle schools (sixth or seventh grade through eighth grade), two ninth grade centers, and four high schools (ninth or tenth grade through twelfth grade) are accredited by the Southern Association of Colleges and Schools and the Texas Education Agency.

The Alief Independent School District provides a full range of educational services appropriate to grade levels pre-kindergarten through twelfth grade. These include regular and enriched academic education, special education for handicapped students, occupational education, and educational services for those with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in fine arts, athletics, and other extracurricular programs.

Budgeting

The annual budget serves as the foundation for the District's financial planning and control. The budget process begins in January when the Long-Range Plan is presented to the Board of Trustees. The enrollment projections contained in this plan form the basis for significant budgetary decisions including per pupil allocations to each campus, instructional staffing allocations, and other required service levels. Once the Long-Range Plan is approved, the Board of Trustees can begin discussions concerning budget strategies and priorities, and establish the budget calendar. Personnel units are allocated to each campus based on projected student enrollment following state mandated ratios, as applicable. Each campus receives a basic allotment per student to be used for supplies, materials, equipment, staff development and other appropriate instructional costs. Decisions concerning utilization of this allocation are made by the site-based decision making teams. Budgets for non-campus units are developed by department heads and reviewed by the Budget Committee. Following the budget development process, consolidated budgetary information is presented to the Board of Trustees in workshops and regular meetings. The proposed budget must be prepared by August 20th for a September 1st fiscal year start date. The Board President must call a board meeting for the purpose of discussing and adopting the budget and the tax rate. A notice of this meeting is required to be published at least 10 days, but not more than 30 days before the public meeting. Budget-to-actual comparisons are provided in this report for each individual governmental fund or program for which an appropriated annual budget has been adopted.

The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditure categories require Board of Trustee approval. However, budget changes not requiring an increase in total appropriations and within functional categories may be approved by management without Board approval.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy

The local economy is based predominantly on commercial and financial activities. Shell Development Company's Westhollow Research Center is situated in the western portion of the District. Chevron Chemical is also located in the District, as is the world headquarters of Western Geophysical, a division of Baker Hughes. The area economy remains strong, with property values increasing over 4% for each of the last five years.

Approximately 44% of Alief students reside in apartments, while the remaining 56% reside in the various residential subdivisions in the District. Since apartment construction, occupancy rates, and development of residential subdivisions heavily influence enrollment rates. District personnel carefully monitor these factors throughout the year.

During the 2005-06 fiscal year, the District's enrollment increased significantly due to hurricane evacuee students, and the October, 2005 enrollment count was 47,664, which included over 2,000 evacuee students. The increase was followed by a corresponding decrease in 2006-07 with an October, 2006 enrollment of 45,740. The projected enrollment for fiscal year 2007-08 was 44,716 – down 1,024 from the previous year. However, actual October, 2007 enrollment was 45,257, so the decline was not as much as anticipated.

State Funding

The State of Texas provides funding for public education via a financing formula which weights student attendance levels, property value per student, the District's tax effort, and regional variations in payroll and other costs. The District is considered a "property-poor" school district because the assessed value of property per student is lower than the statewide average. The statewide taxable value per student for 2007-08 was \$333,420, while the comparable value for the District was \$244,383.

Statewide, many districts were taxing at \$1.50 tax cap for maintenance and operations in 2005. The Legislature passed House Bill 1 (H.B.1) mandating districts to compress tax rates by 88.67% of the 2005 maintenance and operations tax rates (\$1.33 for Alief) for 2006 and by 66.67% of the 2005 maintenance and operations tax rates (\$1.00 for Alief) for 2007. Districts were then able to assess an additional four cents above the compressed rate for enrichment without a voter election. The State holds each district harmless by capping the target revenue as combined state and local revenue per weighted student the district had in 2005-06, or would have had in 2006-07 under old law. This adjustment to the target essentially holds the District's combined state and local revenue at the amount received in 2005-06 per weighted student level.

Cash Management

Cash available in excess of cash requirements was invested in the one of three investment pools used by the District and government agency securities. The District participates in Texpool, the Local Government Investment Cooperative (LOGIC), and Lone Star investment pools. The District's investment policy is to minimize risk while maintaining a competitive yield on its portfolio. The District's deposits were entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance and pledged collateral for the year ended August 31, 2008.

Risk Management

The District's risk management program encompasses various means of protecting the District against loss. District instructional facilities range in age from forty to one year. Property and casualty insurance on all facilities, fixtures, and equipment is provided by commercial carriers and liability insurance coverage is provided by participation in a public entity risk pool administered by the Texas Political Subdivision. The Risk Management Department of the District strives to ensure the safety and health of the students and employees through its accident prevention programs, safety education programs, and safety inspections.

Risk Management (continued)

In addition, the District strives to maintain employee benefit programs designed to retain and attract qualified personnel. To achieve this, the District operates a self-funded health insurance program and is covered by an excess loss insurance policy for claims exceeding a specified limit. Various types of insurance coverages are made available to employees. Portions of the coverages available, such as medical and life insurance, are partially paid by the District. The District also operates a self-funded workers compensation program with an emphasis on cost control of claims.

Major Initiatives and Accomplishments

In September 2003, the voters in the Alief Independent School District approved a \$175 million bond referendum. Currently, \$108 million of these bonds have been issued with the remaining authorized amount scheduled to be issued in various increments over the next seven years. The planned use of these funds originally included construction of several new facilities. However, these plans have been revised for renovations, additions, and maintenance to existing campuses due to current enrollment trends.

Implementation of the Long-Range Technology Plan is still in effect, which will enable children to experience hands on learning utilizing leading edge technologies. New computer labs are being installed to improve academic success through computer-assisted learning. The success of these and many other programs is evident in the continued improvement in student performance on the Texas Assessment of Knowledge and Skills (TAKS) Test.

The 2007-08 financial structure of the Alief Independent School District provided support to work toward or accomplish the following goals:

1. Provided competitive salary to District employees. The education of students is a labor-intensive process and payroll expenditures comprise approximately 88% of the General Fund expenditures. The Board voted to approve a salary increase of 4% on midpoint for all personnel. The approximate cost of this increase was \$9.2 million. With the revenue held at the 2005-06 per weighted student level, the District changed the block schedule at the secondary level to a more traditional seven-period day. Research does not show a definitive advantage in using a block schedule and some research indicates the daily contact with a subject is advantageous to struggling students. Seven-period day scheduling allows for a reduction in the teaching units needed, and this reduction assisted in funding the salary increase for this year.
2. Maintained a fiscally responsible tax rate. The Board approved using the additional 4 pennies available to balance the budget for 2006-07. In 2007-08, the tax rate was compressed to \$1.04 as required by H.B. 1 while keeping the general fund balance of approximately \$76.4 million. This fund balance represents approximately 3 months of expenditures or approximately 24% of the annual budgeted expenditures.
3. Structured fiscally responsible debt retirement schedules. Alief continues to retire debt at an aggressive pace. Within the next 10 years, Alief will retire approximately 76% of the currently issued debt, compared to the state average of 39%.

Awards and Acknowledgements

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to the Alief Independent School District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2007. We believe that our current report continues to conform to the high standards of the certificate of excellence program, and we are submitting it to ASBO.

In addition, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Alief Independent School District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2007.

Awards and Acknowledgements (continued)

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

The District also received the GFOA's Distinguished Budget Presentation Award and the ASBO's Meritorious Budget Award for its annual budget document. In order to qualify for these budget awards the budget document was judged to be proficient in several categories as specified by these two organizations.

The financial management staff of the Alief Independent School District wishes to express its appreciation to the Board of Trustees for their concern in providing fiscal accountability to the patrons of the District and thereby contributing their full support in the development of one of the best educational financial operations within the State of Texas. The preparation of this report could not have been accomplished without the dedicated services of the District's Accounting Department as well as the technical support provided by the independent auditing firm of Null-Lairson, P.C. Sincere appreciation is extended to those personnel who assisted and contributed to the preparation of the Comprehensive Annual Financial Report.

Sincerely,



Dr. Louis B. Stoerner
Superintendent



Mr. Charles Woods
Deputy Superintendent of Business



Ms. Deanna Wentz
Assistant Superintendent of Finance

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

ALIEF INDEPENDENT SCHOOL DISTRICT

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended August 31, 2007**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Grome E. Brendel

President

John D. Quasar

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alief Independent
School District
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. T.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos", positioned above the title "Executive Director".

Executive Director

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CERTIFICATE OF BOARD

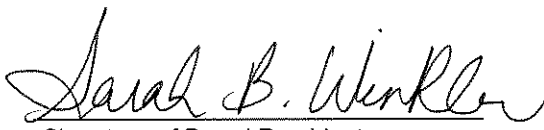
Alief Independent School District
Name of School

Harris
County

101-903
Co.-Dist. Number

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


Signature of Board Secretary


Signature of Board President

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Financial Section

Independent Auditors' Report

To the Board of Trustees
Alief Independent School District
Houston, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report
Alief Independent School District
Page 2

The management's discussion and analysis and budgetary comparison information on pages 13 to 22 and pages 55 through 57, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents includes combining and individual fund financial statements and compliance schedules required by the Texas Education Agency that are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in the combining and individual fund financial statements and compliance schedules required by the Texas Education Agency, except for information included in the compliance schedule marked as "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information in the Introductory Section and Statistical Section listed in the foregoing table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Nell Garrison, P. e.

Houston, Texas
January 20, 2009

Management's Discussion and Analysis

In this section of the comprehensive annual financial report, we offer readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2008. Please read it in conjunction with the independent auditors' report and the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$258,551,578 (net assets). Of this amount, \$83,101,360 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's net assets increased \$5,952,520 as a result of this year's operations.
- The District's governmental funds reported combined ending fund balances of \$94,699,756. Approximately 79% of this total amount, \$74,693,136, is available for spending at the government's discretion (unreserved, undesignated fund balance).
- The combined ending fund balances for the District's governmental funds decreased \$16,457,534 due primarily to a decrease in the fund balance of the capital projects fund.
- The General Fund ended the year with an unreserved, undesignated fund balance of \$74,693,136 or 24% of the total general fund expenditures.

Overview of the Financial Statements

This annual report consists of a series of financial statements plus additional supplemental information as required by its state oversight agency, the Texas Education Agency. The District's basic financial statements consist of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net assets and the statement of activities (on pages 23 and 24), which are prepared using accounting principles that are similar to commercial enterprises. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters.

The statement of net assets includes all the District's assets and liabilities at the end of the year, with the difference between the two reported as *net assets*. This difference is similar to the total owners' equity presented by a commercial enterprise. All the District's assets are reported, whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years. Although the purpose of the District is not to accumulate net assets, in general, as the amount increases, it may indicate that the financial position of the District is improving over time. To fully assess the overall health of the District, however, you should consider other factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

Management's Discussion and Analysis (continued)

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied, and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period, and expenses are recorded even though they may not have used cash during the current period.

The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received for summer school and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds, and revenues provided by the taxpayers or by TEA in the equalization funding processes (general revenues). Although the statement of activities looks different from a commercial enterprise's income statements, the financial statement is different only in format, not substance.

The financial information for the year ended August 31, 2008 includes the District's catering services program, day care services program, and after school program. The catering services program offers catered meals and snacks for District meetings, the day care facilities offer child care services to employees, while the after school program provide K-6th grade students homework help and enrichment activities. The costs associated with these programs are accounted for as business-type activities

The District has no component units for which it is financially accountable.

Fund Financial Statements

Fund financial statements (starting on page 25) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds – not the District as a whole. For governmental activities, these statements tell how services were financed in the short term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or outside parties and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

Laws and contracts require the District to establish some funds, such as the debt service fund. The District's administration establishes other funds to help it control and manage money for particular purposes.

All of the District's funds 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 government'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 government'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 reconciliation to facilitate this comparison between governmental funds and governmental activities.

Management's Discussion and Analysis (continued)

The District maintains several individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in fund financial statements for the general fund, special revenue fund, debt service fund, and capital projects fund, all of which are considered major funds. The District adopts an annual appropriated budget for its general fund, food service program within the special revenue fund, and debt service fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Proprietary funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types – enterprise and internal service funds. The District's enterprise fund is used to account for its business-type activities, a day care program, a catering service program, and an after school program. The internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the internal service fund to report activities for its self-funded insurance programs. The basic proprietary fund financial statements can be found on pages 30-32 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Assets and Liabilities on page 33 and a Statement of Changes in Assets and Liabilities on page 61. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The district is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the basic financial statements

The notes to the financial statements (starting on page 34) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Other 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. Required supplementary information can be found on pages 55-57 of this report.

Other supplementary information including combining statements and compliance schedules can be found on pages 58-67 of this report.

Government-Wide Financial Analysis

The District's overall financial position and operations for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

The District's total assets exceeded total liabilities by \$258,551,578. The District's unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$83,101,360 on August 31, 2008. Unrestricted net assets decreased \$4,292,801 from the prior year.

Management's Discussion and Analysis (continued)

Net Assets Summary

	Governmental Activities		Business-type Activities		Total	
	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007
Cash and cash equivalents	\$ 85,479,170	\$ 99,721,144	\$ 300		\$ 85,479,470	\$ 99,721,144
Investments	16,058,402	33,106,773			16,058,402	33,106,773
Receivables	23,759,518	12,584,005	(16,059)	\$ (94,848)	23,743,459	12,489,157
Inventories, at cost	1,709,219	1,596,077			1,709,219	1,596,077
Deferred expenditures		120,651			-	120,651
Capital bond, debt costs	1,792,974	1,807,181			1,792,974	1,807,181
Capital assets, net of accumulated depreciation	408,869,582	402,313,809	96,662	113,646	408,966,244	402,427,455
Total assets	537,668,865	551,249,640	80,903	18,798	537,749,768	551,268,438
Accounts payable	9,093,228	9,544,762	609	835	9,093,837	9,545,597
Interest payable	483,103	526,518			483,103	526,518
Payroll deductions	672,514	509,146			672,514	509,146
Accrued wages payable	4,358,289	5,424,017	642	3,076	4,358,931	5,427,093
Due to other governments		2,328			-	2,328
Accrued expenses	3,651,106	4,272,040			3,651,106	4,272,040
Unearned revenue	300,562	3,749,735	54,472	8,647	355,034	3,758,382
Bonds payable	255,097,248	269,418,859			255,097,248	269,418,859
Compensated absences	5,486,417	5,209,417			5,486,417	5,209,417
Total liabilities	279,142,467	298,656,822	55,723	12,558	279,198,190	298,669,380
Net assets:						
Invested in capital assets, net of related debt	164,864,417	154,692,993	96,662	113,646	164,961,079	154,806,639
Restricted	10,489,139	10,398,258			10,489,139	10,398,258
Unrestricted	83,172,842	87,501,567	(71,482)	(107,406)	83,101,360	87,394,161
Total net assets	\$ 258,526,398	\$ 252,592,818	\$ 25,180	\$ 6,240	\$ 258,551,578	\$ 252,599,058

The decrease of \$31,290,045 in cash and investments from the prior year directly relates to the increase of \$11,254,302 in receivables, mainly from the state, and a decrease in bond proceeds received in summer, 2008. Capital projects, including the renovations for stadium and administration building, contribute to the majority of the \$6,538,789 increase in capital assets from the previous year.

Investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding is \$164,961,079. 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. An additional portion of the District's net assets (approximately 4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$83,101,360) may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

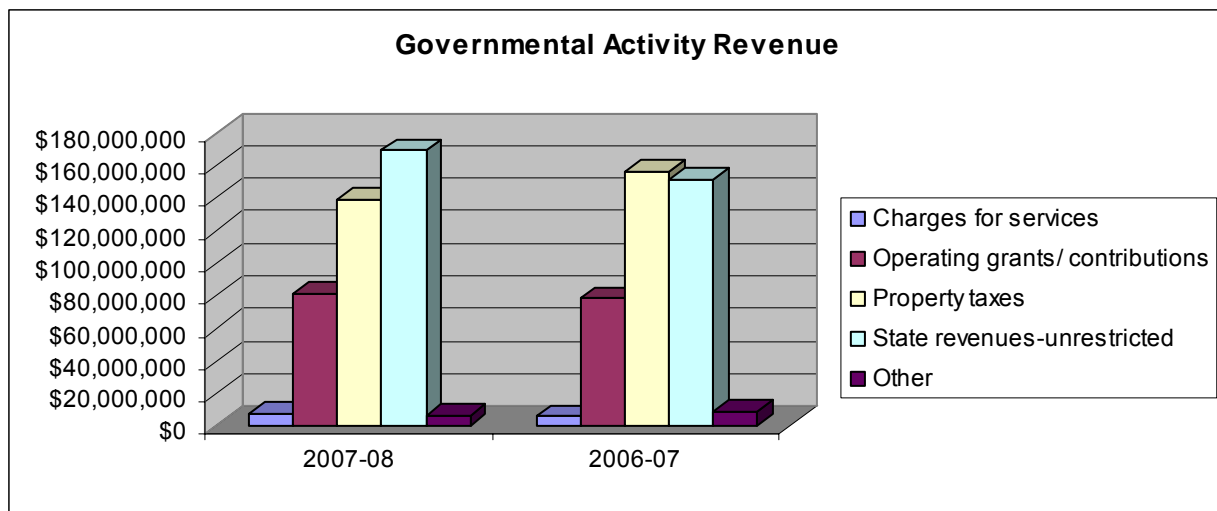
Accrued wages payable decreased \$1,068,162 from the prior year was due to one less day worked by teachers during the 2007-08 fiscal year. The decrease of \$3,403,348 in unearned revenues is related to the increase in the receivable of state formula funding for 2007-08 at year end.

Management's Discussion and Analysis (continued)

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007
Revenues						
Program revenues:						
Charges for services	\$ 8,042,573	\$ 5,846,851	\$ 806,514	\$ 631,431	\$ 8,849,087	\$ 6,478,282
Operating grants/contributions	81,775,489	78,163,521			81,775,489	78,163,521
General revenues:						
Property taxes	139,233,977	156,247,310			139,233,977	156,247,310
State revenue and grants	169,401,567	151,698,777			169,401,567	151,698,777
Other	6,163,624	8,505,617			6,163,624	8,505,617
Total revenues	404,617,230	400,462,076	806,514	631,431	405,423,744	401,093,507
Expenses						
Instruction and instructional related services	248,454,058	240,839,206			248,454,058	240,839,206
Instructional/school leadership	26,355,944	24,953,431			26,355,944	24,953,431
Support services - student	57,062,131	51,953,718			57,062,131	51,953,718
Administrative support services	7,599,987	8,853,616			7,599,987	8,853,616
Support services - non-student based	43,152,775	41,474,051			43,152,775	41,474,051
Ancillary services	1,689,077	1,758,389			1,689,077	1,758,389
Debt service	11,698,007	13,178,873			11,698,007	13,178,873
Capital outlay	951,696	1,524,400			951,696	1,524,400
Intergovernmental charges	1,719,975	611,966			1,719,975	611,966
Other business-type activities			787,574	621,300	787,574	621,300
Total expenses	398,683,650	385,147,650	787,574	621,300	399,471,224	385,768,950
Increase/(decrease) in net assets	5,933,580	15,314,426	18,940	10,131	5,952,520	15,324,557
Net assets - beginning	252,592,818	237,278,392	6,240	(3,891)	252,599,058	237,274,501
Net assets - ending	\$ 258,526,398	\$ 252,592,818	\$ 25,180	\$ 6,240	\$ 258,551,578	\$ 252,599,058

Governmental activities. Net assets of the District's governmental activities increased \$5,933,580. The total cost of all governmental activities this year was \$398,683,650, and the amount that the District's taxpayers paid for these activities through property taxes was \$139,233,977, or approximately 35%.



