

**AGUA DULCE
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2008

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company

Certified Public Accountants

5934 S. Staples, Suite 201

Corpus Christi, Texas 78413

Agua Dulce Independent School District
Annual Financial Report
For The Year Ended August 31, 2008

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Introductory Section

CERTIFICATE OF BOARD

Agua Dulce Independent School District
Name of School District

Nueces
County

178-901
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved 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.

Mary C. Howard
Signature of Board Secretary

Michael G.
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly CPA

David Morales CPA

Jerry D. Spence CPA

Professional Associates & Senior Advisor:

Peggy Sidler CPA

Betty Morales CPA

Ryan Johnston

David Natividad

Dudley Gowland CPA

Independent Auditor's Report on Financial Statements

Board of Trustees

Agua Dulce Independent School District

P.O. Box 250

Agua Dulce, Texas 78330-0250

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Agua Dulce Independent School 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 Agua Dulce Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Agua Dulce Independent School 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 3, 2008, on our consideration of Agua Dulce Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413

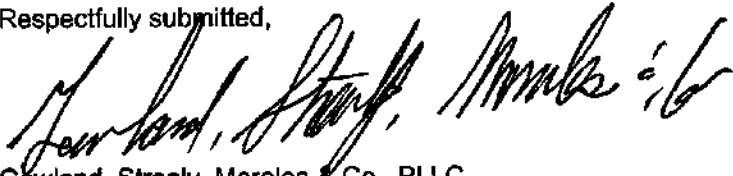
Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com

Members of the American Institute and Texas Society of Certified Public Accountants

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Gowland, Strealy, Morales & Co.", is written over the typed name.

Gowland, Strealy, Morales & Co., PLLC

January 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Agua Dulce Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$2,797,404 at August 31, 2008.
- During the year, the District's expenses were \$409,198 less than the \$5,204,537 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$889,898 an increase of \$38,961 over 2007 ending fund balance. The district experienced a turnover of experienced teachers and administrator. The majority of the new hires were first and second year teachers, therefore the salaries for the district were reduced.
- The District did not issue any debt during 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending..
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District's Annual Financial Report

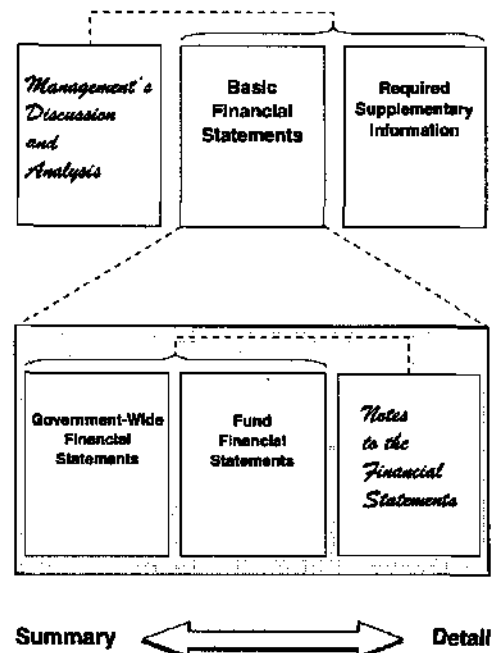


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has 2 kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- **Fiduciary funds**—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were approximately \$2,797,404 at August 31, 2008. (See Table A-1).

Table A-1
Agua Dulce Independent School District's Net Assets
(actual dollars)