Management's Discussion and Analysis (continued)

Significant changes in revenue and expenses include:

- The state revenue increase of \$17.7 million is due to Legislative changes. House Bill 1 (H.B. 1) passed on May 12, 2006 was enacted to reduce local maintenance and operations (M&O) tax rates by one third over two years (11% or \$0.17 in 2006-07; another 22% or \$0.33 in 2007-08). School districts are guaranteed to receive state funding through the hold harmless provision in H.B. 1. The reduced funding from local tax levies combined with the increase in state funding reflect the impact of the Reform Legislation which shifts a greater percentage of the financing of public education back to the State.
- The increase in total instruction and instructional related services, and instruction/school leadership mainly relates to a pay increase of approximately 4% on midpoint for all personnel.
- In addition to the pay adjustment, the increase in student based support services is partially due to the campus improvement activities supported by funds received at the campuses.
- The increase in non-student based support services is attributable to an increase in utility charges due to the prevailing energy market.
- The increase in intergovernmental charges and the corresponding decrease in administrative support services reflect the coding change for payments to county appraisal district for tax appraisal of property, as required by the State.
- Total expenses above include depreciation of \$16,305,054. Capital outlay of \$22,883,379 is not included in the above total expenses. In the government-wide financial statements, capital outlay is shown as an increase in the capital assets reported on the statement of net assets and depreciation expense is recorded in the statement of activities in order to spread recognition of the cost of capital assets over their useful lives.

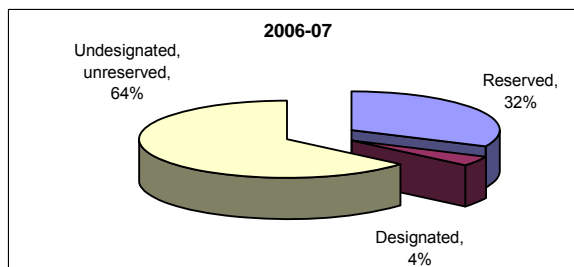
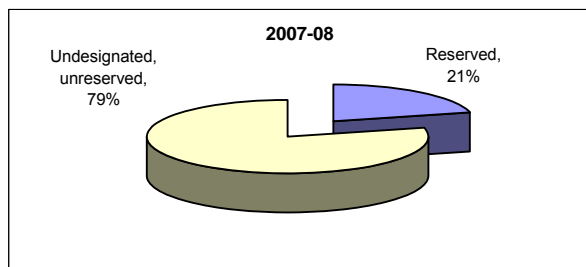
Business-type activities. Business-type activities increased the District's net assets by \$18,940. The increase is relatively insignificant to the overall operations of the District.

Financial Analysis of the District'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 government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$94,699,756, a decrease of \$16,457,534. Approximately 79% of this total amount (\$74,693,136) constitutes unreserved, undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for inventory - \$1,709,219, 2) to pay debt service - \$3,683,682, 3) to liquidate purchase orders of the prior period - \$609,810, 4) for food service - \$3,944,342, 5) for capital projects - \$9,204,564, 6) for campus activities - \$855,003. The following chart presents the major components of the District's fund balance for both the current and previous fiscal year.



Management's Discussion and Analysis (continued)

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$74,693,136, while the total fund balance was \$76,391,370. The fund balance of the general fund decreased \$2,446,937 from previous year. The small reduction in fund balance was planned for 2007-08. As a measure of the general fund's liquidity, it may be useful to compare unreserved, undesignated fund balance to the total fund expenditures. Unreserved, undesignated fund balance still represents 24% of the total general fund expenditures even after this small reduction in fund balance.

The fund balance for food service should not exceed three months of average food service operations expenditures. The fund balance at the end of 2005-06 was significantly higher than these guidelines. The budget for 2006-07 and 2007-08 was prepared with a planned reduction in fund balance. The reduction plan included additional staffing units, upgraded salaries, equipment replacement, and reduced plate lunch prices, which all contributed to a fund balance decrease of \$971,755. Food service fund balance at the end of 2007-08 was \$4,565,136.

The debt service fund has a total fund balance of \$3,683,682 that is reserved for the payment of debt service. The tax rate for this fund was increased by ½ cent to \$0.225 per \$100 of assessed value to meet the debt requirement.

Fund balance for the capital projects fund at August 31, 2008 was \$9,204,564. As a result of unspent bond proceeds in previous years, the fund began the year with \$23,164,609 in fund balance. The District received \$9,013,478 in bond proceeds and premiums, while spending \$23,704,083 in the current year on capital outlay and bond issuance costs. The remaining fund balance is designated for future construction projects, including classroom additions, roof replacement, HVAC upgrade, and various maintenance projects throughout the District.

Proprietary Funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the District's catering enterprise fund and after school program at the end of the year were \$7,981 and \$6,393, respectively. The District's day care fund ended the year with positive net assets of \$10,806. The internal service fund used to account for the District's self-funded insurance programs experienced an increase in net assets of \$1,020,318 to a balance of \$4,596,088 at August 31, 2008. This increase was primarily due to decreased claims costs in the health insurance fund.

General Fund Budgetary Highlights

Over the course of the year, District personnel recommended, and the Board of Trustees approved, several revisions to budgeted revenue and appropriations. Revisions to the revenue budget were necessary due to changes in estimates for local and state revenue based on revised enrollments and declining interest rates. Revisions to appropriations were necessary due to staffing adjustments based on actual enrollment, changes in spending needs over the course of the year, and other unexpected occurrences.

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

- The payroll budget was increased by \$1.5 million for increased Teacher Retirement System of Texas (TRS) expenditures.
- The expenditure budget was increased by \$0.6 million, which was the remaining balance that was unspent from 2006-07 fiscal year budget for the District's new finance software system.
- The electricity budget was increased by \$1.0 million to cover the increasing energy costs.

Management's Discussion and Analysis (continued)

- The fuel budget was increased by \$0.4 million due to rising rates throughout the year.
- Dropping interest rates resulted in a \$1.7 million decrease in the interest earnings revenue budget.
- The revenue budget was amended to modify projections: a \$5.0 million increase for local tax collections and a \$4.0 million decrease for state funding relates to the assessed property value exceeding the assumption used for budget.
- The state funding of \$2.9 million for High School Allotment, established by H.B. 1, was originally budgeted under the general fund. The budgets for expenditure and revenue were reclassified to a special revenue fund according to TEA guidelines.

After revenue budgets and appropriations were adjusted as described, the District's general fund balance of \$76,391,370 differs from the final budgetary fund balance of \$68,968,406 reported in the budgetary comparison schedule on page 55. This is primarily due to the following factors:

- State revenues were \$2.4 million higher than the final budget due to the State's increased contribution to the Teacher Retirement System of Texas (TRS) and the federal subsidy payments to the Texas Public School Retired Employees Group Insurance Program (TRS-Care) under Medicare Part D, resulting higher TRS on-behalf revenues.
- Expenditures were \$4.5 million less than final budgeted amounts. Various expenditure categories came in under budget, including electricity (\$1.1 million), supplies and materials (\$1.5 million), travel (\$0.9 million), and the project for the new finance software system (\$0.4 million).

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of August 31, 2008, amounts to \$408,966,244 (net of accumulated depreciation of \$266,255,258). This investment in capital assets includes facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The total increase in the District's investment in capital assets for the current year was approximately two percent.

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

- Stadium renovation for \$6.9 million
- Current year expenditures of \$4.6 million on renovation of Administration building
- Indoor air quality improvement project at Chambers Elementary School for \$2.1 million
- A total of \$3.6 million was spent for roof repairs district-wide.

Management's Discussion and Analysis (continued)

Capital Asset Summary

	Governmental Activities		Business-type Activities		Total	
	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007	August 31, 2008	August 31, 2007
Land	\$ 65,072,281	\$ 65,028,631			\$ 65,072,281	\$ 65,028,631
Buildings and improvements	321,024,913	303,255,688	\$ 86,726	\$ 102,384	321,111,639	303,358,072
Furniture and equipment	12,446,903	13,055,683	9,936	11,262	12,456,839	13,066,945
Construction in progress	10,325,485	20,973,807			10,325,485	20,973,807
Total capital assets (net of depreciation)	\$ 408,869,582	\$ 402,313,809	\$ 96,662	\$ 113,646	\$ 408,966,244	\$ 402,427,455

Additional information on the District's capital assets can be found on pages 43-45 in the notes to the financial statements.

Debt

At year end, the District had total bonded debt outstanding of \$250,303,656. The District retired \$23,350,000 of debt during 2007-08 and issued \$8,890,000 in unlimited tax schoolhouse bonds. Business-type activities have no debt outstanding.

The ratio of net general bonded debt to assessed valuation is a useful indicator of the District's debt position. This data is presented in the statistical section on page 84 and reflects a decrease in the ratio of net bonded debt to assessed value from 2.65% last year to the current year ratio of 2.23%.

Bonded Debt Summary

	Governmental Activities	
	August 31, 2008	August 31, 2007
General Obligation Bonds	\$ 250,303,656	\$ 264,763,656

The "AAA" long-term rating on the District's bonds reflects the Texas Permanent School Fund guarantee. The underlying rating on the District's bonds is "Aa2" from Moody's and "AA" from Standard and Poors.

A portion of the District's long-term debt is accrued compensated absences. The compensated absences liability at August 31, 2008 is \$5,486,417, which is slightly more than the previous year's accrual. This liability is made up of unused vacation and sick days accrued by District personnel.

More detailed information about the District's long-term liabilities is presented on pages 45-46 in the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

As part of the budget development process, the District's management has taken into consideration the factors that drive school district budgets: enrollments, property values, state funding, facility needs, and the economy. The District's elected and appointed officials considered these and other factors when setting the fiscal year 2009 general fund budget and tax rate. The adopted budget is based on the following significant assumptions:

Management's Discussion and Analysis (continued)

- Developing enrollment projections has been complicated since 2005-06 due to hurricane evacuee students. After experiencing the unusual variations during the last three years, the projection was set at 44,834, a decline of 423 from the October 2007 count.
- School districts are guaranteed by the State to receive comparable total revenues per weighted student at the amount received in 2005-06 through the hold harmless provision under H.B. 1. This target revenue adjustment essentially holds the District's combined state and local revenue at the amount received in 2005-06 per weighted student level.
- General fund expenditures are budgeted to increase by 4% over the final 2007-08 expenditures. The increase was due to the following factors:
 - The Board approved a \$1,570 across the board salary increase for employees paid from the teacher salary schedule and a 3% on midpoint adjustment for all other employees. The approximate cost of these salary increases is \$7.2 million.
 - Sixteen new teaching positions and stipends for math and science teachers were added in order to assist in efforts to recruit and retain additional certified teachers in this area to meet the new State requirements at a cost of approximately \$1.1 million.
 - The District's contribution to TRS for teacher salaries paid above the State minimum salary schedule was budgeted to increase by approximately \$3.4 million and health insurance expenditures are budgeted to increase by approximately \$0.8 million.
- The tax rate was calculated after determining the necessary level of expenditures to meet District's educational goals and facility requirements and estimating State aid. The Board adopted the tax rate of \$1.125, which exceeds the rollback tax rate and requires voter approval. The District's tax ratification election passed on November 20, 2008.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the Assistant Superintendent for Finance, Alief I.S.D., 4250 Cook Road, Houston, Texas, 77072.

Basic Financial Statements

Alief Independent School District

Exhibit A-1

Statement of Net Assets
August 31, 2008

Data Control Codes		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and cash equivalents	\$ 85,479,170	\$ 300.00	\$ 85,479,470
1120	Investments	16,058,402		16,058,402
	Receivables:			
1220	Property taxes - delinquent	10,654,446		10,654,446
1230	Allowance for uncollectible taxes	(1,579,680)		(1,579,680)
1240	Due from other governments	13,893,420		13,893,420
1250	Accrued interest	110,567		110,567
1260	Internal balances	27,226	(27,226)	-
1290	Other receivables	653,539	11,167	664,706
1300	Inventories, at cost	1,709,219		1,709,219
1420	Capital bond and other debt issuance costs	1,792,974		1,792,974
	Capital Assets, net of accumulated depreciation			
1510	Land	65,072,281		65,072,281
1520	Buildings and improvements, net	321,024,913	86,726	321,111,639
1530	Furniture and equipment, net	12,446,903	9,936	12,456,839
1580	Construction in process	10,325,485		10,325,485
1000	Total Assets	537,668,865	80,903	537,749,768
Liabilities				
2110	Accounts payable	9,093,228	609	9,093,837
2140	Interest payable	483,103		483,103
2150	Payroll deductions and withholdings	672,514		672,514
2160	Accrued wages payable	4,358,289	642	4,358,931
2200	Accrued expenses	3,651,106		3,651,106
2300	Unearned revenue	300,562	54,472	355,034
2501	Due within one year			
	Bonds payable	23,425,000		23,425,000
	Compensated absences	1,000,000		1,000,000
2530	Due in more than one year			
	Bonds payable, net of premium and refunding loss	231,672,248		231,672,248
	Compensated absences	4,486,417		4,486,417
2000	Total Liabilities	279,142,467	55,723	279,198,190
Net Assets				
3800	Invested in Capital Assets, Net of Related Debt	164,864,417	96,662	164,961,079
	Restricted for:			
3820	Food Service	4,565,137		4,565,137
3840	Campus Activities	855,003		855,003
3850	Debt Service	5,068,999		5,068,999
3900	Unrestricted	83,172,842	(71,482)	83,101,360
	Total Net Assets	\$ 258,526,398	\$ 25,180	\$ 258,551,578

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief Independent School District

Exhibit B-1

**Statement of Activities
Year Ended August 31, 2008**

Data Control Codes	Functions/Programs	1	3	4	6	7	8	
		Program Revenues			Net (Expense), Revenue and Changes in Net Assets			
		Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
	Government Activities:							
11	Instruction	\$ 237,424,958	\$ 200,957	\$ 42,664,999	\$ (194,559,002)		\$ (194,559,002)	
12	Instructional resources and media services	5,476,659		404,052	(5,072,607)		(5,072,607)	
13	Curriculum & instructional staff development	5,552,441	124,491	2,552,203	(2,875,747)		(2,875,747)	
21	Instructional leadership	4,482,897		871,372	(3,611,525)		(3,611,525)	
23	School leadership	21,873,047		1,305,438	(20,567,609)		(20,567,609)	
31	Guidance, counseling, & evaluation services	13,431,519		1,377,171	(12,054,348)		(12,054,348)	
32	Social work services	343,671		127,504	(216,167)		(216,167)	
33	Health services	3,491,833		814,422	(2,677,411)		(2,677,411)	
34	Student transportation	12,365,992		2,775,583	(9,590,409)		(9,590,409)	
35	Food services	21,395,396	4,082,201	15,778,817	(1,534,378)		(1,534,378)	
36	Co-curricular activities / extracurricular	6,033,720	3,149,079	109,606	(2,775,035)		(2,775,035)	
41	Administrative and support services	7,599,987		625,971	(6,974,016)		(6,974,016)	
51	Plant maintenance and operations	36,629,961	176,945	1,730,122	(34,722,894)		(34,722,894)	
52	Security and monitoring services	3,698,996	308,900	211,474	(3,178,622)		(3,178,622)	
53	Data processing services	2,823,818		114,523	(2,709,295)		(2,709,295)	
61	Community services	1,689,077		207,542	(1,481,535)		(1,481,535)	
71	Debt service - interest on long-term debt	11,698,007		10,048,760	(1,649,247)		(1,649,247)	
81	Facilities acquisition and construction	951,696		55,930	(895,766)		(895,766)	
93	Payments to fiscal agent	332,535			(332,535)		(332,535)	
95	Payments to JJAEP	238,958			(238,958)		(238,958)	
99	Other intergovernmental charges	1,148,482			(1,148,482)		(1,148,482)	
TG	Total governmental activities	<u>398,683,650</u>	<u>8,042,573</u>	<u>81,775,489</u>	<u>(308,865,588)</u>		<u>(308,865,588)</u>	
	Business-type activities:							
01	Day care	564,264	571,804			\$ 7,540	7,540	
02	Catering	98,679	103,686			5,007	5,007	
03	After school program	124,631	131,024			6,393	6,393	
TB	Total business-type activities	<u>787,574</u>	<u>806,514</u>			<u>18,940</u>	<u>18,940</u>	
TP	Total primary government	<u>\$ 399,471,224</u>	<u>\$ 8,849,087</u>	<u>\$ 81,775,489</u>	<u>(308,865,588)</u>	<u>18,940</u>	<u>(308,846,648)</u>	

Data Control Codes				
	General revenues:			
MT	Property taxes, levied for general purposes		114,516,140	114,516,140
DT	Property taxes, levied for debt service		24,717,837	24,717,837
SF	State-aid formula grant-unrestricted		169,401,567	169,401,567
IE	Investment earnings		6,009,600	6,009,600
MI	Miscellaneous revenue		154,024	154,024
TR	Total general revenue		<u>314,799,168</u>	<u>314,799,168</u>
CN	Change in net assets		5,933,580	5,952,520
	Net assets - beginning		252,592,818	252,599,058
	Net assets - ending		<u>\$ 258,526,398</u>	<u>\$ 258,551,578</u>

The accompanying notes to the basic financial statement are an integral part of this statement.

Alief Independent School District

Exhibit C-1

Balance Sheet - Governmental Funds
August 31, 2008

Data Control Codes		General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets						
1110	Cash and cash equivalents	\$ 56,224,268	\$ 4,779,256	\$ 3,848,844	\$ 12,606,183	\$ 77,458,551
1120	Investments	14,567,777	1,490,625			16,058,402
	Receivables:					
1220	Property taxes - delinquent	9,028,956		1,625,490		10,654,446
1230	Allowance for uncollectible taxes	(1,339,507)		(240,173)		(1,579,680)
1240	Due from other governments	11,511,667	2,381,753			13,893,420
1250	Accrued interest	97,129	13,438			110,567
1260	Due from other funds	3,124,379		47,115	41,201	3,212,695
1290	Other receivables	278,656	1,740			280,396
1310	Inventories, at cost	1,088,424	620,795			1,709,219
1000	Total Assets	<u>\$ 94,581,749</u>	<u>\$ 9,287,607</u>	<u>\$ 5,281,276</u>	<u>\$ 12,647,384</u>	<u>\$ 121,798,016</u>
Liabilities						
Current Liabilities:						
2110	Accounts payable	\$ 5,146,716	\$ 352,975	\$ 4,149	\$ 3,442,820	\$ 8,946,660
2150	Payroll deductions and withholdings	672,514				672,514
2160	Accrued wages payable	4,007,840	350,449			4,358,289
2170	Due to other funds	113,860	3,030,650	40,959		3,185,469
2200	Accrued expenditures	560,000				560,000
2300	Deferred revenues	7,689,449	133,393	1,552,486		9,375,328
2000	Total Liabilities	<u>18,190,379</u>	<u>3,867,467</u>	<u>1,597,594</u>	<u>3,442,820</u>	<u>27,098,260</u>
Fund Balance						
Reserved fund balances:						
3410	Investments in inventory	1,088,424	620,795			1,709,219
3420	Retirement of long-term debt			3,683,682		3,683,682
3440	Outstanding encumbrances	609,810				609,810
3450	Food service		3,944,342			3,944,342
3470	Authorized Construction				9,204,564	9,204,564
3490	Reserved for other		855,003			855,003
3600	Undesignated, unreserved fund balance	74,693,136				74,693,136
3000	Total Fund Balance	<u>76,391,370</u>	<u>5,420,140</u>	<u>3,683,682</u>	<u>9,204,564</u>	<u>94,699,756</u>
4000	Total Liabilities and Fund Equity	<u>\$ 94,581,749</u>	<u>\$ 9,287,607</u>	<u>\$ 5,281,276</u>	<u>\$ 12,647,384</u>	<u>\$ 121,798,016</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief Independent School District

Exhibit C-2

***Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
August 31, 2008***

Total fund balances - governmental funds balance sheet	\$ 94,699,756
<p>Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:</p>	
<p>The District uses the internal service fund to charge the costs of self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.</p>	4,596,088
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of these assets is \$675,046,974 and the accumulated depreciation is \$266,177,392, resulting in a net addition to net assets.</p>	408,869,582
<p>In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds, resulting in a net decrease of \$250,303,656</p>	(250,303,656)
<p>Property taxes receivable and the penalty and interest will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds. These are added back to net assets.</p>	9,074,766
<p>Long term liabilities for compensated absences are not included in the fund liabilities which decrease the net assets on the government-wide basis.</p>	(4,926,417)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing the liabilities of (\$483,103) associated with long-term debt interest, recognizing the deferred amounts related to premiums of (\$6,402,463), the loss on refunding of \$2,867,534, capital bond and other debt issuance costs of \$1,792,974, and the interest in capital appreciation bonds (\$1,258,663).</p>	(3,483,721)
Net Assets of Governmental Activities	<hr/> \$ 258,526,398 <hr/>

The accompanying notes to the basic financial statements are an integral part of this statement.