	Governmental Activities		Total Change 2008-2007
	2008	2007	
Current assets:			
Cash and cash equivalents	\$ 1,187,422	\$ 560,176	607,246
Property Taxes Receivable (Net)	62,389	64,569	(2,180)
Due from other governments	500,945	697,264	(196,319)
Other current assets	11,490		11,490
Total current assets:	<u>1,742,246</u>	<u>1,322,009</u>	<u>420,237</u>
Noncurrent assets:			
Land	52,019	52,019	0
Buildings, Furniture & Equipment	<u>4,108,487</u>	<u>4,512,904</u>	<u>(404,417)</u>
Total noncurrent assets	<u>4,160,506</u>	<u>4,564,923</u>	<u>(404,417)</u>
Total Assets	<u>5,902,752</u>	<u>5,886,932</u>	<u>15,820</u>
Current liabilities:			
Accounts payable and Accrued liabilities	128,657	86,969	41,688
Due to Other Governments	151,615	90,267	61,348
Deferred revenue	53,764	4,062	49,702
Current portion of long-term debt	<u>155,000</u>	<u>155,000</u>	<u>0</u>
Total current liabilities	<u>489,036</u>	<u>336,298</u>	<u>152,738</u>
Long-term liabilities:			
Bonds Payable	<u>2,616,312</u>	<u>2,759,302</u>	<u>(142,990)</u>
Total Liabilities	<u>3,105,348</u>	<u>3,095,600</u>	<u>9,748</u>
Net Assets:			
Invested in capital assets	1,540,050	1,650,621	(110,571)
Restricted	274,628	230,765	43,863
Unrestricted	<u>982,726</u>	<u>909,946</u>	<u>72,780</u>
Total Net Assets	<u>\$ 2,797,404</u>	<u>\$ 2,791,332</u>	<u>6,072</u>

Changes in net assets. The District's total revenues were \$5,204,537. A significant portion, 30 percent, of the District's revenue comes from taxes. The remainder comes from state and federal programs, investment earnings, charges for services, and miscellaneous other services.

Governmental Activities

Table A-2
Changes in Agua Dulce Independent School District's Net Assets
(in actual dollars)

	Governmental Activities		Total Change 2008-2007
	2008	2007	
Program Revenues:			
Charges for Services	\$ 206,096	\$ 102,609	103,487
Operating Grants and Contributions	1,841,336	2,321,484	(480,148)
General Revenues			
Property Taxes	1,543,553	1,337,491	206,062
State Aid – Formula	1,516,336	1,548,789	(32,453)
Investment Earnings	56,981	279	56,702
Other	40,235	42,503	(2,268)
Total Revenues	<u>5,204,537</u>	<u>5,353,155</u>	<u>(148,618)</u>
Instruction	2,273,072	2,453,828	(180,756)
Instructional Resources and Media Services	23,785	22,004	1,781
Curriculum Dev. And Instructional Staff Dev.	34,045	7,979	26,066
Instructional Leadership	6,508	5,954	554
School Leadership	192,768	184,375	8,393
Guidance, Counseling and Evaluation Services	49,783	87,043	(37,260)
Health Services	26,260	1,040	25,220
Student (Pupil) Transportation	123,258	107,826	15,432
Food Services	150,540	142,286	8,254
Curricular/Extracurricular Activities	262,863	270,601	(7,738)
General Administration	259,746	293,867	(34,121)
Plant Maintenance & Oper.	353,848	347,721	6,127
Security and Monitoring Services	24,552		24,552
Data Processing Services	13,075	3,373	9,702
Debt Service	141,003	9,039	131,964
Community Service	0	135,813	(135,813)
Payments Related to Shared Service Arrangements	860,233	1,185,984	(325,751)
	<u>4,795,339</u>	<u>5,258,733</u>	<u>(463,394)</u>
Change in Net Assets	409,198	94,422	314,776
Net Assets Beginning	2,791,333	2,550,876	240,457
Prior Period Adjustment	(403,127)	146,034	(549,161)
Net Assets Ending	<u>\$ 2,797,404</u>	<u>\$ 2,791,332</u>	<u>6,072</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4,795,339.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,543,553.
- Some of the cost was paid by those who directly benefited from the programs \$206,096, or
- By operating grants and contributions \$1,841,336.

Table A-3
Net Cost of Selected District Functions and WADA
(in actual dollars)

	Total Cost of Services			% Change	Net Cost of Services			% Change
	2008	2007			2008	2007		
Instruction	\$ 2,273,072	\$ 2,453,828		-7.37%	\$ 1,416,295	\$ 1,470,179		-3.67%
School Leadership	192,768	184,375		4.55%	174,392	171,728		1.55%
Food Service	150,540	142,286		5.80%	33,475	15,435		116.88%
General Administration	259,746	293,867		-11.61%	234,986	273,710		-14.15%
Plant Maintenance & Operations	353,848	347,721		1.76%	319,990	323,870		-1.20%
Payments Related to Shared Service Arrangements	860,233	1,185,984		-27.47%	51,776	62,454		-17.10%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$5,025,122 a decrease of 8.1% over the preceding year (\$5,470,130).