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Alief Independent School District

Exhibit C-3

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 Year Ended August 31, 2006

Data Control Codes	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	
Revenues						
5700	Local sources	\$ 120,247,315	\$ 7,849,171	\$ 24,976,744	\$ 730,560	\$ 153,803,790
5800	State program revenues	188,615,787	9,276,359	10,048,760		207,940,906
5900	Federal program revenues	1,514,325	40,839,557			42,353,882
5030	Total Revenues	<u>310,377,427</u>	<u>57,965,087</u>	<u>35,025,504</u>	<u>730,560</u>	<u>404,098,578</u>
Expenditures						
Current:						
0011	Instruction	195,934,860	30,410,526		952,265	227,297,651
0012	Instructional resources and media services	4,865,042	156,000			5,021,042
0013	Curriculum & instructional staff development	3,127,630	2,404,994			5,532,624
0021	Instructional leadership	3,858,954	670,242			4,529,196
0023	School leadership	21,718,617	56,715			21,775,332
0031	Guidance, counseling, & evaluation services	12,765,306	690,102			13,455,408
0032	Social work services	233,992	111,026			345,018
0033	Health services	3,259,142	187,072			3,446,214
0034	Student transportation	10,859,611	39,532			10,899,143
0035	Food services		20,757,677			20,757,677
0036	Co-curricular activities / extracurricular	3,465,394	2,104,794			5,570,188
0041	Administrative and support services	6,298,690				6,298,690
0051	Plant maintenance and operations	36,340,780	274,767			36,615,547
0052	Security and monitoring services	3,634,307	65,791			3,700,098
0053	Data processing services	2,576,567				2,576,567
0061	Community services	1,564,770	129,464			1,694,234
Debt service:						
0071	Debt service - principal on long-term debt			23,350,000		23,350,000
0072	Debt service - interest on long-term debt			11,589,026		11,589,026
0073	Bond issuance costs and fees			20,279	102,999	123,278
0081	Capital outlay	600,727	23,136		22,648,819	23,272,682
Intergovernmental charges:						
0093	Payments to fiscal agent	332,535				332,535
0095	Payments to JJAEP	238,958				238,958
0099	Other intergovernmental charges	1,148,482				1,148,482
6050	Total Expenditures	<u>312,824,364</u>	<u>58,081,838</u>	<u>34,959,305</u>	<u>23,704,083</u>	<u>429,569,590</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>(2,446,937)</u>	<u>(116,751)</u>	<u>66,199</u>	<u>(22,973,523)</u>	<u>(25,471,012)</u>
Other Financing Sources (Uses)						
7911	Capital-related debt issued (regular bonds)			8,890,000		8,890,000
7916	Premium on issuance of bonds			123,478		123,478
	Total Other Financing Sources (Uses)			<u>9,013,478</u>		<u>9,013,478</u>
1200	Net Change in Fund Balances	<u>(2,446,937)</u>	<u>(116,751)</u>	<u>66,199</u>	<u>(13,960,045)</u>	<u>(16,457,534)</u>
0100	Fund balance - September 1 (beginning)	<u>78,838,307</u>	<u>5,536,891</u>	<u>3,617,483</u>	<u>23,164,609</u>	<u>111,157,290</u>
3000	Fund Balance - August 31 (ending)	<u>\$ 76,391,370</u>	<u>\$ 5,420,140</u>	<u>\$ 3,683,682</u>	<u>\$ 9,204,564</u>	<u>\$ 94,699,756</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief 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
Year Ended August 31, 2008*

Net change in fund balances - total governmental funds	\$ (16,457,534)
<p>Amounts reported for governmental activities in the statement of activities ("SOA") are different because:</p>	
<p>The District uses internal service funds to charge the costs of self insurance to appropriate functions in other funds. The net income/loss of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net assets.</p>	1,020,318
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount of capital outlay during the year increases net assets.</p>	22,883,379
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.</p>	(16,305,054)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	23,350,000
<p>Current year proceeds from bond issuance are other financing sources in the fund financial statement, but should be shown as an increase in long-term debt in the government-wide statement.</p>	(8,890,000)
<p>Property taxes and penalty and interest receivables at year end will not be collected for several months after the district's fiscal year ends, so they are not considered available revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year and is an increase to net assets.</p>	541,204
<p>Compensated absences (sick and vacation pay) are measured by the amounts earned during the year in the statement of activities. In the governmental funds, however the expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid or to be paid at year end for retiring employees.) This year vacation and sick leave paid out was less than the amounts earned, decreasing net assets.</p>	(77,000)

Net change in fund balances - total governmental funds (continued)

An accrual for interest expense is not recognized in the governmental fund basis but is in the statement of activities. The interest accrual was less this year than last year thereby increasing net assets. 43,415

Bond issuance costs, deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the statement of net assets. The net change for each represents an increase/(decrease) in net assets:

Bond issuance costs	(14,207)
Bond premium/discounts	339,595
Gain/loss on refunding	(397,646)
Interest on capital appreciation bonds	(80,338)

Amounts recognized in the governmental fund basis and the statement of net assets differ due to the sale and retirement of assets. (22,552)

Change in Net Assets of Governmental Activities

\$ 5,933,580

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief Independent School District

Exhibit D-1

Statement of Net Assets
Proprietary Funds
August 31, 2008

Data Control Codes	Business-type Activities				Governmental Activities -
	Enterprise Funds			Total Enterprise Funds	Total Internal Service Funds
	Daycare Fund	Catering Fund	After School Program		
Assets					
Current Assets:					
1110	Cash and cash equivalents		\$ 300	\$ 300	\$ 8,020,619
1260	Due from other funds	\$ 5,286	61,217	66,503	
1290	Other receivables	\$ 8,472	2,695	11,167	373,143
	Total current assets	8,472	7,981	61,517	77,970
Noncurrent Assets:					
1520	Buildings and improvements	161,279		161,279	
1530	Furniture and equipment	13,249		13,249	
1560	Less accumulated depreciation	(77,866)		(77,866)	
	Total noncurrent assets	96,662		96,662	
1000	Total Assets	\$ 105,134	\$ 7,981	\$ 61,517	\$ 174,632
Liabilities					
Current Liabilities:					
2110	Accounts payable	\$ 599	\$ 10	\$ 609	\$ 146,568
2160	Accrued wages payable		642	642	
2170	Due to other funds	93,729		93,729	
2200	Accrued expenses				3,651,106
2310	Deferred revenues		54,472	54,472	
	Total current liabilities	94,328	-	55,124	149,452
2000	Total Liabilities	94,328	-	55,124	3,797,674
Net Assets					
3200	Invested in capital assets	96,662		96,662	
3900	Unrestricted net assets	(85,856)	\$ 7,981	6,393	(71,482)
	Total Net Assets	\$ 10,806	\$ 7,981	\$ 6,393	\$ 25,180

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief Independent School District

Exhibit D-2

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended August 31, 2008**

Data Control Codes	Business-type Activities				Governmental
	Enterprise Funds			Total	Activities -
	Daycare Fund	Catering Fund	After School Program	Enterprise Funds	Total Internal Service Funds
Operating Revenues					
5700	Local sources:				
5754	Interfund services provided				\$ 27,700,209
5759	Catering services		\$ 103,686	\$ 103,686	
5759	Daycare services		\$ 563,534	563,534	
5759	After school program		\$ 129,199	129,199	
57XX	Other		8,270	10,095	1,078,055
5020	Total Operating Revenues		<u>571,804</u>	<u>103,686</u>	<u>131,024</u>
				<u>806,514</u>	<u>28,778,264</u>
Operating Expenses					
6100	Payroll costs		504,016	26,986	98,310
6200	Purchased and contracted services		407		842
6300	Supplies and materials		30,061	71,693	4,909
6400	Other operating expenses:				
	Claims expense				25,291,356
	Depreciation expense		16,984		16,984
	Other		12,796		20,570
6030	Total Operating Expenses		<u>564,264</u>	<u>98,679</u>	<u>124,631</u>
				<u>787,574</u>	<u>28,008,103</u>
1200	Operating Income (Loss)		7,540	5,007	6,393
				18,940	770,161
Nonoperating Revenue					
7000	Interest income				
	Total Nonoperating Revenue				250,157
					<u>250,157</u>
1300	Change in Net Assets		7,540	5,007	6,393
				18,940	1,020,318
0100	Total Net Assets - beginning				
			<u>3,266</u>	<u>2,974</u>	<u>6,240</u>
3000	Total Net Assets - ending				
			<u>\$ 10,806</u>	<u>\$ 7,981</u>	<u>\$ 6,393</u>
				<u>\$ 25,180</u>	<u>\$ 4,596,088</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief Independent School District

Exhibit D-3

**Statement of Cash Flows - Proprietary Funds
Year Ended August 31, 2008**

	Business-type Activities			Total Enterprise Funds	Governmental
	Enterprise Funds				Activities -
	Daycare Fund	Catering Fund	After School Program		Total Internal Service Funds
Cash Flows from Operating Activities					
Cash receipts from local sources	\$ 572,056	\$ 112,953	\$ 176,849	\$ 861,858	\$ 27,864,818
Cash receipts from insurance reimbursements					852,041
Cash payments for payroll	(507,092)	(26,986)	(97,668)	(631,746)	
Cash payments to vendors for services	(43,500)	(71,693)	(26,311)	(141,504)	(2,718,521)
Cash payments for claims					(25,790,140)
Net Cash Provided by Operating Activities	<u>21,464</u>	<u>14,274</u>	<u>52,870</u>	<u>88,608</u>	<u>208,198</u>
Cash Flows from Noncapital Financing Activities:					
Advance to the General Fund	(21,464)	(14,274)	(52,570)	(88,308)	
Net Cash (Used) by Noncapital Financing Activities:	<u>(21,464)</u>	<u>(14,274)</u>	<u>(52,570)</u>	<u>(88,308)</u>	
Cash Flows from Investing Activities					
Interest on cash and investments					250,157
Net Cash Provided by Investing Activities					<u>250,157</u>
Net increase in cash and cash equivalents			300	300	458,355
Cash and cash equivalents - beginning of year					<u>7,562,264</u>
Cash and cash equivalents - end of year	<u>\$</u>	<u>\$</u>	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 8,020,619</u>
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating income	\$ 7,540	\$ 5,007	\$ 6,393	\$ 18,940	\$ 770,161
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Depreciation expense	16,984			16,984	
(Increase) decrease in receivables	252	9,267		9,519	(226,014)
Decrease in due from other funds					164,609
Decrease in deferred expenditures					120,651
Increase (decrease) in accounts payable	(236)		10	(226)	(275)
Increase (decrease) in accrued wages	(3,076)		642	(2,434)	
(Decrease) in accrued expenses					(620,934)
Increase in deferred revenues			45,825	45,825	
Net Cash Provided by Operating Activities	<u>\$ 21,464</u>	<u>\$ 14,274</u>	<u>\$ 52,870</u>	<u>\$ 88,608</u>	<u>\$ 208,198</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief Independent School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
August 31, 2008 and 2007

Exhibit E-1

<u>Data Control Codes</u>		<u>August 31, 2008</u>	<u>August 31, 2007</u>
	Assets		
1110	Cash and cash equivalents	<u>\$ 653,577</u>	<u>\$ 1,591,072</u>
	Liabilities		
2190	Due to student groups	<u>\$ 653,577</u>	<u>\$ 1,591,072</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Alief Independent School District
Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies

The Alief 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 to staggered four-year terms by the District’s residents.

The accounting policies of the District substantially comply with the rules prescribed in the Texas Education Agency’s *Financial Accountability System Resources Guide (“the Resource Guide”)*. The accounting policies included in the Resource Guide conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the most significant policies:

In 2002, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), and GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which change note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, government-wide financial statements, required supplementary information, and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be, essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government’s operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

A. Reporting Entity

The District is an independent political subdivision of the State of Texas governed by an elected board of trustees and is considered a primary government. As required by generally accepted accounting principles, these 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, no other entities have been included in the District’s reporting entity. 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.

The District has also implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The District receives support from various PTO, Booster club, and Foundation organizations. None of these organizations meet the criteria specified by GASB 39 to be included in the District’s Financial Statements. Therefore, there are no component units included within the 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 government 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. Additional 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.

Alief Independent School District
Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

B. Government Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

All interfund transaction between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of net assets.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded in the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus, as are the proprietary fund financial statements. The government-wide statements, proprietary fund statements, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. Revenues are recognized in the accounting period in which they become 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include state costs reimbursements and interest on temporary investments. Property tax levies collected after the fiscal year-end which would be available to finance current operations are immaterial and remain deferred. Under modified accrual accounting, expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on general long-term debt, which is recognized when due.

Alief Independent School District
Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

Revenues from grants accounted for in the Special Revenue Fund are recognized as soon as all eligibility requirements imposed by the provider have been met. Any excess of revenues or expenditures at fiscal year-end is recorded as deferred revenue or due from the granting agencies, respectively.

D. Fund Accounting

The District reports the following major governmental funds.

General Fund

The General Fund is the government's primary operating fund. It is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes and state reimbursement for professional salaries and other operating expenditures. Expenditures include all costs associated with the daily operations of the schools.

Special Revenue Fund

The Special Revenue Fund is used to account for various programs. Specifically, this type of fund is used to account for the District's Food Service Program, including local, state, and federal revenue sources, for federally financed programs (grants) where unused balances are returned to the grantor at the close of specified project periods and other state and local revenue specific programs. The Food Service Operation is the only required budgeted program. For all other programs in this fund type, project accounting is employed to maintain integrity for the various sources of the funds. Resources accounted for in this fund are awarded to the District for the purpose of accomplishing specific educational tasks as defined by the grantors in contracts or other agreements.

Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on all bonds of the District. Primary sources of revenue for debt service are local property taxes and the state existing debt and instructional facilities allotments.

Capital Projects Fund

The Capital Projects Fund includes funds that are used to account for the expenditures of resources accumulated from sales of bonds and related interest earnings for the acquisition and construction of school facilities and other capital asset acquisitions.

Additionally, the District reports the following fund type:

Proprietary Funds

Proprietary funds distinguish operating revenues and expense from nonoperating 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.

Enterprise Funds

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

The Enterprise Funds are used to account for revenues and expenditures of the District's daycare facilities, the food service department's catering operations, and the new after school program. Revenues for the daycare and after school program are primarily from fees paid from participants in the program. The revenues in the catering fund are from food provided to various campuses and departments for various types of meetings and events.

Alief Independent School District
Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Internal Service Fund

The District's two internal service funds are used to account for the operations of the District's medical insurance plan, dental insurance plan, and workers' compensation plan, which are supported by employer and/or employee contributions. Expenses include plan benefit payments to employees and charges incurred in administering the plan. The estimated amount due for claims incurred, but not reported (IBNR) at year-end, are included as fund liabilities.

Additionally, the District reports the following fiduciary fund:

Agency Fund

The Agency Fund is used to account for the cash receipts and disbursements of the school activity funds of the individual schools. These funds have no revenues, expenditures, or equity, and the District does not budget for them.

E. Cash and Cash Equivalents

The District considers the following items cash and cash equivalents for financial reporting purposes (including the statement of cash flows for the Proprietary Funds): cash on hand, demand deposits, money market mutual funds, balances in private-managed public funds investment pools, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Investments

Investments consist primarily of U.S. Government Agency Securities which are stated at fair value based on quoted market prices. The net increase or decrease in the fair value of investments is netted with investment income in local sources of revenue. Investments are generally held to maturity.

G. Inventories

Inventory is stated at weighted average cost. The costs are recorded as expenditures as the individual inventory items are consumed. Inventory consists of general and food service supplies and commodities. Although commodities are received at no cost, they are recorded in the inventory and revenue at market values as supplied by the Texas Department of Human Services. When consumed, commodities are recorded as expenditures.

H. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

I. Capital Assets

Capital assets, which include land, buildings, and furniture and equipment, and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of the Facilities Acquisition and Construction Function that relate to overall planning of District facilities, managing overall District assets and overall construction projects are treated as period costs and are not capitalized unless related to specific assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

Alief Independent School District
Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings 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>
Building & Improvements	40
Vehicles	7-10
Computer Equipment	7
Other Equipment	5-15

J. Long-Term Debt

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 or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bonds issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance cost, 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.

K. Compensated Absences

The District maintains a policy allowing employees meeting established requirements to be compensated for unused sick leave at retirement. Estimated amounts accrued by the District's employees meeting the requirements for compensation for unused sick leave are recorded as either current or long-term liabilities, depending on the amount that was due to employees at year-end. Due means that the employee has been granted the leave but has not taken the leaves or received payment at year-end and it will be paid from current financial resources. Annual vacation time is granted to eligible employees on the first day of July of each year and all unused vacation time lapses after eighteen months. At year end, the portion due to employees who had terminated employment is considered a current liability and the remainder is recorded as long-term.

L. Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District spends restricted funds first and uses unrestricted resources when the restricted funds are depleted.

M. Fund Equity

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

Alief Independent School District
Notes to the Basic Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

N. Use of Estimates

The preparation 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 and 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.

O. Data Control Codes

Data control codes refer to the account structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA defines and requires this uniform account structure for school districts in Texas.

Note 2 – Cash and Investments

The District's cash and investments are reported at fair value. The District's cash and investment accounts are classified as either cash and cash equivalents or investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, money market mutual funds, and short-term investments in private-managed public funds investment pool accounts (Texpool, LOGIC, and Lone Star). The investments, which have maturities at purchase of greater than three months, consist of U.S. Government Agency Securities.

The Board of Trustees of the District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The Public Funds Investment Act requires an annual audit of its investment practices. Audit procedures in this area, conducted as part of the audit, disclosed that in the area of investment practices, management reports, and establishment of appropriate policies, the District was in substantial compliance with the requirements of this Act. Additionally, the investments and investment practices of the District are in compliance with the Trustees' investment policies. The District invests primarily in money market funds, public funds investment pools, and obligations of certain U.S. Government agencies, although the District's investment policy allows other investment options authorized by State statute. The District generally holds all U.S. Government Securities to maturity. The District did not have any derivative investment products during the year.