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Even with these adjustments, actual expenditures were \$266,382 below final budget amounts. The district budgeted major repairs, however not all the repairs were addressed. The district delayed some repairs until the tax roll back election was held.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008 the District had invested \$4,160,506 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$ 404,417.

Table A-4
District's Capital Assets
(in actual dollars)

	Governmental Activities		Additions	Deletions	Total
	2007				2008
Land	\$ 52,019	\$	\$	\$	\$ 52,019
Buildings and improvements	6,153,085				6,153,085
Equipment and Vehicles	693,910	107,014	300,505		500,419
Totals at historical cost	6,899,014	107,014	300,505		6,705,523
Total accumulated depreciation	2,334,091	108,304	(102,622)		2,545,017
Net capital assets	\$ 4,564,923	\$ (1,290)	\$ 403,127	\$	\$ 4,160,506

The district disposed of a car and maintenance pickup. In addition RCI, district's contracted fixed asset management company, re-calculated the district fix asset cost based on updated information.

Long Term Debt

At year-end the District had \$2,620,465 in bonds outstanding as shown in Table A-5. More detailed information about the District debt is presented in the Notes to the Financial Statements.

Table A-5
District's Long Term Debt
(in actual dollars)

	Governmental Activities	
	2008	2007
Bonds Payable	\$ 2,620,465	\$ 2,621,263
Accretion	150,847	283,039
	<u>\$ 2,771,312</u>	<u>\$ 2,914,302</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District finished 2007-2008 with a fund balance of \$889,898 in the general fund. This being an increase of \$38,961 over the previous year. Total revenues in the general fund were \$3,027,032 with total expenditures of \$2,953,078.
- The district has a bonded indebtedness of \$2,620,465. Bond payments are made each year in a timely manner in February and August.
- For 2007-2008, the assessed value of the district for school tax purposes was \$105,068,194. The M&O tax rate was set at \$1.047 and the I&S tax rate at .2129.
- Appraisal value used for the 2008-2009 budget preparation will increase to \$118,651,814.
- General operating expenses for the 2008-2009 budget decreased by \$106,960 due to new teachers and lower salaries.
- The District's 2009 refined averaged daily attendance is expected to remain stable during 2008-2009. The general operating fund spending per student is expected to remain about the same.
- The district has actively sought and will continue to seek funding from other sources.
- These indicators were taken into account when adopting the general fund budget for 2008-2009.
- The District is seeking information on distance learning, dual credit classes and credit advancement. Credit recovery software has already been added to the budget.
- If these estimates are realized, the District's budgetary general fund balance is expected to remain stable unless additional monies are used on improvement and capital projects.
- The district is preparing to present the voters with a bond election to upgrade existing roofs, plumbing, security, as well as possible expansion of the cafeteria facility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

Basic Financial Statements

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2008

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	1,167,422
1225	Property Taxes Receivable (Net)		62,389
1240	Due from Other Governments		500,945
1267	Due from Fiduciary		11,490
Capital Assets:			
1510	Land		52,019
1520	Buildings and Improvements, Net		3,916,506
1530	Furniture and Equipment, Net		191,981
1000	Total Assets		<u>5,902,752</u>
LIABILITIES:			
2110	Accounts Payable		44,980
2165	Accrued Liabilities		83,677
2180	Due to Other Governments		151,615
2300	Unearned Revenue		53,764
Noncurrent Liabilities:			
2501	Due Within One Year		155,000
2502	Due in More Than One Year		2,616,312
2000	Total Liabilities		<u>3,105,348</u>
NET ASSETS			
3200	Invested in Capital Assets, Net of Related Debt		1,540,041
Restricted For:			
3820	Federal and State Programs		2,056
3850	Debt Service		272,572
3900	Unrestricted		982,735
3000	Total Net Assets	\$	<u>2,797,404</u>

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2008

		1	3	4	Net (Expense) Revenue and Changes in Net Assets
			Program Revenues		
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 2,273,072	\$ 87,954	\$ 768,823	\$ (1,416,295)
12	Instructional Resources and Media Services	23,785	1,304	1,737	(20,744)
13	Curriculum and Staff Development	34,045	421	26,258	(7,366)
21	Instructional Leadership	6,508	196	3,128	(3,184)
23	School Leadership	192,768	10,971	7,405	(174,392)
31	Guidance, Counseling, & Evaluation Services	49,783	2,833	1,912	(45,038)
33	Health Services	26,260	1,495	1,009	(23,756)
34	Student Transportation	123,258	5,615	14,680	(102,963)
35	Food Service	150,540	30,616	86,449	(33,475)
36	Cocurricular/Extracurricular Activities	262,863	24,250	10,097	(228,516)
41	General Administration	259,746	14,783	9,977	(234,986)
51	Plant Maintenance and Operations	353,848	20,167	13,691	(319,990)
52	Security and Monitoring Services	24,552	1,397	943	(22,212)
53	Data Processing Services	13,075	744	502	(11,829)
72	Interest on Long-term Debt	139,103	-	89,618	(49,485)
73	Bond Issuance Costs and Fees	1,900	-	-	(1,900)
93	Payments Related to Shared Services Arrangements	860,233	3,350	805,107	(51,776)
TG	Total Governmental Activities	4,795,339	206,096	1,841,336	(2,747,907)
TP	Total Primary Government	\$ 4,795,339	\$ 206,096	\$ 1,841,336	(2,747,907)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,312,861
DT	Property Taxes, Levied for Debt Service				230,692
IE	Investment Earnings				56,981
GC	Grants and Contributions Not Restricted to Specific Programs				1,516,336
MI	Miscellaneous				40,235
TR	Total General Revenues				3,157,105
CN	Change in Net Assets				409,199
NB	Net Assets - Beginning				2,791,333
PA	Prior Period Adjustment				(403,127)
	Net Assets - Beginning, as Restated				2,388,206
NE	Net Assets - Ending				\$ 2,797,404

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2008

Data Control Codes		10 General Fund	21st Century Community Learning Center
ASSETS:			
1110	Cash and Cash Equivalents	\$ 860,997	\$ (3,388)
1225	Taxes Receivable, Net	49,701	—
1240	Due from Other Governments	333,415	133,479
1260	Due from Other Funds	16,977	—
1000	Total Assets	<u>\$ 1,261,090</u>	<u>\$ 130,091</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 15,392	\$ 2,143
2160	Accrued Wages Payable	64,814	5,240
2170	Due to Other Funds	10,288	—
2180	Due to Other Governments	--	122,708
2300	Unearned Revenue	280,698	—
2000	Total Liabilities	<u>371,192</u>	<u>130,091</u>
FUND BALANCES:			
Reserved Fund Balances:			
3420	Debt Service	--	--
3450	Reserve for Food Service	--	--
3600	Unreserved	889,898	--
3000	Total Fund Balances	<u>889,898</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,261,090</u>	<u>\$ 130,091</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 272,551	\$ 23,510	\$ 1,153,670
12,688	--	62,389
--	34,051	500,945
21	--	16,998
<u>\$ 285,260</u>	<u>\$ 57,561</u>	<u>\$ 1,734,002</u>
\$ --	\$ 8,133	\$ 25,668
--	13,623	83,877
--	780	11,068
--	28,907	151,615
12,688	4,062	297,448
<u>12,688</u>	<u>55,505</u>	<u>589,476</u>
272,572	--	272,572
--	2,056	2,056
--	--	889,898
<u>272,572</u>	<u>2,056</u>	<u>1,164,526</u>
<u>\$ 285,260</u>	<u>\$ 57,561</u>	<u>\$ 1,734,002</u>

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2008

Total fund balances - governmental funds balance sheet	\$ 1,164,526
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,160,506
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	243,684
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,620,465)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(150,847)</u>
Net assets of governmental activities - statement of net assets	\$ <u>2,797,404</u>