State law and District policy provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of 1) obligations of the U.S. or its agents and instrumentalities; 2) direct obligations of the State of Texas or its agencies; 3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

The Texas Education Code and the Public Funds Investment Act regulate deposits and investment transactions of the District. The District is authorized by the Texas Education Code to place the proceeds from debt issues in properly secured or collateralized interest bearing time deposits with any Texas state or national bank having federal depository insurance (FDIC) coverage for depositors or directly in bonds or other obligations of the United States, provided that these time deposits cannot be cashed, sold, or redeemed for an amount less than that originally invested by the District. Additionally, the Texas Education Code authorizes the District to invest in direct debt securities of the U.S. or other types of bonds, securities, warrants, etc., which the District is authorized by law to invest.

Alief Independent School District
Notes to the Basic Financial Statements

Note 2 – Cash and Investments (continued)

In accordance with applicable statutes, the District has a depository contract with Bank of America providing for interest rates to be earned on deposited funds and for banking charges the District incurs as a result of banking services provided. The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities must be delivered to the District or placed with an independent trustee institution with safekeeping receipts delivered to the District and copies of the safekeeping receipts delivered to the Texas Education Agency. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper indication that the collateral securities are pledged by the depository to secure funds of the District. The District must approve all collateral securities prior to their being pledged. The depository can change collateral securities pledged to secure District funds only upon obtaining the written approval of the District.

At August 31, 2008, the District's cash and investment balances were as follows:

	Total Fair Value	Governmental Activities	Business Type Activities	Fiduciary Funds
Cash and Equivalents				
Cash and checking accounts	\$ 2,659,107	\$ 2,005,230	\$ 300	\$ 653,577
Texpool	32,881,509	32,881,509		
Local Government Investment Cooperative	23,858,110	23,858,110		
Lone Star Investment Pool	26,734,321	26,734,321		
Total Cash and Cash Equivalents	86,133,047	85,479,170	300	653,577
Investments				
U.S. Agency obligations				
FHL	10,564,863	10,564,863		
FMC	2,987,289	2,987,289		
FNM	2,506,250	2,506,250		
Total Investments	16,058,402	16,058,402		
Total Cash and Investments	\$ 102,191,449	\$ 101,537,572	\$ 300	\$ 653,577

The District's investments are insured, registered, or the District's agent holds the securities in the District's name. Therefore, the District is not exposed to custodial credit risk. Custodial credit risk for investments is the risk that, in event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third party bank trust department hold all securities owned by the District.

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

Local Government Investment Pools

The District invested in the Local Government Investment Pools (Texpool, LOGIC, and Lone Star) during the year. The three entities are public investment pools established pursuant to the Interlocal Cooperation Act and Public Investment Act of Texas. The pools are considered to be "2 A-7 like pools" under GASB Statement No. 31. The fair value of the positions is the same as the values of the shares in such pools. The investment pools are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Alief Independent School District
Notes to the Basic Financial Statements

Note 2 – Cash and Investments (continued)

Local Government Investment Pools (continued)

Texpool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for Texpool. The governing body of LOGIC is provided by six voting members who represent participating entities while the 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.

Credit Risk

State law and the District's investment policy limit investments in all categories to top ratings issued by nationally recognized statistical rating organizations. Investment credit ratings by category are shown below.

	<u>Fair Value</u>	<u>Investment Rating</u>
Texpool	\$ 32,881,509	AAAm
Local Government Investment Cooperative	23,858,110	AAAm
Lone Star Investment Pool	26,734,321	AAAf/S1+
U.S. Agency obligations	16,058,402	AAA
	<u>\$ 99,532,342</u>	

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 18 months.

At August 31, 2008, the weighted average maturities of the District's investments were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>
Texpool	\$ 32,881,509	42
Local Government Investment Cooperative	23,858,110	39
Lone Star Investment Pool	26,734,321	43
U.S. Agency obligations	16,058,402	334
Total	<u>\$ 99,532,342</u>	
Portfolio weighted average maturity		88

The fair value of the U.S. Government Agency Securities is based on quoted market prices. The investments are reported by the District at fair value. The amount of increase or decrease in the fair value of investments during the year ended August 31, 2008, is included in investment income as shown below:

Interest Income	\$ 6,088,713
Net Decrease in Fair Value of Investments	<u>(79,113)</u>
Total Investment Income	<u>\$ 6,009,600</u>

Alief Independent School District
Notes to the Basic Financial Statements

Note 3 – Property Taxes

Property taxes are levied by October 1 on the assessed value listed the prior January 1 for all real and business personal property located in the District in conformity with Subtitle, E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Appraised values are established by the Central Appraisal District (CAD) of Harris County, Texas. Taxes are levied by the District's Board of Trustees based on the appraised values from the CAD. Billing and collection of tax levies are performed by the District.

Property tax rates, established in accordance with state law, are levied on real and personal property within the District's boundaries for use in financing general government and debt service expenditures. Tax rates levied to finance general government and debt service expenditures for 2007-08 were \$1.04 and \$0.225, respectively, per \$100 of valuation. Based on an assessed valuation of approximately \$11.0 billion, the resulting tax levy, after exemptions and adjustments, was approximately \$138.3 million.

Allowances for uncollectible taxes are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Net property taxes receivable at August 31, 2008, consisted of the following:

	General Fund	Debt Service Fund	Totals
Delinquent taxes - Current year levy	\$ 2,523,858	\$ 546,156	\$ 3,070,014
Delinquent taxes - Prior years' levies	3,693,263	586,185	4,279,448
Delinquent Taxes Receivable	6,217,121	1,132,341	7,349,462
Receivable for penalties and interest	2,811,835	493,149	3,304,984
Total Property Taxes Receivable	9,028,956	1,625,490	10,654,446
Less allowance for uncollectible taxes	(1,339,507)	(240,173)	(1,579,680)
Net Property Taxes Receivable	\$ 7,689,449	\$ 1,385,317	\$ 9,074,766

Note 4 – Receivables Due From Other Governments

Receivables due from other government agencies at August 31, 2008, consisted of the following:

	Governmental Funds
Local grant expenditure reimbursement from other local sources	\$ 1,986
State grant expenditure reimbursement from the state	11,811,351
Federal grant expenditure reimbursement passed through the state	2,080,083
	\$ 13,893,420

Alief Independent School District
Notes to the Basic Financial Statements

Note 5 – Interfund Receivables and Payables

Interfund balances at August 31, 2008, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$3,030,650
	Daycare Fund	93,729
Debt Service Fund	General Fund	47,115
Capital Projects Fund	General Fund	242
	Debt Service Fund	40,959
Catering Fund	General Fund	5,286
After School Program	General Fund	61,217
		<u>\$3,279,198</u>

The District had not cleared the interfund receivables and payables at year end. Interfund balances represent short-term borrowings between funds for operating expense payments or amounts collected in the General Fund to be distributed to other funds. All interfund balances are expected to be settled shortly after year-end.

Note 6 – Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depr.				
Land	\$ 65,028,631	\$ 43,650	\$ -	\$ 65,072,281
Construction in progress	20,973,807	8,852,845	(19,501,167)	10,325,485
Total capital assets, not being depr.	<u>86,002,438</u>	<u>8,896,495</u>	<u>(19,501,167)</u>	<u>75,397,766</u>
Capital asset, being depreciated				
Buildings and improvements	534,947,001	11,963,168	19,501,167	566,411,336
Furniture and equipment	31,850,999	2,023,716	(636,843)	33,237,872
Total capital assets being depr.	<u>566,798,000</u>	<u>13,986,884</u>	<u>18,864,324</u>	<u>599,649,208</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(231,691,313)	(13,695,110)		(245,386,423)
Furniture and equipment	(18,795,316)	(2,609,944)	614,291	(20,790,969)
Total Accumulated Depreciation	<u>(250,486,629)</u>	<u>(16,305,054)</u>	<u>614,291</u>	<u>(266,177,392)</u>
Total capital assets being depr., net	<u>316,311,371</u>	<u>(2,318,170)</u>	<u>19,478,615</u>	<u>333,471,816</u>
Governmental activities capital assets, net	<u>\$ 402,313,809</u>	<u>\$ 6,578,325</u>	<u>\$ (22,552)</u>	<u>\$ 408,869,582</u>

Alief Independent School District
Notes to the Basic Financial Statements

Note 6 – Capital Assets (continued)

Capital asset activity for the business-type activities for the year ended August 31, 2008 was as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Capital asset, being depreciated				
Buildings and improvements	\$ 161,279			\$ 161,279
Furniture and equipment	13,249			13,249
Total capital assets being depr.	<u>174,528</u>			<u>174,528</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(58,895)	\$ (15,658)		(74,553)
Furniture and equipment	(1,987)	(1,326)		(3,313)
Total Accumulated Depreciation	<u>(60,882)</u>	<u>(16,984)</u>		<u>(77,866)</u>
Total capital assets being depr., net	<u>113,646</u>	<u>(16,984)</u>		<u>96,662</u>
Business-type activities capital assets, net	<u>\$ 113,646</u>	<u>\$ (16,984)</u>	<u>\$ -</u>	<u>\$ 96,662</u>

Construction in progress and remaining commitments under related construction contracts at August 31, 2008 follows:

	Authorized Contract	Contract Expenditures	Other Related Costs	Total CIP	Remaining Commitment
Administration building renovation	\$ 5,984,151	\$ 4,891,542	\$ 805,762	\$ 5,697,304	\$ 835,159
Chambers Elementary HVAC	2,091,000	1,870,872	236,421	2,107,293	121,661
Crump Stadium parking lot	1,867,680	1,498,797	260,062	1,758,859	289,999
Hasting High renovation	590,400	442,680	75,530	518,210	124,421
Klantzman Intermediate addition	1,385,000	149,150	94,669	243,819	1,228,000
	<u>\$ 11,918,231</u>	<u>\$ 8,853,041</u>	<u>\$ 1,472,444</u>	<u>\$ 10,325,485</u>	<u>\$ 2,599,240</u>

Depreciation expense was charged to the governmental functions as follows:

Governmental Activities	Expense
Instruction	\$ 10,657,110
Instructional resources and media services	540,915
Instructional leadership	37,070
School leadership	253,063
Guidance, counseling & eval. service	50,850
Health services	41,215
Student transportation	1,526,348
Food service	827,029
Co-curricular activities / extracurricular	481,852
Administrative and support services	1,159,127
Plant maintenance and operations	280,977
Security and monitoring services	1,202
Data processing services	448,296
Total Depreciation Expense-Governmental Activities	<u>\$ 16,305,054</u>

Alief Independent School District
Notes to the Basic Financial Statements

Note 6 – Capital Assets (continued)

Depreciation expense was charged to the business-type activities as follows:

Business-type Activities

Day care facilities	<u>\$ 16,984</u>
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Note 7 – Long-Term Debt

Long-term debt consists of bonds payable, related accretion values on premium of capital appreciation bonds, and a provision for compensated absences. General fund revenues are typically used to liquidate the compensated absences liability. See Note 15, for additional disclosures regarding compensated absences. Bonds are payable solely from future revenues of the Debt Service Funds which consist primarily of property taxes collected by the District, state facilities and existing debt allotments, and investment income. The District is in compliance with all significant bond compliance requirements.

A summary of long-term debt transactions of the District for the year ended August 31, 2008, follows:

	<u>Balance September 1, 2007</u>	<u>Issued and Additions</u>	<u>Refunded and Retired</u>	<u>Balance August 31, 2008</u>	<u>Current Portion</u>
Bonds	\$ 264,763,656	\$ 8,890,000	\$(23,350,000)	\$250,303,656	\$ 23,425,000
Accretion on premium					
capital appreciation bonds	\$ 1,178,325	80,338		1,258,663	
Less deferred amounts:					
For issuance premiums	6,742,058	123,478	(463,073)	6,402,463	
On refunding	<u>(3,265,180)</u>	<u>-</u>	<u>397,646</u>	<u>(2,867,534)</u>	
Total bonds payable	269,418,859	9,093,816	(23,415,427)	255,097,248	23,425,000
Accrued compensated absences	<u>5,209,417</u>	<u>1,168,236</u>	<u>(891,236)</u>	<u>5,486,417</u>	<u>1,000,000</u>
Governmental activity long-term liabilities	<u>\$ 274,628,276</u>	<u>\$ 10,262,052</u>	<u>\$(24,306,663)</u>	<u>\$260,583,665</u>	<u>\$ 24,425,000</u>

Annual requirements to amortize all bonded debt outstanding as of August 31, 2008, follow:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 23,425,000	\$ 10,756,924	\$ 34,181,924
2010	22,325,000	9,678,293	32,003,293
2011	21,320,000	8,657,951	29,977,951
2012	19,895,000	7,725,820	27,620,820
2013	19,095,000	6,860,280	25,955,280
2014-2018	84,828,656	24,261,460	109,090,116
2019-2023	45,220,000	7,414,312	52,634,312
2024-2028	<u>14,195,000</u>	<u>1,022,563</u>	<u>15,217,563</u>
	<u>250,303,656</u>	<u>76,377,603</u>	<u>326,681,259</u>
Less current portion	<u>23,425,000</u>	<u>10,756,924</u>	<u>34,181,924</u>
	<u>\$ 226,878,656</u>	<u>\$ 65,620,679</u>	<u>\$292,499,335</u>

Alief Independent School District
Notes to the Basic Financial Statements

Note 7 – Long-Term Debt (continued)

Bonded debt at August 31, 2008, is comprised of the following individual issues:

Original Issue Amount	Description	Interest Rate %	Matures	Debt Outstanding
\$ 19,500,000	Unlimited tax schoolhouse bonds, Series 1997	5.00 - 7.00	2010	\$ 2,000,000
46,100,000	Unlimited tax schoolhouse bonds, Series 1998	4.00 - 5.00	2018	16,100,000
23,000,000	Unlimited tax schoolhouse bonds, Series 1999	4.00 - 6.00	2019	9,200,000
52,100,000	Unlimited tax schoolhouse bonds, Series 1999 II	4.75 - 6.75	2019	10,400,000
17,300,000	Unlimited tax refunding bonds, Series 2001	4.25 - 6.25	2012	3,275,000
25,200,000	Unlimited tax schoolhouse bonds, Series 2001	3.75 - 5.00	2021	7,560,000
29,610,000	Unlimited tax schoolhouse bonds, Series 2002	4.00 - 6.00	2022	20,720,000
16,925,000	Unlimited tax refunding bonds, Series 2003	2.00 - 5.00	2014	9,065,000
19,750,000	Unlimited tax schoolhouse bonds, Series 2003	3.00 - 5.00	2023	14,775,000
30,000,000	Unlimited tax schoolhouse bonds, Series 2004	3.00 - 5.00	2024	24,000,000
29,610,000	Unlimited tax refunding bonds, Series 2004B	2.00 - 5.00	2017	18,760,000
48,495,000	Unltd. tax schoolhouse & ref. bonds, Series 2005	3.00 - 5.00	2025	44,935,000
23,380,000	Unltd. tax schoolhouse bonds, Series 2006	4.00 - 4.75	2026	21,060,000
41,228,656	Unltd. tax schoolhouse & ref. bonds, Series 2007	4.00 - 4.38	2027	39,563,656
8,890,000	Unltd. tax schoolhouse bonds, Series 2008	3.50 - 4.00	2028	8,890,000
	Total bonds			250,303,656
	Current portion			(23,425,000)
	Accretion on capital appreciation bonds			1,258,663
	Unamortized premiums			6,402,463
	Unamortized refunding			(2,867,534)
	Total long-term debt			\$ 231,672,248

Note 8 – Advance Refundings of General Long-Term Debt

In the prior years, the District defeased certain outstanding school construction and refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of August 31, 2008, \$30,470,000 of the previously refunded bonds is considered defeased.

Alief Independent School District
Notes to the Basic Financial Statements

Note 9 – Revenues from Local Sources

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Property taxes	\$ 112,723,776		\$ 24,304,447		\$ 137,028,223
Penalties, interest, and other related tax income	1,392,595		271,962		1,664,557
Investment income	4,429,145	\$ 199,403	400,335	\$ 730,560	5,759,443
Food sales		4,039,885			4,039,885
Extracurricular activities	189,282	2,959,797			3,149,079
Other	1,512,517	650,086			2,162,603
	<u>\$ 120,247,315</u>	<u>\$ 7,849,171</u>	<u>\$ 24,976,744</u>	<u>\$ 730,560</u>	<u>\$ 153,803,790</u>

Note 10 – Deferred Revenues

Deferred revenues at August 31, 2008, represent assets that are not available for use by the District to liquidate current year liabilities. A summary of deferred revenues by fund follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net property taxes receivable (net of allowance for doubtful accounts)	\$ 7,689,449		\$ 1,385,317	\$ 9,074,766
Overpayment from state funding			167,169	167,169
Proceeds from expenditure - driven state grants		\$ 118,528		118,528
Proceeds from expenditure - driven local grants		14,865		14,865
	<u>\$ 7,689,449</u>	<u>\$ 133,393</u>	<u>\$ 1,552,486</u>	<u>\$ 9,375,328</u>

Alief Independent School District
Notes to the Basic Financial Statements

Note 11 – General Fund Federal Program Revenues

A summary of federal program revenues received in the General Fund for the year ended August 31, 2008, follows:

Program or Source	CFDA Number	Amount
Indirect Costs:		
ESEA Title IV Drug Free Schools and Comm. Act	84.186a	\$ 2,821
Texas Support for Homeless Education Program	84.196	1,511
ESEA Title I, Part A	84.010a	175,861
IDEA Part-B Formula	84.027a	125,415
IDEA Part-B Preschool	84.173a	1,943
Carol D. Perkins Career & Technology	84.048a	8,249
Title II Part A - TPTR	84.367a	25,414
Title II Part D - Enhancing Educ. Thru Tech.	84.318x	2,072
Title III Part A LEP	84.365a	19,895
Title V Part A - Innvoative Programs	84.298a	587
ROTC Program	N/A	286,692
SHARS - Medicaid Reimbursement Program	N/A	433,148
E-Rate	N/A	430,717
Total		\$ 1,514,325

Note 12 – Retirement Plan

Plan Description

The District contributes to the Teacher Retirement System of Texas. The Teacher Retirement System of Texas, a public employee retirement system (PERS), is a multiple-employer defined benefit contribution plan. It is a cost-sharing PERS with one exception – all risks and costs are not shared by the employer but are the liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during that fiscal year. The payroll for District employees covered by the system for the fiscal year ended August 31, 2008, was approximately \$261 million. The District's total payroll was approximately \$269 million.

For members of the retirement system entitled to the State's statutory minimum salary for certain school personnel, the District pays the state's contribution on the portion of the member's salary that exceeds the statutory minimum.

Types of Employees Covered

All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code are covered by the plan.

Alief Independent School District
Notes to the Basic Financial Statements

Note 12 – Retirement Plan (continued)

Benefit Provisions

The Teacher Retirement System of Texas administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The system also administers proportional retirement benefits under Texas Government Code, Title 8, Chapter 803.

Service Requirement

1. Normal Age 65 with 5 years of service
 Any combination of age and service totaling 80 with at least 5 years of service

2. Reduced Age 55 with at least 5 years of service
 Any age below 50 with 30 years of service

A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met.

Funding Policy

State law provides for a state contribution rate of 6.0% for fiscal years 2006 and 2007, and 6.58% for fiscal year 2008. The member contribution rate was 6.4% for fiscal years 2006, 2007, and 2008. The State of Texas contributes 6.58% of all employees' eligible gross earnings except for those District employees subject to statutory minimum requirements and those employees being paid from and participating in federally funded programs. The statutory minimum requirements are based on the State of Texas teacher schedule and then adjusted based on cost of education index. For employees funded by federal programs, the federal programs are required to contribute 6.58%.

Contribution requirements are not actuarially determined, but are legally established each biennium pursuant to the following state funding policy. (1) The state constitution requires the Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% of the member's annual compensation rate and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year. (2) A state statute prohibits benefit improvements or contribution reductions, if, as a result of the particular actions, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period exceeds 31 years, the period would be increased by such action.