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes		10 General Fund	21st Century Community Learning Center
REVENUES:			
5700	Local and Intermediate Sources	\$ 1,398,560	\$ --
5800	State Program Revenues	1,620,649	--
5900	Federal Program Revenues	7,824	686,109
5020	Total Revenues	<u>3,027,033</u>	<u>686,109</u>
EXPENDITURES:			
Current:			
0011	Instruction	1,506,569	89,729
0012	Instructional Resources and Media Services	22,331	--
0013	Curriculum and Staff Development	7,217	15,000
0021	Instructional Leadership	3,349	--
0023	School Leadership	187,931	--
0031	Guidance, Counseling, & Evaluation Services	48,534	--
0033	Health Services	25,601	--
0034	Student Transportation	203,194	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	256,267	--
0041	General Administration	253,228	--
0051	Plant Maintenance and Operations	344,789	--
0052	Security and Monitoring Services	23,936	--
0053	Data Processing Services	12,745	--
0071	Principal on Long-term Debt	--	--
0072	Interest on Long-term Debt	--	--
0073	Bond Issuance Costs and Fees	--	--
0093	Payments to Shared Service Arrangements	57,387	581,380
6030	Total Expenditures	<u>2,953,078</u>	<u>686,109</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>73,955</u>	<u>--</u>
Other Financing Sources and (Uses):			
7912	Sale of Real or Personal Property	300	--
7915	Transfers In	--	--
8911	Transfers Out	(35,294)	--
7080	Total Other Financing Sources and (Uses)	<u>(34,994)</u>	<u>--</u>
1200	Net Change in Fund Balances	38,961	--
0100	Fund Balances - Beginning	850,937	--
3000	Fund Balances - Ending	\$ 889,898	\$ --

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 238,237	\$ 30,654	\$ 1,667,451
89,618	72,834	1,783,101
--	880,638	1,574,571
<u>327,855</u>	<u>984,126</u>	<u>5,025,123</u>
--	619,734	2,216,032
--	857	23,188
--	10,974	33,191
--	2,996	6,345
--	--	187,931
--	--	48,534
--	--	25,601
--	10,890	214,084
--	146,762	146,762
--	--	256,267
--	--	253,228
--	180	344,969
--	--	23,936
--	--	12,745
155,000	--	155,000
127,093	--	127,093
1,900	--	1,900
--	221,466	860,233
<u>283,993</u>	<u>1,013,859</u>	<u>4,937,039</u>
<u>43,862</u>	<u>(29,733)</u>	<u>88,084</u>
--	--	300
--	29,733	29,733
--	--	(35,294)
--	29,733	(5,261)
<u>43,862</u>	<u>--</u>	<u>82,823</u>
228,710	2,056	1,081,703
<u>\$ 272,572</u>	<u>\$ 2,056</u>	<u>\$ 1,164,526</u>

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2008

Net change in fund balances - total governmental funds	\$ 82,823
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	107,014
The depreciation of capital assets used in governmental activities is not reported in the funds.	(108,304)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	179,115
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	155,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(12,010)
The net revenue (expense) of internal service funds is reported with governmental activities.	5,560
Change in net assets of governmental activities - statement of activities	\$ <u>409,198</u>

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET ASSETS****INTERNAL SERVICE FUND****AUGUST 31, 2008**

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$	13,752
Receivables:			
1260	Due from Other Funds		5,560
	Total Current Assets		19,312
1000	Total Assets	\$	19,312
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$	19,312
	Total Current Liabilities		19,312
2000	Total Liabilities		19,312
NET ASSETS:			
3900	Unrestricted Net Assets		5,560
3000	Total Net Assets	\$	-

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES, AND CHANGES****IN FUND NET ASSETS - INTERNAL SERVICE FUND****FOR THE YEAR ENDED AUGUST 31, 2008**

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 14,206
5020	Total Revenues	<u>14,206</u>
	OPERATING EXPENSES:	
6200	<i>Professional and Contracted Services</i>	14,206
6030	Total Expenses	<u>14,206</u>
	Income (Loss) before Contributions and Transfers	--
7915	<i>Transfers In</i>	5,560
1300	Change in Net Assets	<u>5,560</u>
0100	Total Net Assets - Beginning	(5,560)
3300	Total Net Assets - Ending	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	8,646
Cash Payments to Employees for Services	--
Cash Payments to Other Suppliers for Goods and Services	(14,206)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	<u>(5,560)</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	5,560
Net Cash Provided (Used) by Non-capital Financing Activities	<u>5,560</u>
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--
Cash and Cash Equivalents at Beginning of Year	13,752
Cash and Cash Equivalents at End of Year	<u>\$ 13,752</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 5,560
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Provision for Uncollectible Accounts	--
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	--
Decrease (Increase) in Interfund Receivables	(5,560)
Increase (Decrease) in Accounts Payable	--
Increase (Decrease) in Accrued Wages Payable	--
Increase (Decrease) in Interfund Payables	--
Increase (Decrease) in Unearned Revenue	--
Total Adjustments	<u>(5,560)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****AUGUST 31, 2008**