Contributions Made

Contributions made by the State, District, and employees, and the District's annual covered payroll for the years ended August 31, 2006, 2007, and 2008 are as follows:

Pension Fiscal Year	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Percentage of Total Payroll Contributed by District	Employees' Contributions to TRS	District's Annual Covered Payroll
2006	\$ 9,928,335	\$ 2,592,327	1.08%	\$ 15,366,624	\$240,104,624
2007	12,940,076	2,694,957	1.05%	16,419,542	256,554,831
2008	14,014,825	3,134,753	1.20%	16,680,403	260,631,885

Alief Independent School District
Notes to the Basic Financial Statements

Note 12 – Retirement Plan (continued)

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

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 on the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Note 13 – Retiree Health Plan

Plan Description

The 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-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

Benefit Provisions and Service Requirements

Retirees can receive a free basic level of coverage and optional coverage is also available. All dependent coverage is optional. Basic coverage is a comprehensive major medical group health insurance plan. Generally, TRS public school retirees with more than 10 years of service and their dependents are eligible for this insurance coverage.

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% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2006, 2007, and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. For employees funded by federal programs, the federal programs are required to contribute 1%.

Alief Independent School District
Notes to the Basic Financial Statements

Note 13 – Retiree Health Plan (continued)

Contributions Made

Contributions made by the State, District, and employees, and the District’s annual covered payroll for the years ended August 31, 2006, 2007, and 2008 are as follows:

Pension Fiscal Year	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Percentage of Total Payroll Contributed by District	Employees' Contributions to TRS	District's Annual Covered Payroll
2006	\$ 2,085,401	\$ 1,636,209	0.68%	\$ 1,560,628	\$240,104,624
2007	2,337,233	1,639,367	0.64%	1,667,602	256,554,831
2008	2,382,434	1,657,360	0.64%	1,694,130	260,631,885

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

TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report on the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, 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, 2006, 2007, and 2008, the allocated subsidy payments received by TRS-Care on-behalf of the District were \$366,870, \$542,470, \$593,978, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 14 – Risk Management

The District is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District’s risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The District’s participation in the risk pool is limited to paying premiums for its general liability insurance coverage. There has not been any significant reduction in coverage from that of the previous year.

The District provides health benefits to its employees and dependents through a self-funded employee health benefit plan which is accounted for in the Health Insurance Internal Service Fund. This fund is principally supported by contributions from the District and the employees. The District makes contributions to cover the majority of the premiums for employees, and the employees are required to make contributions to cover the remaining employee costs and their dependents. The Internal Service Fund charges the General Fund premiums for the District’s contribution. A third party administrator acting on behalf of the District processes health claim payments. The District has obtained excess loss insurance which limits the District’s claims paid to \$200,000 annually for any individual occurrence.

Alief Independent School District
Notes to the Basic Financial Statements

Note 14 – Risk Management (continued)

The District also provides workers' compensation to employees through a self-insured plan which is accounted for in the Workers' Compensation Internal Service Fund. The Internal Service Fund charges the General Fund premiums for the District's contribution. The District has obtained excess loss insurance which limits the District's claims paid to \$200,000 for any individual occurrence.

Settled claims have not exceeded insurance coverages in any of the previous three fiscal years. Estimates of claims payable and of claims incurred, but not reported at August 31, 2008, are reflected as accrued expenses of the Fund. The liabilities include an amount for claims that have been incurred but were not reported until after August 31, 2008. The liability reported in the fund is one of 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 indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonable estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements, and damage awards, the process used in computing claims liability is an estimate based on historical claims.

Analysis of claims liability for the fiscal year 2008 is as follows:

	Health Insurance		Workers' Compensation	
	2008	2007	2008	2007
Accrual, September 1	\$ 3,336,651	\$ 3,006,068	\$ 935,389	\$ 926,575
Current year estimates	22,528,128	25,548,235	653,257	684,564
Payments for claims	23,013,489	25,217,652	788,830	675,750
Accrual, August 31	<u>\$ 2,851,290</u>	<u>\$ 3,336,651</u>	<u>\$ 799,816</u>	<u>\$ 935,389</u>

The following year-by-year exposure details the number of annual workers compensation claims.

1998-99	303	2003-04	385
1999-00	336	2004-05	381
2000-01	357	2005-06	342
2001-02	336	2006-07	383
2002-03	431	2007-08	358
		Ten year average	361

Note 15 – Compensated Absences

The District has a vacation policy for noncontractual employees (administration and other full-time employees) whereby eligible employees receive vacation pay from one to twenty-five days, dependent upon the number of years of service, after the completion of a year's service in the District. All vacation days must be used within an eighteen-month period from the first day of July of each year, and unused vacation pay cannot be carried over to future periods. The liability for unused vacation days at August 31, 2008 is \$1,749,487 and is included in the long-term liabilities on the Government-Wide Statement of Net Assets.

The District's sick leave policy is coordinated with a state mandated sick leave policy whereby substantially all full-time teaching and paraprofessional employees received up to thirteen days sick leave per year. State sick leave days accrue at the rate of five per year without limit to accumulation. The unused balance may be transferred to another District within the Texas public school system. All state sick leave days must be used prior to retirement from the Texas public school system to receive the benefit. The District pays for all state sick leave days used.

Alief Independent School District
Notes to the Basic Financial Statements

Note 15 – Compensated Absences (continued)

Additional local sick leave of up to eight days per year accrues to employees eligible to receive state mandated sick days. All employees not eligible for state mandated sick days may receive up to thirteen days of local leave. Local sick leave may be accumulated without limitation; however, the District does not pay accumulated local sick leave upon termination with the District. Employees are eligible to receive payment for local sick leave (up to a maximum of 80 days) upon qualified retirement from the District, dependent upon the number of years of service with the District. The liability for estimated amounts earned by District employees meeting the requirement for compensation is \$3,736,930 at August 31, 2008, all of which is reported in the non-current liabilities on the Government-Wide Statements. Of this amount, \$560,000 is recorded in the General Fund on the Fund Financial Statements, which represents the portion due and payable from current financial resources.

Note 16 – Fund Equity

A summary of reserved fund balance, as of August, 31, 2008, for all Governmental Fund Types follows:

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Inventories	\$ 1,088,424	\$ 620,795		
Retirement of funded Indebtedness			\$ 3,683,682	
Encumbrances	609,810			
Food service operations		3,944,342		
Authorized construction				\$ 9,204,564
Campus Activities		855,003		
Total	<u>\$ 1,698,234</u>	<u>\$ 5,420,140</u>	<u>\$ 3,683,682</u>	<u>\$ 9,204,564</u>

Note 17 – Litigation and Contingencies

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 18 – 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 recorded a liability of \$14,436 for arbitrage as of August 31, 2008.

Alief Independent School District
Notes to the Basic Financial Statements

Note 19 – Shared Service Arrangement

The District participates in a Shared Service Arrangement (SSA) for deaf education services with eleven other school districts. Approximately 31% of the students served by the SSA are attributable to the District. The District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. However, intergovernmental charges in the General Fund include payments to the fiscal agent for the District's share of project deficits. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend ISD, 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 Alief ISD. The fiscal agent manager is responsible for all financial activities of the SSA. Shared Service Arrangement expenditures of \$332,535 were attributable to Alief ISD participation.

Note 20 – Juvenile Justice Alternative Education Program

The District is required by law to participate in a Juvenile Justice Alternative Education Program (JJAEP) in coordination with the county juvenile board. A JJAEP is mandated by Chapter 37 of the Texas Education Code to provide education for certain expelled and adjudicated youth based on standards of academic accountability and performance as approved by the Texas Juvenile Probation Commission. The District paid \$238,958 to place students in a JJAEP in 2007-08.

Note 21 – Subsequent Event

The general fund tax rate adopted by the Board for 2008-09 is \$1.125 which exceeds the rollback tax rate and requires voter approval. On November 20, 2008, the District's voters approved the 2008 maintenance and operations tax rate at the tax rate ratification election.

Required Supplementary Information

Alief Independent School District

Exhibit F-1

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Original Budget, Final Amended Budget, and Actual - General Fund

Year Ended August 31, 2008
with comparative actual balances for the Year Ended August 31, 2007

Data Control Codes		2008		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	2007 Actual
		Budgeted Amounts				
		Original	Final			
	Revenues:					
5700	Local sources	\$ 116,617,036	\$ 120,080,333	\$ 120,247,315	\$ 166,982	\$ 142,646,340
5800	State program revenues	193,125,154	186,209,381	188,615,787	2,406,406	168,989,373
5900	Federal program revenues	1,150,000	1,150,000	1,514,325	364,325	1,361,342
5020	Total Revenues	310,892,190	307,439,714	310,377,427	2,937,713	312,997,055
	Expenditures:					
	Current:					
0011	Instruction	195,581,233	195,445,115	195,934,860	(489,745)	189,731,668
0012	Instructional resources and media services	4,765,566	4,961,109	4,865,042	96,067	4,733,566
0013	Curriculum & instructional staff development	3,918,383	3,413,391	3,127,630	285,761	3,653,534
0021	Instructional leadership	3,273,921	4,074,293	3,858,954	215,339	3,088,753
0023	School leadership	21,644,885	21,850,269	21,718,617	131,652	20,905,765
0031	Guidance, counseling, & evaluation services	12,736,003	12,836,964	12,765,306	71,658	11,726,772
0032	Social work services	199,553	250,916	233,992	16,924	208,302
0033	Health services	3,342,680	3,417,086	3,259,142	157,944	3,255,921
0034	Student transportation	10,524,888	11,186,390	10,859,611	326,779	10,031,874
0036	Co-curricular activities / extracurricular	3,365,242	3,595,379	3,465,394	129,985	3,180,972
0041	Administrative and support services	7,430,619	6,818,385	6,298,690	519,695	7,034,967
0051	Plant maintenance and operations	37,259,635	38,021,090	36,340,780	1,680,310	34,681,014
0052	Security and monitoring services	3,779,745	3,693,136	3,634,307	58,829	3,583,095
0053	Data processing services	3,048,202	3,443,603	2,576,567	867,036	3,055,118
0061	Community services	1,626,557	1,641,246	1,564,770	76,476	1,594,486
0081	Capital outlay	543,168	654,743	600,727	54,016	1,956,500
0093	Payments to fiscal agent	329,000	334,000	332,535	1,465	337,042
0095	Payments to Juvenile Justice Alt. Ed. Prog.	300,000	472,500	238,958	233,542	274,924
0099	Other intergovernmental charges		1,200,000	1,148,482	51,518	
6030	Total Expenditures	313,669,280	317,309,615	312,824,364	4,485,251	303,034,273
1100	Excess of Revenues Over Expenditures	(2,777,090)	(9,869,901)	(2,446,937)	7,422,964	9,962,782
	Other Financing (Uses)					
8911	Transfer Out					(4,000,000)
	Total Other Financing (Uses)					(4,000,000)
	Net Change in Fund Balance	(2,777,090)	(9,869,901)	(2,446,937)	7,422,964	5,962,782
0100	Fund Balance - beginning	78,838,307	78,838,307	78,838,307		72,875,525
3000	Fund Balance - ending	\$ 76,061,217	\$ 68,968,406	\$ 76,391,370	\$ 7,422,964	\$ 78,838,307

Alief Independent School District

Exhibit F-2

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Original Budget, Final Amended Budget
and Actual - Food Service Program**

**Year Ended August 31, 2008
with comparative actual balances for the Year Ended August, 31, 2007**

Data Control Codes		2008				2007 Actual
		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	
		Original	Final			
	Revenues					
5700	Local sources	\$ 5,100,000	\$ 4,350,000	\$ 4,281,606	\$ (68,394)	\$ 5,092,538
5800	State program revenues	140,000	140,000	144,923	4,923	141,650
5900	Federal program revenues	14,300,000	15,350,000	15,633,894	283,894	14,018,252
5020	Total Revenues	<u>19,540,000</u>	<u>19,840,000</u>	<u>20,060,423</u>	<u>220,423</u>	<u>19,252,440</u>
	Expenditures					
	Current:					
0035	Food services	19,599,064	21,199,864	20,757,677	442,187	20,469,587
0051	Plant maintenance & operations	275,000	276,200	274,500	1,700	233,500
0081	Facilities acquisition and construction					215,000
6030	Total Expenditures	<u>19,874,064</u>	<u>21,476,064</u>	<u>21,032,177</u>	<u>443,887</u>	<u>20,918,087</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	(334,064)	(1,636,064)	(971,754)	664,310	(1,665,647)
0100	Fund balance - September 1 (beginning)	<u>5,536,891</u>	<u>5,536,891</u>	<u>5,536,891</u>		<u>7,202,538</u>
3000	Fund Balance - August 31 (ending)	<u>\$ 5,202,827</u>	<u>\$ 3,900,827</u>	<u>\$ 4,565,137</u>	<u>\$ 664,310</u>	<u>\$ 5,536,891</u>

Alief Independent School District
Notes to Required Supplementary Information

Note 1 - Summary of Significant Accounting Policies

A. Stewardship, Compliance, and Accountability

Each school district in Texas is required by law to annually prepare a budget of anticipated revenues and expenditures for certain Governmental Fund Types for the fiscal year beginning September 1. The District adopts an "appropriated budget" on a basis consistent with GAAP for the General Fund, the Food Service Program that is included in the Special Revenue Fund, and the Debt Service Fund. The District is required to present original adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report and the Food Service Program budget report appear in Exhibit F-1 and F-2 respectively, and the Debt Service Fund budget report is in Exhibit I-1.

The official school budget was prepared for adoption by August 28, 2007, as required. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. Final priorities and funding of projects are determined by the Board, which subsequently established a local property tax rate sufficient to support the approved budget.

The administration performs budget reviews by which budget requirements are reevaluated and revisions are recommended to the Board.

The Board is required to approve amendments to the budget that change any fund or functional expenditure category (the legal level of compliance), revenue object accounts, or other financing sources/uses as defined by the Agency for each individual fund type. Unexpended appropriations lapse at year-end. Deficit fund balances are prohibited by state law.

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as reservation of fund balances. Since appropriations lapse at the end of each year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments.

End of year outstanding encumbrances totaling \$609,810 were provided for in the subsequent year's General Fund budget. A reservation of fund balance equal to the outstanding encumbrances at year end is provided for at August 31, 2008.

The negative budget variance of \$489,745 in Function 11 expenditures of General Fund resulted from Medicare Part D on-behalf payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. TRS calculated each school district's portion of the Medicare Part D retiree drug subsidy reimbursements to the TRS-Care based on the ratio of a school district's covered payroll to the entire payroll reported by all districts. These on-behalf payments must be recognized as equal revenues and expenditures by school districts according to GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. There is no fiscal impact to the District's fund balance. The implementation was communicated by the Texas Education Agency and TRS in late summer, 2008.

Other Supplementary Information

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Combining and Individual Fund Financial Statements

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Internal Service Funds

Internal Service Funds are used to account for the operations of the District's self-funded insurance programs.

Workers' Compensation Fund – This fund is used to account for the operations of the District's self-funded workers' compensation plan, which is supported by employer contributions. Expenses include benefit payments to employees, excess loss insurance premiums, and related administrative costs.

Health Insurance Fund – This fund is used to account for the operations of the District's medical and dental insurance program, which is supported by both employee and employer contributions. Expenses include claims, excess loss insurance, and related administrative costs.

Alief Independent School District

Exhibit G-1

**Combining Statement of Net Assets
Internal Service Funds**

August 31, 2008

<u>Data Control Codes</u>	<u>753 Workers' Comp.</u>	<u>755 Health Insurance</u>	<u>Total Internal Service Funds</u>	
Assets				
1110	Cash and cash equivalents	\$ 2,697,340	\$ 5,323,279	\$ 8,020,619
1290	Other receivables		373,143	373,143
1000	Total Assets	<u>\$ 2,697,340</u>	<u>\$ 5,696,422</u>	<u>\$ 8,393,762</u>
Liabilities				
2110	Accounts payable	\$ 7,934	\$ 138,634	\$ 146,568
2200	Accrued expenses	799,816	2,851,290	3,651,106
2000	Total Liabilities	<u>807,750</u>	<u>2,989,924</u>	<u>3,797,674</u>
Net Assets				
3900	Unrestricted Net Assets	<u>\$ 1,889,590</u>	<u>\$ 2,706,498</u>	<u>\$ 4,596,088</u>

Alief Independent School District

Exhibit G-2

**Combining Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Internal Service Funds**

Year Ended August 31, 2008

<u>Data Control Codes</u>		<u>753 Workers' Comp.</u>	<u>755 Health Insurance</u>	<u>Total Internal Service Funds</u>
	Operating Revenues			
5700	Local sources:			
5754	Interfund services provided	\$ 630,000	\$ 27,070,209	\$ 27,700,209
57XX	Other	4,702	1,073,353	1,078,055
5020	Total Operating Revenues	<u>634,702</u>	<u>28,143,562</u>	<u>28,778,264</u>
	Operating Expenses			
6200	Purchased and contracted services	142,224	2,574,523	2,716,747
6400	Other operating expenses	875,930	24,415,426	25,291,356
6030	Total Operating Expenses	<u>1,018,154</u>	<u>26,989,949</u>	<u>28,008,103</u>
1200	Operating Income (Loss)	(383,452)	1,153,613	770,161
	Nonoperating Revenue			
7000	Interest income	101,362	148,795	250,157
1300	Change in Net Assets	(282,090)	1,302,408	1,020,318
0100	Total Net Assets - Sept. 1 (beginning)	<u>2,171,680</u>	<u>1,404,090</u>	<u>3,575,770</u>
3000	Total Net Assets - Aug. 31 (ending)	<u>\$ 1,889,590</u>	<u>\$ 2,706,498</u>	<u>\$ 4,596,088</u>

Alief Independent School District

Exhibit G-3

**Combining Statement of Cash Flows
Internal Service Funds**

Year Ended August 31, 2008

	753 Workers' Comp.	755 Health Insurance	Total Internal Service Funds
	<u> </u>	<u> </u>	<u> </u>
Cash Flows from Operating Activities			
Cash receipts from interfund services provided and used	\$ 630,000	\$ 27,234,818	\$ 27,864,818
Cash receipts from insurance reimbursements	4,702	847,339	852,041
Cash payments to vendors for goods and services	(144,841)	(2,573,680)	(2,718,521)
Cash payments for claims	<u>(1,010,004)</u>	<u>(24,780,136)</u>	<u>(25,790,140)</u>
Net Cash Provided (Used) by Operating Activities	<u>(520,143)</u>	<u>728,341</u>	<u>208,198</u>
Cash Flows from Investing Activities			
Interest on cash and investments	<u>101,362</u>	<u>148,795</u>	<u>250,157</u>
Net Cash Provided by Investing Activities	<u>101,362</u>	<u>148,795</u>	<u>250,157</u>
Net increase (decrease) in cash and cash equivalents	(418,781)	877,136	458,355
Cash and cash equivalents, beginning of year	<u>3,116,121</u>	<u>4,446,143</u>	<u>7,562,264</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,697,340</u></u>	<u><u>\$ 5,323,279</u></u>	<u><u>\$ 8,020,619</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (383,452)	\$ 1,153,613	\$ 770,161
Change in assets and liabilities:			
Decrease in due from other funds		164,609	164,609
(Increase) in other receivables		(226,014)	(226,014)
Decrease in deferred expenditures		120,651	120,651
Increase (decrease) in accounts payable	(1,118)	843	(275)
(Decrease) in accrued expenses	<u>(135,573)</u>	<u>(485,361)</u>	<u>(620,934)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (520,143)</u></u>	<u><u>\$ 728,341</u></u>	<u><u>\$ 208,198</u></u>

Agency Fund

Agency Fund is used to account for assets held by the District as an agent for various student groups throughout the District.

Alief Independent School District

Exhibit H-1

Statement of Changes in Assets and Liabilities
Agency Fund

Year Ended August 31, 2008

	<u>Balance September 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance August 31, 2008</u>
<u>Student Activities</u>				
Assets				
Cash and cash equivalents	<u>\$ 1,591,072</u>	<u>\$ 1,791,645</u>	<u>\$ 2,729,140</u>	<u>\$ 653,577</u>
Liabilities				
Due to student groups	<u>\$ 1,591,072</u>	<u>\$ 1,791,645</u>	<u>\$ 2,729,140</u>	<u>\$ 653,577</u>

Compliance Schedules

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Alief Independent School District

Exhibit I-1

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Original Budget, Final Amended Budget, and Actual - Debt Service Fund**

**Year Ended August 31, 2008
with comparative actual balances for the Year Ended August 31, 2007**

Data Control Codes		2008		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)	2007 Actual
		Budgeted Amounts				
		Original	Final			
	Revenues					
5700	Local sources	\$ 24,053,044	\$ 25,053,044	\$ 24,976,744	\$ (76,300)	\$ 22,304,251
5800	State program revenues	9,918,951	10,418,951	10,048,760	(370,191)	11,324,176
5020	Total Revenues	33,971,995	35,471,995	35,025,504	(446,491)	33,628,427
	Expenditures					
	Debt service:					
0071	Principal on long-term debt	23,350,000	23,350,000	23,350,000	-	22,395,000
0072	Interest on long-term debt	11,662,775	11,651,775	11,589,026	62,749	11,983,633
0073	Bond issuance costs and fees	10,000	21,000	20,279	721	211,090
	Total debt service	35,022,775	35,022,775	34,959,305	63,470	34,589,723
6030	Total Expenditures	35,022,775	35,022,775	34,959,305	63,470	34,589,723
1100	Excess (Deficiency) of Revenues Over Expenditures	(1,050,780)	449,220	66,199	(383,021)	(961,296)
	Other Financing Sources (Uses)					
7911	Refunding bonds issued					17,469,863
7916	Premium on issuance of bonds					906,718
8949	Payment to refunding bond escrow agent					(18,181,092)
7080	Total Other Financing Sources (Uses)					195,489
1200	Net Change in Fund Balances	(1,050,780)	449,220	66,199	(383,021)	(765,807)
0100	Fund balance - September 1 (beginning)	3,617,483	3,617,483	3,617,483		4,383,290
3000	Fund Balance - August 31 (ending)	\$ 2,566,703	\$ 4,066,703	\$ 3,683,682	\$ (383,021)	\$ 3,617,483

Alief Independent School District

Schedule of Delinquent Taxes Receivable

Fiscal Year Ended August 31, 2008

Fiscal Year	Tax Year	Tax Rates			3 Assessed/Appraised Value for School Tax Purposes
		1 Maintenance	2 Debt Service	Total	
1999 and prior	1998 and prior	\$ Various	\$ Various	\$ Various	\$ Various
2000	1999	1.3550	0.2850	1.6400	5,834,470,712
2001	2000	1.4050	0.2350	1.6400	6,513,486,341
2002	2001	1.4600	0.2150	1.6750	7,186,710,328
2003	2002	1.4600	0.2150	1.6750	7,726,599,821
2004	2003	1.4600	0.2150	1.6750	8,270,863,975
2005	2004	1.4700	0.2200	1.6900	8,626,024,400
2006	2005	1.5000	0.2200	1.7200	9,202,259,327
2007	2006	1.3700	0.2200	1.5900	9,844,284,034
2008	2007	1.0400	0.2250	1.2650	11,038,716,837
				1000 Totals	

10 Beginning Balance 9/1/2007	20 Current Year's Total Levy	30 Maintenance Total Collections	30a Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2008
\$ 341,019		\$ 13,492	\$ 4,847	\$ (251,258)	\$ 71,422
261,134		3,233	680	(331)	256,890
314,478		4,134	691	(331)	309,322
450,879		5,745	846	(159)	444,129
427,844		21,329	3,142	16,031	419,404
589,288		27,442	4,043	(74,432)	483,371
637,140		88,215	13,205	44,361	580,081
1,003,820		316,678	46,443	65,344	706,043
2,901,849		2,058,543	330,667	496,147	1,008,786
	\$ 138,268,106	111,146,352	24,051,740	-	3,070,014
<u>\$ 6,927,451</u>	<u>\$ 138,268,106</u>	<u>\$ 113,685,163</u>	<u>\$ 24,456,304</u>	<u>\$ 295,372</u>	<u>\$ 7,349,462</u>

Alief Independent School District

**Schedule of Expenditures for Computation of
Indirect Costs for 2009-10
General and Special Revenue Funds**

Year Ended August 31, 2008

Function 41 and Related Function 53 - General Administration, Function 99 - Appraisal District Cost

	1	2	3	4	5	6	7
	(702)	(703)	(701)	(750)	(720)	(other)	
Account Number	School Board	Tax Collection	Supt's Office	Indirect Cost	Direct Cost	Misc.	Total
6100		\$ 290,283	\$ 488,783	\$ 4,300,354			\$ 5,079,420
* 6149				52,322			52,322
** 6149				1,022,032			1,022,032
6211	\$ 343,858						343,858
6212				85,674			85,674
6213		1,148,482					1,148,482
621X		154		148,770			148,924
6220							
6230	1,200			22,000			23,200
6240					\$ 4,176		4,176
6250							
6260				109,409			109,409
6290	41	71,723	114	233,286			305,164
6310				7,195			7,195
6320	38	519	390	1,514			2,461
6330							
63XX	14,925	26,865	3,194	332,671			377,655
6410	12,044	1,992	2,978	103,843			120,857
6420				68,569			68,569
6430	55,798						55,798
6490	9,697	590	2,075	184,401			196,763
6500							
6600						\$ 182,773	182,773
Total	\$ 437,601	\$ 1,540,608	\$ 497,534	\$ 6,672,040	\$ 4,176	\$ 182,773	\$ 9,334,732

* Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)

** Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)

Total expenditures for General and Special Revenue Funds: (9) \$ 370,906,202

Less: Deductions for Unallowable Costs

Fiscal Year

Total Capital Outlay (6600)	(10)	\$	593,082
Total Debt & Lease (6500)	(11)		-
Plant Maintenance (Function 51, 6100-6400)	(12)		36,460,489
Food (Function 35, 6341 and 6499)	(13)		7,764,485
Stipends (6413)	(14)		-
Column 4 Above (Indirect Costs)			6,672,040
Subtotal:		\$	<u>51,490,096</u>
Net Allowed Direct Cost		\$	<u><u>319,416,106</u></u>

Cumulative

Total Costs of Buildings before Depreciation (1520)	(15)	\$	566,411,336
Historical Cost of Buildings over 50 years old	(16)		-
Amount of Federal Money in Building Cost (Net of Above)	(17)		-
Total Cost of Furniture & Equip. before Depr. (1530 & 1540)	(18)		33,237,871
Historical Cost of Furniture & Equip. over 16 years old	(19)		1,428,249
Amount of Federal Money in Furn. & Equip. (Net of #19)	(20)		3,264,035

Note: \$575,243 in Function 53 expenditures are included in this report on administrative costs.
 \$1,148,482 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

Alief Independent School District

Exhibit I-4

**Fund Balance and Cash Flow Calculation Worksheet (Unaudited) -
General Fund**

August 31, 2008

1. Total General Fund Balance as of August 31, 2008		<u>\$ 76,391,370</u>
2. Total General Fund Reserved Fund Balance	<u>1,698,234</u>	
3. Total General Fund Designated Fund Balance	<u>-</u>	
4. Estimated amount needed to cover fall (9/1/08 - 1/30/09) cash flow deficits in the General Fund (Net borrowed funds and funds representing deferred revenues)	<u>40,000,000</u>	
5. Estimate of one month's average cash disbursements during the regular school session 9/1/08 - 5/31/09	<u>28,300,000</u>	
6. Estimate of delayed payments from state sources (58XX) including August payment delays	<u>18,679,073</u>	
7. Estimate of overpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>(7,167,405)</u>	
8. Estimate of delayed payments from federal sources (59XX)	<u>2,080,083</u>	
9. Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u></u>	
10. Optimum Fund Balance and Cash Flow (sum of lines 2 through 9)		<u>83,589,985</u>
11. Excess (Deficit) Net Undesignated, Unreserved General Fund - Fund Balance (Line 1 minus Line 10)		<u>\$ (7,198,615)</u>

Statistical Section (Unaudited)

Financial Trends

These schedules contain trend information to show how the District's financial performance and position have changed over time.

Alief Independent School District

Net Assets by Component

***Last Seven Fiscal Years
(Accrual Basis of Accounting)***

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental Activities:			
Invested in Capital Assets, Net of Related Debt	\$ 108,510,880	\$ 116,462,130	\$ 127,349,094
Restricted	6,651,660	8,484,645	9,825,856
Unrestricted	<u>54,683,773</u>	<u>64,318,192</u>	<u>65,065,026</u>
Total Governmental Activities Net Assets	<u>169,846,313</u>	<u>189,264,967</u>	<u>202,239,976</u>
Business-type Activities:			
Invested in Capital Assets, Net of Related Debt	-	43,363	142,691
Unrestricted	-	<u>(70,419)</u>	<u>(266,002)</u>
Total Business-type Activities Net Assets	<u>-</u>	<u>(27,056)</u>	<u>(123,311)</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	108,510,880	116,505,493	127,491,785
Restricted	6,651,660	8,484,645	9,825,856
Unrestricted	<u>54,683,773</u>	<u>64,247,773</u>	<u>64,799,024</u>
Total Primary Government Net Assets	<u>\$ 169,846,313</u>	<u>\$ 189,237,911</u>	<u>\$ 202,116,665</u>

Due to the implementation of GASB Statement No. 34 effective September 1, 2001, comparative data is only available for the past seven years.

Table 1

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 134,118,077	\$ 145,256,794	\$ 154,692,993	\$ 164,864,417
10,287,628	12,873,527	10,398,258	10,489,139
65,962,427	79,148,071	87,501,567	83,172,842
<u>210,368,132</u>	<u>237,278,392</u>	<u>252,592,818</u>	<u>258,526,398</u>
127,191	124,277	113,646	96,662
(394,403)	(128,168)	(107,406)	(71,482)
<u>(267,212)</u>	<u>(3,891)</u>	<u>6,240</u>	<u>25,180</u>
134,245,268	145,381,071	154,806,639	164,961,079
10,287,628	12,873,527	10,398,258	10,489,139
65,568,024	79,019,903	87,394,161	83,101,360
<u>\$ 210,100,920</u>	<u>\$ 237,274,501</u>	<u>\$ 252,599,058</u>	<u>\$ 258,551,578</u>

Alief Independent School District

Changes in Net Assets

**Last Seven Fiscal Years
(Accrual Basis of Accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Expenses			
Governmental Activities:			
Instruction	\$ 173,385,974	\$ 197,130,543	\$ 212,265,852
Instructional resources and media services	4,146,474	4,476,678	4,701,320
Curriculum & instructional staff development	2,277,710	3,140,247	3,156,771
Instructional leadership	3,961,195	4,125,700	4,109,344
School leadership	14,406,902	15,327,673	18,316,467
Guidance, counseling, & evaluation services	9,251,227	10,137,663	10,630,324
Social work services	218,047	246,980	190,693
Health services	2,515,795	2,752,020	2,891,080
Student transportation	9,150,842	9,675,508	10,334,603
Food services	14,752,164	16,984,583	17,830,945
Co-curricular activities / extracurricular	2,976,248	3,749,275	3,688,774
Administrative and support services	8,057,668	8,969,993	9,585,295
Plant maintenance and operations	24,936,054	25,450,921	27,260,887
Security and monitoring services	2,539,334	2,908,838	3,144,682
Data processing services	2,216,666	2,493,065	2,488,546
Community services	1,197,952	1,316,285	1,259,211
Debt service - interest on long-term debt	12,245,019	12,534,403	12,456,674
Facilities acquisition and construction	2,602,674	1,419,561	896,009
Payments to fiscal agent	165,628	233,223	214,931
Payments to JJAEP	40,956	78,260	196,122
Other intergovernmental charges			
Total Primary Government Expenses	<u>291,044,529</u>	<u>323,151,419</u>	<u>345,618,530</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
Instruction	234,613	216,104	309,386
Food Service	6,846,294	7,088,570	6,418,527
Co-curricular activities / extracurricular	222,042	265,569	281,635
Other activities	543,178	965,151	751,477
Operating Grants and Contributions	34,520,241	47,839,475	52,494,559
Total Primary Government Program Revenues	<u>42,366,368</u>	<u>56,374,869</u>	<u>60,255,584</u>
Net (Expense) / Revenue			
Total Primary Government Net Expense	<u>(\$248,678,161)</u>	<u>(\$266,776,550)</u>	<u>(\$285,362,946)</u>

Table 2
Page 1 of 2

	2005	2006	2007	2008
\$	217,533,588	\$ 233,647,083	\$ 229,391,365	\$ 237,424,958
	4,764,873	5,236,527	5,427,962	5,476,659
	3,260,797	5,357,740	6,019,879	5,552,441
	4,375,378	3,348,764	3,806,670	4,482,897
	19,362,133	19,738,259	21,146,761	21,873,047
	10,927,558	11,892,232	12,677,861	13,431,519
	254,448	316,013	360,882	343,671
	2,948,653	3,188,416	3,480,875	3,491,833
	10,906,510	11,205,740	11,391,228	12,365,992
	18,048,576	18,913,378	20,469,574	21,395,396
	3,786,355	3,580,719	3,573,298	6,033,720
	9,308,062	8,047,232	8,853,616	7,599,987
	28,734,994	31,308,791	34,756,982	36,629,961
	3,127,029	3,211,158	3,653,553	3,698,996
	2,618,433	2,515,592	3,063,516	2,823,818
	1,308,741	1,585,834	1,758,389	1,689,077
	11,557,386	12,001,543	13,178,873	11,698,007
	1,663,522	955,266	1,524,400	951,696
	202,146	255,731	337,042	332,535
	217,954	292,260	274,924	238,958
				1,148,482
	<u>354,907,136</u>	<u>376,598,278</u>	<u>385,147,650</u>	<u>398,683,650</u>
	284,406	662,008	342,027	200,957
	5,849,712	5,729,798	4,713,755	4,082,201
	249,677	203,819	241,384	3,149,079
	119,299	216,730	549,685	610,336
	75,375,993	94,358,072	78,163,521	81,775,489
	<u>81,879,087</u>	<u>101,170,427</u>	<u>84,010,372</u>	<u>89,818,062</u>
	<u>(\$273,028,049)</u>	<u>(\$275,427,851)</u>	<u>(\$301,137,278)</u>	<u>(\$308,865,588)</u>

Alief Independent School District

Changes in Net Assets

***Last Seven Fiscal Years
(Accrual Basis of Accounting)***

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental Revenues and other Changes in Net Assets			
Governmental Activities:			
Property Taxes, Levied for General Purposes	\$ 104,651,294	\$ 114,544,728	\$ 121,085,690
Property Taxes, Levied for Debt Service	15,419,875	14,819,185	17,891,980
State-aid Formula Grant - Unrestricted	146,172,616	154,668,192	154,905,603
Investment Earnings	2,796,374	1,556,743	1,232,305
Miscellaneous	714,235	606,356	583,152
Total Primary Government General Revenues	<u>269,754,394</u>	<u>286,195,204</u>	<u>295,698,730</u>
Prior Period Adjustment			<u>2,639,225</u>
Change in Net Assets			
Total Primary Government	<u>\$ 21,076,233</u>	<u>\$ 19,418,654</u>	<u>\$ 12,975,009</u>

Due to the implementation of GASB Statement No. 34 effective September 1, 2001, comparative data is only available for the past seven years.

Table 2
Page 2 of 2

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 126,628,867	\$ 137,737,633	\$ 134,678,958	\$ 114,516,140
18,905,103	20,097,037	21,568,352	24,717,837
132,023,845	138,292,793	151,698,777	169,401,567
2,822,276	5,408,593	8,387,651	6,009,600
776,114	802,055	117,966	154,024
<u>281,156,205</u>	<u>302,338,111</u>	<u>316,451,704</u>	<u>314,799,168</u>
<hr/>			
<u>\$ 8,128,156</u>	<u>\$ 26,910,260</u>	<u>\$ 15,314,426</u>	<u>\$ 5,933,580</u>

Alief Independent School District

Fund Balances of Governmental Funds

***Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)***

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund				
Reserved	\$ 2,032,516	\$ 1,616,206	\$ 1,355,742	\$ 1,368,690
Unreserved	38,977,534	38,015,535	39,705,033	48,733,775
Total General Fund	<u>\$ 41,010,050</u>	<u>\$ 39,631,741</u>	<u>\$ 41,060,775</u>	<u>\$ 50,102,465</u>
All Other Governmental Funds				
Reserved, reported in:				
Special Revenue Fund	\$ 3,805,515	\$ 3,454,900	\$ 3,596,265	\$ 4,668,471
Debt Service Fund	1,938,052	1,845,667	2,431,545	2,606,408
Capital Projects Fund	24,317,841	19,512,696	16,086,613	31,929,660
Total All Other Governmental Funds	<u>\$ 30,061,408</u>	<u>\$ 24,813,263</u>	<u>\$ 22,114,423</u>	<u>\$ 39,204,539</u>

Table 3

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 1,374,687	\$ 1,639,410	\$ 1,207,563	\$ 2,325,243	\$ 3,190,030	\$ 1,698,234
<u>60,701,529</u>	<u>58,526,309</u>	<u>57,890,351</u>	<u>70,550,282</u>	<u>75,648,277</u>	<u>74,693,136</u>
<u>\$ 62,076,216</u>	<u>\$ 60,165,719</u>	<u>\$ 59,097,914</u>	<u>\$ 72,875,525</u>	<u>\$ 78,838,307</u>	<u>\$ 76,391,370</u>
\$ 5,661,010	\$ 6,097,462	\$ 6,305,127	\$ 7,202,538	\$ 5,536,891	\$ 5,420,140
2,613,826	2,976,753	2,687,001	4,383,290	3,617,483	3,683,682
<u>16,431,185</u>	<u>22,725,873</u>	<u>16,575,275</u>	<u>24,187,726</u>	<u>23,164,609</u>	<u>9,204,564</u>
<u>\$ 24,706,021</u>	<u>\$ 31,800,088</u>	<u>\$ 25,567,403</u>	<u>\$ 35,773,554</u>	<u>\$ 32,318,983</u>	<u>\$ 18,308,386</u>

Alief Independent School District

Changes in Fund Balances - Governmental Funds

**Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues			
Local sources	\$ 103,477,303	\$ 113,128,401	\$ 122,273,442
State program revenues	130,635,609	154,374,815	153,883,737
Federal program revenues	13,815,081	16,652,431	18,280,095
Total Revenues	<u>247,927,993</u>	<u>284,155,647</u>	<u>294,437,274</u>
Expenditures			
Current:			
Instruction	134,269,880	153,915,498	160,651,848
Instructional resources and media services	3,454,188	4,643,088	3,577,511
Curriculum & instructional staff development	1,901,902	2,180,958	2,198,799
Instructional leadership	3,062,743	3,846,891	3,838,991
School leadership	10,636,230	12,259,932	13,223,531
Guidance, counseling, & evaluation services	7,467,283	8,498,558	8,994,656
Social work services	249,509	261,657	277,663
Health services	1,873,696	2,102,856	2,260,796
Student transportation	7,211,406	9,456,141	8,091,041
Food services	12,617,999	14,432,245	14,337,978
Co-curricular activities / extracurricular	2,036,306	2,439,196	2,628,466
Administrative and support services	6,326,664	6,764,073	7,133,231
Plant maintenance and operations	20,446,258	23,054,388	25,321,235
Security and monitoring services	2,356,846	2,723,367	2,818,908
Data processing services	2,073,327	1,829,803	2,033,480
Community services	1,045,248	1,138,445	1,161,422
Debt service:			
Debt service - principal on long-term debt	17,005,000	20,505,000	18,010,000
Debt service - interest on long-term debt	10,549,425	12,315,652	13,362,165
Bond issuance costs and fees	165,814	318,923	619,523
Capital outlay	37,354,074	60,195,430	30,441,187
Intergovernmental charges:			
Payments to fiscal agent			171,800
Payments to JJAEP			75,250
Other intergovernmental charges			
Total Expenditures	<u>282,103,798</u>	<u>342,882,101</u>	<u>321,229,481</u>
Excess of Revenues Over (Under)Expenditures	(34,175,805)	(58,726,454)	(26,792,207)
Other Financing Sources (Uses)			
Capital-related debt issued (regular bonds)	23,000,000	52,100,000	25,200,365
Transfers In			
Premium on issuance of bonds			17,703,875
Proceeds from refunding bonds			
Transfers out			
Payment to refunded bond escrow agent			(17,381,839)
Total Other Financing Sources (Uses)	<u>23,000,000</u>	<u>52,100,000</u>	<u>25,522,401</u>
Net Change in Fund Balances	<u>(\$11,175,805)</u>	<u>(\$6,626,454)</u>	<u>(\$1,269,806)</u>
Debt Service as a Percentage of Noncapital Expenditures	11.68%	12.20%	11.25%

Table 4

2002	2003	2004	2005	2006	2007	2008
\$ 131,889,643	\$ 140,251,059	\$ 147,787,356	\$ 155,650,850	\$ 170,601,708	\$ 172,318,236	\$ 153,803,790
160,379,278	177,795,227	173,057,326	167,981,019	174,927,715	187,828,104	207,940,906
19,812,672	24,484,969	34,113,220	39,245,823	57,297,026	40,432,903	42,353,882
312,081,593	342,531,255	354,957,902	362,877,692	402,826,449	400,579,243	404,098,578
164,852,658	187,822,234	202,560,012	208,850,955	223,296,069	218,575,895	227,297,651
3,698,976	3,992,715	4,206,913	4,288,329	4,671,690	4,867,166	5,021,042
2,304,118	3,060,415	3,266,615	3,212,428	5,267,870	5,996,185	5,532,624
3,993,445	4,077,681	4,142,583	4,248,188	3,291,563	3,754,993	4,529,196
14,243,941	15,085,758	18,018,097	19,151,748	19,552,434	20,920,348	21,775,332
9,148,787	10,086,378	10,546,317	10,836,970	11,742,871	12,601,772	13,455,408
244,948	246,949	190,592	255,508	286,333	390,864	345,018
2,458,843	2,699,713	2,871,311	2,948,775	3,154,304	3,423,454	3,446,214
9,018,880	8,941,197	9,032,823	9,672,268	10,303,937	10,097,174	10,899,143
14,341,978	16,279,561	17,246,190	17,564,095	18,314,549	20,469,587	20,757,677
2,656,280	3,410,977	3,344,624	3,406,709	3,270,746	3,180,972	5,570,188
7,972,986	8,487,388	9,148,804	8,580,041	7,040,263	7,034,967	6,298,690
25,897,555	26,162,277	27,796,098	29,218,687	31,596,213	34,915,847	36,615,547
2,642,360	2,998,079	3,157,698	3,190,195	3,327,406	3,644,290	3,700,098
2,107,392	2,421,347	2,390,605	2,523,325	2,985,886	3,055,118	2,576,567
1,226,397	1,315,343	1,267,477	1,308,457	1,588,116	1,710,579	1,694,234
16,615,000	20,005,000	19,975,000	21,905,000	22,080,000	22,395,000	23,350,000
15,174,090	12,479,185	12,277,811	11,761,073	11,925,283	11,983,633	11,589,026
198,109	384,453	199,882	792,626	146,153	467,012	123,278
16,556,460	36,132,404	27,723,827	28,866,775	17,965,107	32,189,806	23,272,682
165,628	233,223	214,931	202,146	255,731	337,042	332,535
40,956	78,260	196,122	217,954	292,260	274,924	238,958
315,559,787	366,400,537	379,774,332	393,002,252	402,354,784	422,286,628	429,569,590
(3,478,194)	(23,869,282)	(24,816,430)	(30,124,560)	471,665	(21,707,385)	(25,471,012)
29,610,000	19,750,000	30,000,000	22,000,000	23,380,000	23,758,793	8,890,000
	1,096,153		5,677,453	132,097	4,000,000	123,478
	16,925,000		56,104,990		1,168,032	
	(17,771,188)		(60,958,373)		17,469,863	
					(4,000,000)	
					(18,181,092)	
29,610,000	19,999,965	30,000,000	22,824,070	23,512,097	24,215,596	9,013,478
\$ 26,131,806	(\$3,869,317)	\$ 5,183,570	(\$7,300,490)	\$ 23,983,762	\$ 2,508,211	(\$16,457,534)
10.71%	9.96%	9.22%	9.45%	8.92%	8.94%	8.62%

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Revenue Capacity

These schedules contain information to help assess the factors affecting the District's most significant local revenue source, the property tax.

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Alief Independent School District

Table 5

***Assessed Value and
Actual Value of Taxable Property***

Last Ten Fiscal Years

Fiscal Year Ended August 31,	Appraised Value			Taxable Assessed Value	Total Direct Rate (1)
	Real Property Value	Personal Property Value	Less Exemptions		
1999	\$ 4,391,708,626	\$ 858,391,345	\$ 393,468,700	\$ 4,856,631,271	\$ 1.6995
2000	5,376,259,900	875,170,712	416,959,900	5,834,470,712	1.6400
2001	6,168,976,785	814,185,793	469,676,237	6,513,486,341	1.6400
2002	6,859,071,010	826,471,688	498,832,370	7,186,710,328	1.6750
2003	7,430,182,899	835,218,172	538,801,250	7,726,599,821	1.6750
2004	7,943,533,050	886,108,365	558,777,440	8,270,863,975	1.6750
2005	8,112,331,886	1,111,740,724	598,048,210	8,626,024,400	1.6900
2006	9,634,727,870	1,121,653,140	1,554,121,683	9,202,259,327	1.7200
2007	10,268,204,473	1,163,920,453	1,587,840,892	9,844,284,034	1.5900
2008	11,629,193,682	1,253,541,794	1,844,018,639	11,038,716,837	1.2650

(1) Tax rates are per \$100 of assessed value.

Source: Harris County Appraisal District provides the District's tax office with appraised values for properties within the District's taxing authority.

Alief Independent School District

Property Tax Rates - Direct and Overlapping Governments (per \$100 of Assessed Value)

Last Ten Fiscal Years

<u>Taxing Authority</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Overlapping Rates:</u>				
Beechnut MUD	\$ 1.250	\$ 1.250	\$ 1.250	\$ 1.250
Bissonnet MUD	1.308	1.200	1.090	1.060
Chelford City MUD	0.483	0.438	0.420	0.420
Chelford One MUD	0.325	0.290	0.270	0.420
Harris County *	0.648	0.648	0.648	0.646
Harris County MUD 120	1.130	0.908	0.850	0.850
Harris County MUD 147	1.024	0.995	0.990	0.990
Harris County MUD 158	1.090	1.040	0.900	0.850
Harris County MUD 359	0.698	0.590	0.510	0.510
Harris County MUD 372	N/A	0.650	0.650	0.590
Houston, City of	0.665	0.665	0.655	0.655
Kingsbridge MUD	0.980	0.949	0.949	0.920
Mission Bend MUD 1	0.685	0.638	0.620	0.580
Mission Bend MUD 2	1.240	1.220	1.220	1.170
Renn Road MUD	1.040	1.030	0.940	0.940
West Harris County MUD 4	1.500	1.400	1.350	1.250
West Harris County MUD 6	0.661	0.700	0.750	0.750
West Keegans Bayou ID	0.307	0.271	0.251	0.221
Total	<u>\$ 15.0336</u>	<u>\$ 14.8812</u>	<u>\$ 14.3128</u>	<u>\$ 14.0723</u>
<u>District Direct Rates:</u>				
Maintenance & Operations	\$ 1.2495	\$ 1.3550	\$ 1.4050	\$ 1.4600
Debt Service	0.4500	0.2850	0.2350	0.2150
Total District Direct Rates	<u>\$ 1.6995</u>	<u>\$ 1.6400</u>	<u>\$ 1.6400</u>	<u>\$ 1.6750</u>

* Includes Harris County, Harris County Department of Education, Harris County Flood Control District, Harris County Hospital District, and the Port of Houston Authority

Source: District Tax Office

Table 6

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 1.250	\$ 1.250	\$ 1.250	\$ 1.250	\$ 1.250	\$ 1.050
1.040	0.990	0.740	0.590	0.590	0.480
0.430	0.430	0.430	0.430	0.430	0.430
0.420	0.420	0.410	0.410	0.410	0.410
0.646	0.646	0.646	0.454	0.646	0.636
0.850	0.850	0.790	0.710	0.710	0.730
0.940	0.920	0.880	0.850	0.850	0.830
0.850	0.800	0.700	0.500	0.500	0.450
0.430	0.370	0.325	0.300	0.300	0.270
0.525	0.400	0.310	0.310	0.260	0.210
0.655	0.655	0.655	0.647	0.645	0.644
0.920	0.880	0.840	0.820	0.820	0.800
0.565	0.540	0.450	0.450	0.135	0.280
1.070	0.970	0.934	0.934	0.934	0.900
0.900	0.850	0.830	0.680	0.680	0.630
1.150	1.080	1.040	1.000	1.000	0.930
0.700	0.700	0.700	0.700	0.700	0.690
0.191	0.191	0.181	0.161	0.161	0.121
<u>\$ 13.5323</u>	<u>\$ 12.9423</u>	<u>\$ 12.1113</u>	<u>\$ 11.1961</u>	<u>\$ 11.0213</u>	<u>\$ 10.4910</u>
\$ 1.4600	\$ 1.4600	\$ 1.4700	\$ 1.5000	\$ 1.3700	\$ 1.0400
0.2150	0.2150	0.2200	0.2200	0.2200	0.2250
<u>\$ 1.6750</u>	<u>\$ 1.6750</u>	<u>\$ 1.6900</u>	<u>\$ 1.7200</u>	<u>\$ 1.5900</u>	<u>\$ 1.2650</u>

Alief Independent School District

Table 7

Principal Taxpayers

Current Year and Nine Years Ago

Taxpayer	2008			1999		
	Assessed Value (1)	Rank	Percentage of Total Assessed Value (2)	Assessed Value (1)	Rank	Percentage of Total Assessed Value (3)
Centerpoint Energy Inc.	\$ 116,070,325	1	1.1 %	\$ 83,143,410	3	1.7 %
Shell Oil Co.	111,892,074	2	1.0	152,990,500	1	3.2
Camden Property Trust	81,320,403	3	0.7	81,192,470	4	1.7
3150 Briarpark / LP	79,796,870	4	0.7			
Selco Service Corp.	74,433,400	5	0.7			
Wal Mart	66,316,456	6	0.6			
WSC Acquisition II LP	55,000,000	7	0.5			
IP - West Oaks Mall JCP LP	51,264,681	8	0.5	49,856,620	6	1.0
CHCA West Houston	49,330,007	9	0.4			
MSPA Acquisition	43,894,217	10	0.4			
Western Atlas International				145,290,300	2	3.0
Southwestern Bell Telephone				52,203,000	5	1.1
Prentiss Property				38,742,410	7	0.8
Chevron Chemical Inc.				35,370,690	8	0.7
2828 Hayes Road Ltd.				34,000,000	9	0.7
Weingarten Realty				31,951,130	10	0.7
Totals	\$ 729,318,433		6.6%	\$ 704,740,530		14.5%

(1) Assessed (taxable) value equals appraised value after exemptions

(2) Total assessed value equals: \$ 11,038,716,837

(3) Total assessed value equals: \$ 4,856,631,271

Source: Harris County Appraisal District

Alief Independent School District

Table 8

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended August 31,	Net Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Net Tax Levy		Amount	Percent of Total Tax Collections To Net Tax Levy
1999	\$ 89,225,449	\$ 87,865,638	98.5	\$ 883,799	\$ 88,749,437	99.5
2000	94,801,317	92,934,159	98.0	1,243,199	94,177,358	99.3
2001	106,821,176	104,342,473	97.7	1,313,175	105,655,648	98.9
2002	120,377,398	117,619,244	97.7	1,543,149	119,162,393	99.0
2003	129,420,547	127,434,343	98.5	1,867,898	129,302,241	99.9
2004	137,340,943	135,456,529	98.6	2,430,380	137,886,909	100.4
2005	144,412,158	142,240,397	98.5	2,646,329	144,886,726	100.3
2006	156,660,301	154,281,070	98.5	2,383,849	156,664,919	100.0
2007	155,144,604	152,242,755	98.1	3,047,023	155,289,778	100.1
2008	138,268,106	135,198,092	97.8	2,943,375	138,141,467	99.9

Source: District records

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Debt Capacity

These schedules present information to help assess the affordability of the District's current debt burden and its ability to issue additional debt in the future.

Alief Independent School District

Table 9

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended August 31,	Total Primary Government General Obligation Bonds	Ratio of Debt to Assessed Value (1)	Debt per Student (2)
1999	\$ 202,480,000	3.86	\$ 4,959
2000	234,075,000	4.01	5,569
2001	241,250,000	3.70	5,694
2002	254,245,000	3.54	5,851
2003	253,990,000	3.29	5,763
2004	264,015,000	3.19	5,806
2005	262,100,000	3.04	5,734
2006	263,400,000	2.86	5,526
2007	264,763,656	2.69	5,788
2008	250,303,656	2.27	5,531

(1) See Table 5 for assessed value data.

(2) See Table 17 for student enrollment data.

Alief Independent School District

Table 10

Ratios of Net General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year Ended August 31,	Gross Bonded Debt	Less Reserve for Retirement of Bonded Debt	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (1)	Net Bonded Debt per Student (2)
1999	\$ 202,480,000	\$ 1,938,052	\$ 200,541,948	3.82	\$ 4,912
2000	234,075,000	1,845,667	232,229,333	3.98	5,525
2001	241,250,000	2,431,545	238,818,455	3.67	5,636
2002	254,245,000	2,606,408	251,638,592	3.50	5,791
2003	253,990,000	2,613,826	251,376,174	3.25	5,704
2004	264,015,000	2,976,753	261,038,247	3.16	5,741
2005	262,100,000	2,687,001	259,412,999	3.01	5,675
2006	263,400,000	4,383,290	259,016,710	2.81	5,434
2007	264,763,656	3,617,483	261,146,173	2.65	5,709
2008	250,303,656	3,683,682	246,619,974	2.23	5,449

(1) See Table 5 for assessed value data.

(2) See Table 17 for student enrollment data.

Alief Independent School District

Table 11

Computation of Estimated Direct and Overlapping Debt

August 31, 2008

Taxing Body	Net Debt Outstanding	Outstanding as of	Percent Overlapping	Amount Overlapping
Beechnut MUD	\$ 5,000,000 *	06/30/08	100.00 %	\$ 5,000,000
Bissonnet MUD	10,199,142	05/31/08	100.00	10,199,142
Chelford City MUD	1,475,000 *	06/30/08	47.97	707,558
Chelford One MUD	3,264,030	05/21/07	100.00	3,264,030
Harris County	2,000,191,354	02/28/07	4.24	84,808,113
Harris County Flood Control District	100,023,775	02/28/07	4.24	4,241,008
Harris County MUD 120	13,510,828	12/31/07	100.00	13,510,828
Harris County MUD 147	3,412,309	09/30/06	100.00	3,412,309
Harris County MUD 158	10,633,386	09/30/07	100.00	10,633,386
Harris County MUD 359	9,028,350	08/31/07	100.00	9,028,350
Harris County MUD 372	14,271,676	09/01/07	100.00	14,271,676
Houston, City of	1,905,320,758	06/30/07	6.07	115,652,970
Kingsbridge MUD	32,526,175	09/30/07	4.32	1,405,131
Mission Bend MUD 1	415,000 *	06/30/08	0.64	2,656
Mission Bend MUD 2	7,085,661	02/19/08	100.00	7,085,661
Port of Houston Authority	343,965,000 *	06/30/08	4.24	14,584,116
Renn Road MUD	9,795,458	09/30/06	81.82	8,014,644
West Harris County MUD 4	5,332,728	09/30/06	93.88	5,006,365
West Harris County MUD 6	1,060,000 *	06/30/08	100.00	1,060,000
West Keegans Bayou ID	2,003,503	08/16/07	11.82	236,814
Total Net Overlapping Debt				312,124,757
<u>Direct:</u>				
Alief Independent School District Net Debt				246,619,974
Total Direct and Overlapping Debt				\$ 558,744,731

Source: "Texas Municipal Reports" published by the Municipal Advisory Council of Texas

* Gross debt

Demographic and Economic Information

These schedules provide demographic and economic indicators to help in understanding the environment in which the District operates and to facilitate in comparisons over time.

Alief Independent School District

Table 12

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Residential Units (1)	Average Assessed Value per Residential Unit (1)	Median Household Income (3)	Estimated Population (3)	Unemployment Rate (2)
1999	38,644	\$ 58,240	\$ 41,466	N/A	4.6 %
2000	39,277	65,934	41,220	3,414,630	4.3
2001	39,859	75,306	43,279	3,487,154	4.7
2002	40,452	84,313	42,704	3,566,088	6.1
2003	41,274	92,438	42,262	3,627,323	6.8
2004	42,247	97,217	41,922	3,686,017	6.3
2005	43,114	103,223	44,085	3,750,573	5.6
2006	43,848	107,437	47,129	3,876,306	5.0
2007	44,953	125,383	Not Available	3,935,855	4.2
2008	45,867	133,510	Not Available	Not Available	4.3

(1) Source: Harris County (Texas) Appraisal District

(2) Source: TRACER of Texas Workforce Commission; unemployment rate is for Harris County

(3) Source: U.S. Census Bureau; the estimated population and median household income is for Harris County

The most recent information is not available yet.

The District is located within Houston, Texas and there is not a source for obtaining the information specifically for the District.

Alief Independent School District

Table 13

Principal Employers

Current Year and Nine Years Ago

Employer	2008			1999		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Wal-Mart Stores, Inc.	29,400	1	1.12 %	13,900	6	0.63 %
Administaff	22,475	2	0.86	15,065	3	0.69
Memorial Hermann Healthcare System	19,986	3	0.76	12,732	9	0.58
Continental Airlines	18,467	4	0.71	17,391	1	0.79
University of Texas, M.D. Anderson Cancer Center	17,116	5	0.65			
Exxon Mobil Corp.	15,340	6	0.59	13,000	7	0.59
Kroger Co.	14,549	7	0.56	14,533	5	0.66
Shell Oil Co.	12,507	8	0.48			
Methodist Hospital System	11,320	9	0.43			
H-E-B	10,538	10	0.40			
UT Medical Branch - Galveston				14,812	4	0.68
Halliburton				16,662	2	0.76
Compaq Computer Corp.				13,000	7	0.59
McDonald's Corp.				11,000	10	0.50

Source: Employment numbers were obtained from the Houston Chronicle for Greater City of Houston area. The District is located within Houston, Texas and there is not a source for obtaining the information specifically for the District.

Percentage of total employment was calculated using total non-agricultural employment for the Houston-Sugar Land-Baytown Metropolitan Statistical Area (MSA) and was obtained from the TRACER of Texas Workforce Commission.

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Operating Information

These schedules provide information about the District's operations and resources to assist in using the financial statement information to better understand and assess the District's economic condition.

Alief Independent School District

Full-Time Equivalent District Employees by Position

Last Ten Fiscal Years

Position:	1999	2000	2001	2002
Professional Staff				
Teachers	<u>2,532</u>	<u>2,649</u>	<u>2,526</u>	<u>2,692</u>
Support Staff				
Supervisors				
Counselors				
Educational Diagnosticians				
Librarians				
Nurses				
Therapists				
Psychologists				
Other Support Staff				
Subtotal	<u>354</u>	<u>365</u>	<u>491</u>	<u>346</u>
Administrators				
Administrative/Instructional Officers				
Principals				
Assistant Principals				
Superintendent				
Assistant Superintendents				
Subtotal	<u>138</u>	<u>137</u>	<u>143</u>	<u>178</u>
Total Professional Staff	3,024	3,151	3,160	3,216
Educational Aides	462	461	448	449
Auxiliary Staff	<u>1,415</u>	<u>1,483</u>	<u>1,578</u>	<u>1,581</u>
Total Employees	<u><u>4,901</u></u>	<u><u>5,095</u></u>	<u><u>5,186</u></u>	<u><u>5,246</u></u>

Source: Texas Education Agency website

Table 14

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>2,947</u>	<u>2,977</u>	<u>3,024</u>	<u>3,067</u>	<u>3,238</u>	<u>3,066</u>
26	28	33	33	35	47
91	98	100	103	106	106
32	34	35	53	55	56
39	43	44	43	44	44
39	42	42	42	44	45
28	29	28	41	36	39
15	15	15	2	2	2
<u>110</u>	<u>236</u>	<u>259</u>	<u>274</u>	<u>151</u>	<u>153</u>
<u>380</u>	<u>525</u>	<u>556</u>	<u>591</u>	<u>473</u>	<u>492</u>
10	9	10	8	12	10
34	42	39	41	40	42
99	98	104	103	107	105
1	1	1	1	1	1
9	9	8	8	9	10
<u>153</u>	<u>159</u>	<u>162</u>	<u>161</u>	<u>169</u>	<u>168</u>
3,480	3,661	3,742	3,819	3,880	3,726
463	493	456	503	485	426
<u>1,579</u>	<u>1,629</u>	<u>1,608</u>	<u>1,547</u>	<u>1,782</u>	<u>1,789</u>
<u>5,522</u>	<u>5,783</u>	<u>5,806</u>	<u>5,869</u>	<u>6,147</u>	<u>5,941</u>

Alief Independent School District

Operating Statistics

Last Ten Fiscal Years

Fiscal Year	Enrollment	Average Daily Attendance	Operating Expenditures (1)	Cost per Student	Percentage Change
1999	41,100	36,415	\$ 209,535,289	\$ 5,754	5.2 %
2000	42,035	37,210	238,431,932	6,408	11.4
2001	42,374	37,869	252,440,261	6,666	4.0
2002	43,645	39,008	266,560,345	6,833	2.5
2003	44,631	41,332	330,028,203	7,985	16.8
2004	45,472	41,781	319,475,712	7,646	(4.2)
2005	45,709	41,794	330,335,714	7,904	3.4
2006	47,664	43,247	348,900,151	8,068	2.1
2007	45,740	41,573	354,998,130	8,539	5.8
2008	45,257	41,143	371,613,621	9,032	5.8

(1) Operating expenditures are total expenditures less debt service and capital outlay.

Source: District records

Table 15

<u>Government Wide Expenses</u>	<u>Cost per Student</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Student to Teacher Ratio</u>	<u>Percentage of Students in Free/Reduced Lunch Program</u>
N/A	N/A	N/A	2,532	16.2	48.5 %
N/A	N/A	N/A	2,649	15.9	49.6
N/A	N/A	N/A	2,526	16.8	51.6
\$ 291,044,529	\$ 7,461	N/A	2,692	16.2	53.9
323,151,419	7,818	4.8 %	2,947	15.1	57.7
345,618,530	8,272	5.8	2,977	15.3	59.6
354,907,136	8,492	2.7	3,024	15.1	65.2
376,598,278	8,708	2.5	3,067	15.5	68.5
385,147,650	9,264	6.4	3,238	14.1	69.2
398,683,650	9,690	4.6	3,066	14.8	70.0

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Alief Independent School District

Table 16

Teacher Base Salaries

Last Ten Fiscal Years

Fiscal Year	Minimum Salary (1)	Maximum Salary (1)	County Average Salary (2)	Statewide Average Salary (2)
1999	\$ 28,700	\$ 50,943	\$ 35,784	\$ 34,336
2000	31,700	55,666	39,355	37,567
2001	33,700	57,944	40,695	38,359
2002	35,000	59,481	41,437	39,230
2003	36,000	60,625	42,218	39,972
2004	37,500	62,125	42,845	40,476
2005	38,200	62,925	43,348	41,009
2006	39,000	64,183	44,084	41,743
2007	41,500	67,126	46,825	44,897
2008	43,000	69,767	48,232	46,178

(1) Source: District records

(2) Source: Texas Education Agency website

Alief Independent School District

School Building Information Last Ten Fiscal Years

Building:	1999	2000	2001	2002
High Schools				
Hastings (1973)				
Square footage	483,218	495,243	495,243	495,243
Capacity	7,455	7,455	7,455	7,455
Enrollment	3,417	3,695	3,775	3,253
Elsik (1981)				
Square footage	505,830	505,830	505,830	505,830
Capacity	7,282	7,282	7,282	7,282
Enrollment	3,417	3,695	3,744	3,257
Taylor (2001)				
Square footage				502,000
Capacity				3,000
Enrollment				1,689
Kerr (1994)				
Square footage	92,682	92,682	92,682	122,682
Capacity	550	550	550	800
Enrollment	600	650	630	626
Hastings Ninth Grade Center (1999)				
Square footage	190,572	190,572	190,572	190,572
Capacity	2,654	2,654	2,654	2,654
Enrollment	1,320	1,350	1,268	907
Elsik Ninth Grade Center (1999)				
Square footage	190,572	190,572	190,572	190,572
Capacity	2,654	2,654	2,654	2,654
Enrollment	1,320	1,350	1,336	910
Annex (1987)				
Square footage	105,946	105,946	105,946	105,946
Capacity	*	*	*	*
Enrollment	*	*	*	*
Alief Learning Center (1994)				
Square footage	84,000	84,000	84,000	84,000
Capacity	728	728	728	728
Enrollment	435	365	185	214
Middle Schools				
Alief (1968)				
Square footage	206,579	206,579	222,579	222,579
Capacity	1,380	1,380	1,380	1,380
Enrollment	1,153	1,247	1,199	1,236
Olle (1974)				
Square footage	152,317	152,317	152,317	152,317
Capacity	1,450	1,450	1,450	1,450
Enrollment	1,178	1,215	1,066	1,066

* Enrollment and capacity for the Annex are included with the respective high school campus.

Source: District records

Table 17
Page 1 of 4

2003	2004	2005	2006	2007	2008
495,243	495,243	495,243	495,243	495,243	495,243
7,455	7,455	7,455	7,455	7,455	7,455
2,819	2,931	3,123	3,429	3,179	3,145
505,830	505,830	505,830	505,830	505,830	505,830
7,282	7,282	7,282	7,282	7,282	7,282
3,008	2,932	3,241	3,312	3,134	3,343
502,000	502,000	502,000	502,000	502,000	502,000
3,000	3,000	3,000	3,000	3,000	3,000
2,241	2,990	3,684	2,958	2,719	2,795
122,682	122,682	122,682	122,682	122,682	122,682
800	800	800	800	800	800
677	731	746	770	765	788
190,572	190,572	190,572	190,572	190,572	190,572
2,654	2,654	2,654	2,654	2,654	2,654
1,066	1,097	1,160	1,090	1,078	1,035
190,572	190,572	190,572	190,572	190,572	190,572
2,654	2,654	2,654	2,654	2,654	2,654
1,057	1,085	1,100	1,106	1,112	1,083
105,946	105,946	105,946	105,946	105,946	105,946
*	*	*	*	*	*
*	*	*	*	*	*
84,000	84,000	84,000	84,000	84,000	84,000
728	728	728	728	728	728
437	372	217	205	344	224
222,579	222,579	222,579	222,579	222,579	222,579
1,380	1,380	1,380	1,380	1,380	1,380
1,205	1,152	1,075	1,099	1,029	1,014
152,317	152,317	152,317	152,317	152,317	152,317
1,450	1,450	1,450	1,450	1,450	1,450
1,116	1,119	1,036	1,085	1,034	1,035

Alief Independent School District

School Building Information Last Ten Fiscal Years

Building:	1999	2000	2001	2002
Middle Schools (cont.)				
Killough (1976)				
Square footage	177,340	177,340	191,540	191,540
Capacity	1,600	1,600	1,784	1,784
Enrollment	1,245	1,230	1,143	1,158
Holub (1981)				
Square footage	154,800	154,800	154,800	154,800
Capacity	1,400	1,400	1,400	1,400
Enrollment	1,203	1,237	1,133	1,169
Albright (1983)				
Square footage	159,475	159,475	159,475	159,475
Capacity	1,400	1,400	1,400	1,400
Enrollment	1,257	1,263	1,087	1,252
O'Donnell (1993)				
Square footage	192,655	192,655	192,655	192,655
Capacity	1,400	1,400	1,400	1,400
Enrollment	1,174	1,245	1,264	1,381
Intermediate Schools				
Owens (1994)				
Square footage	104,500	104,500	104,500	104,500
Capacity	1,139	1,139	1,139	1,139
Enrollment	1,240	1,002	978	996
Klantzman (1995)				
Square footage	104,500	104,500	104,500	104,500
Capacity	1,458	1,458	1,458	1,458
Enrollment	1,127	1,011	1,040	1,116
Youngblood (1996)				
Square footage	101,900	101,900	101,900	101,900
Capacity	2,181	2,181	2,181	2,181
Enrollment	1,116	983	947	944
Mata (1999)				
Square footage		111,226	111,226	111,226
Capacity		2,695	2,695	2,695
Enrollment		995	1,029	1,026
Miller (2000)				
Square footage			111,226	111,226
Capacity			1,100	1,100
Enrollment			1,020	1,025
Budewig (2003)				
Square footage				
Capacity				
Enrollment				
Elementary Schools				
Youens (1965)				
Square footage	91,996	91,996	91,996	91,996
Capacity	1,102	1,102	1,102	1,102
Enrollment	998	956	989	995

Table 17
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2003	2004	2005	2006	2007	2008
191,540	191,540	191,540	191,540	191,540	191,540
1,784	1,784	1,784	1,784	1,784	1,784
1,140	1,044	1,040	1,040	1,007	981
154,800	171,442	171,442	171,442	171,442	171,442
1,400	1,620	1,620	1,620	1,620	1,620
1,129	1,180	1,173	1,141	1,040	1,028
159,475	174,145	174,145	174,145	174,145	174,145
1,400	1,620	1,620	1,620	1,620	1,620
1,229	1,255	1,296	1,403	1,283	1,240
192,655	192,655	192,655	192,655	192,655	192,655
1,400	1,400	1,400	1,400	1,400	1,400
1,351	1,088	1,072	1,243	1,127	1,143
104,500	104,500	112,693	112,693	112,693	112,693
1,139	1,139	1,323	1,323	1,323	1,323
957	1,071	1,059	1,024	1,039	1,051
104,500	104,500	104,500	104,500	104,500	104,500
1,458	1,458	1,458	1,458	1,458	1,458
1,076	1,100	1,086	1,049	1,048	1,043
101,900	101,900	101,900	110,093	110,093	110,093
2,181	2,181	2,181	2,365	2,365	2,365
984	1,049	1,028	1,069	1,075	1,137
111,226	111,226	111,226	111,226	111,226	111,226
2,695	2,695	2,695	2,695	2,695	2,695
1,018	1,023	1,016	1,010	1,013	911
111,226	119,419	119,419	119,419	119,419	119,419
1,100	1,284	1,284	1,284	1,284	1,284
1,084	954	1,017	943	953	989
	115,400	115,400	115,400	115,400	115,400
	1,250	1,250	1,250	1,250	1,250
	1,184	1,206	1,304	1,171	1,088
91,996	91,996	101,977	101,977	101,977	101,977
1,102	1,102	1,286	1,286	1,286	1,286
990	953	908	919	935	919

Alief Independent School District

School Building Information Last Ten Fiscal Years

Building:	1999	2000	2001	2002
Elementary Schools (cont.)				
Boone (1969)				
Square footage	105,264	105,264	105,264	105,264
Capacity	1,000	1,000	1,000	1,000
Enrollment	729	966	902	880
Martin (1970)				
Square footage	88,318	88,318	88,318	88,318
Capacity	952	952	952	952
Enrollment	923	946	948	937
Chambers (1971)				
Square footage	101,832	101,832	101,832	101,832
Capacity	1,200	1,200	1,200	1,200
Enrollment	1,182	1,039	1,019	1,063
Smith (1972)				
Square footage	104,576	104,576	104,576	104,576
Capacity	909	909	909	909
Enrollment	1,029	1,070	952	997
Mahanay (1973)				
Square footage	92,977	92,977	92,977	92,977
Capacity	1,200	1,200	1,200	1,200
Enrollment	892	890	881	909
Kennedy (1975)				
Square footage	90,053	90,053	90,053	90,053
Capacity	1,376	1,376	1,376	1,376
Enrollment	906	917	986	989
Chancellor (1977)				
Square footage	94,240	94,555	94,555	94,555
Capacity	1,200	1,200	1,200	1,200
Enrollment	972	908	939	894
Liestman (1978)				
Square footage	89,935	89,935	89,935	89,935
Capacity	1,075	1,075	1,075	1,075
Enrollment	908	906	733	789
Petrosky (1979)				
Square footage	88,240	88,240	88,240	88,240
Capacity	1,000	1,000	1,000	1,000
Enrollment	840	902	788	851
Heflin (1981)				
Square footage	75,983	75,983	75,983	75,983
Capacity	825	825	825	825
Enrollment	749	705	746	759
Cummings (1983)				
Square footage	81,841	81,841	81,841	81,841
Capacity	900	900	900	900
Enrollment	866	890	746	809

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2003	2004	2005	2006	2007	2008
105,264	105,264	105,264	115,292	115,292	115,292
1,000	1,000	1,000	1,176	1,176	1,176
830	769	761	879	837	783
88,318	88,318	99,000	99,000	99,000	99,000
952	952	1,128	1,128	1,128	1,128
959	981	952	993	962	960
101,832	101,832	101,832	101,832	101,832	101,832
1,200	1,200	1,200	1,200	1,200	1,200
1,117	965	923	766	711	612
104,576	104,576	104,576	115,419	115,419	115,419
909	909	909	1,093	1,093	1,093
1,033	1,026	1,008	971	856	899
92,977	92,977	92,977	102,995	102,995	102,995
1,200	1,200	1,200	1,384	1,384	1,384
866	681	721	745	752	748
90,053	90,053	100,034	100,034	100,034	100,034
1,376	1,376	1,376	1,376	1,376	1,376
1,041	980	1,039	901	906	908
94,555	94,555	94,555	94,555	94,555	104,573
1,200	1,200	1,200	1,200	1,200	1,376
886	902	887	906	888	830
89,935	89,935	99,916	99,916	99,916	99,916
1,075	1,075	1,251	1,251	1,251	1,251
839	928	963	1,047	1,162	874
88,240	88,240	98,221	98,221	98,221	98,221
1,000	1,000	1,176	1,176	1,176	1,176
841	890	852	841	829	809
75,983	77,983	85,964	85,964	85,964	85,964
825	825	1,001	1,001	1,001	1,001
713	808	793	878	785	720
81,841	81,841	91,822	91,822	91,822	91,822
900	900	1,076	1,076	1,076	1,076
817	836	735	672	645	609

Alief Independent School District

School Building Information Last Ten Fiscal Years

Building:	1999	2000	2001	2002
Elementary Schools (cont.)				
Rees (1984)				
Square footage	82,443	82,443	82,443	82,443
Capacity	800	800	800	800
Enrollment	1,015	990	769	796
Alexander (1984)				
Square footage	82,443	82,443	82,443	82,443
Capacity	800	800	800	800
Enrollment	910	928	872	887
Hearne (1987)				
Square footage	87,419	87,419	87,419	87,419
Capacity	1,000	1,000	1,000	1,000
Enrollment	769	803	907	962
Landis (1989)				
Square footage	104,523	104,523	104,523	104,523
Capacity	1,760	1,760	1,760	1,760
Enrollment	1,053	1,052	954	891
Sneed (1990)				
Square footage	104,523	104,523	104,523	104,523
Capacity	1,580	1,580	1,580	1,580
Enrollment	1,193	901	850	1,085
Best (1991)				
Square footage	104,532	104,532	104,532	104,532
Capacity	1,785	1,785	1,785	1,785
Enrollment	964	935	885	895
Outley (1994)				
Square footage	84,986	84,986	84,986	84,986
Capacity	1,597	1,597	1,597	1,597
Enrollment	574	530	868	844
Hicks (1996)				
Square footage	101,900	101,900	101,900	101,900
Capacity	1,910	1,910	1,910	1,910
Enrollment	982	986	1,044	1,102
Bush (1997)				
Square footage	101,900	101,900	101,900	101,900
Capacity	1,910	1,910	1,910	1,910
Enrollment	1,175	990	853	844
Collins (1999)				
Square footage		102,309	102,309	102,309
Capacity		2,500	2,500	2,500
Enrollment		934	893	989
Horn (2005)				
Square footage				
Capacity				
Enrollment				
Holmquist (2007)				
Square footage				
Capacity				
Enrollment				

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2003	2004	2005	2006	2007	2008
82,443	92,424	92,424	92,424	92,424	92,424
800	984	984	984	984	984
867	891	919	1,025	918	696
82,443	92,424	92,424	92,424	92,424	92,424
800	984	984	984	984	984
851	809	1,015	768	881	883
87,419	87,419	97,400	97,400	97,400	97,400
1,000	1,000	1,176	1,176	1,176	1,176
1,077	1,030	1,047	1,127	1,053	967
104,523	104,523	104,523	104,523	104,523	104,523
1,760	1,760	1,760	1,760	1,760	1,760
877	882	927	735	709	739
104,523	104,523	104,523	104,523	104,523	116,991
1,580	1,580	1,580	1,580	1,580	1,756
895	964	996	1,064	1,055	989
104,532	104,532	104,532	104,532	104,532	104,532
1,785	1,785	1,785	1,785	1,785	1,785
874	890	855	933	828	743
84,986	84,986	94,967	94,967	94,967	94,967
1,597	1,597	1,773	1,773	1,773	1,773
884	824	869	1,088	973	965
101,900	101,900	111,881	111,881	111,881	111,881
1,910	1,910	2,094	2,094	2,094	2,094
1,250	1,189	1,179	1,245	1,266	947
101,900	111,881	111,881	111,881	111,881	111,881
1,910	2,086	2,086	2,086	2,086	2,086
921	1,048	1,056	968	835	843
102,309	102,309	102,309	112,327	112,327	112,327
2,500	2,500	2,500	2,684	2,684	2,684
1,048	929	929	937	923	898
			110,800	110,800	110,800
			1,100	1,100	1,100
			975	881	863
					121,423
					1,040
					980

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