Data Control Codes		Investment Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ 26,604
1800	Restricted Assets	14,031	--
1000	Total Assets	<u>\$ 14,031</u>	<u>\$ 26,604</u>
LIABILITIES:			
Current Liabilities:			
2170	Due to Other Funds	\$ --	\$ 11,489
2180	Due to Other Governments	--	13,677
2190	Due to Student Groups	--	1,438
2000	Total Liabilities	<u>--</u>	<u>26,604</u>
NET ASSETS			
3800	Held in Trust for Investments	14,031	--
3000	Total Net Assets	<u>\$ 14,031</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2008**

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 444
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	<u>444</u>
Deductions:	
Scholarship Awards	--
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>--</u>
Change in Net Assets	444
Net Assets-Beginning of the Year	13,587
Net Assets-End of the Year	<u><u>\$ 14,031</u></u>

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies

The basic financial statements of Agua Dulce Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

Texas 21st Century Learning Centers: This is a Special Revenue Fund of the District which accounts for the 21st Century Funds. Agua Dulce ISD is the fiscal agent in a shared service arrangement which includes Banquete ISD.

Debt Service Fund: This fund accounts for the general long-term debt principal and interest.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use unrestricted resources first, then restricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 172,140	\$ 43,945	\$ 216,085
Allowance for Uncollectible Accounts	(122,439)	(31,257)	(153,696)
Net Taxes	<u>\$ 49,701</u>	<u>\$ 12,688</u>	<u>\$ 62,389</u>

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	75
Building Improvements	30
Vehicles	8-15
Office Equipment	10-20

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

There are no significant receivables which are not scheduled for collection within one year of year end.

f. 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. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements *in conformity with* GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

B. Compliance and Accountability

1. Deficit Fund Balance or Fund Net Assets of Individual Funds

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2008, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,194,026 and the bank balance was \$1,200,558. The District's cash deposits at August 31, 2008 and during the year ended August 31, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 52,019	\$ --	\$ --	\$ 52,019
Total capital assets not being depreciated	52,019	--	--	52,019
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,153,085	--	--	6,153,085
Equipment	384,044	--	276,147	107,897
Vehicles	309,866	107,014	24,358	392,522
Total capital assets being depreciated	6,846,995	107,014	300,505	6,653,504
Less accumulated depreciation for:				
Buildings and improvements	(2,150,150)	(86,429)	--	(2,236,579)
Equipment	50,984	(5,687)	126,980	(81,683)
Vehicles	(234,925)	(16,188)	(24,358)	(226,755)
Total accumulated depreciation	(2,334,091)	(108,304)	102,622	(2,545,017)
Total capital assets being depreciated, net	4,512,904	(1,290)	403,127	4,108,487
Governmental activities capital assets, net	\$ 4,564,923	\$ (1,290)	\$ 403,127	\$ 4,160,506

Depreciation was charged to functions as follows:

Instruction	\$ 57,040
Instructional Resources and Media Services	597
Curriculum and Staff Development	854
Instructional Leadership	163
School Leadership	4,837

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2008

School Leadership	4,837
(DEPRECIATION CONTINUED)	
Guidance, Counseling, & Evaluation Services	1,249
Health Services	659
Student Transportation	16,188
Food Services	3,778
Extracurricular Activities	6,596
General Administration	6,518
Plant Maintenance and Operations	8,879
Security and Monitoring Services	616
Data Processing Services	330
	<u>\$ 108,304</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2008, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund	\$ 4,707	Short-term loans
General Fund	Trust & Agency	11,490	Short-term loans
General Fund	Other Governmental Funds	780	Short-term loans
Internal Service fund	General Fund	5,560	Short-term loans
Debt Service Fund	General Fund	21	Short-term loans
	Total	<u>\$ 22,558</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2008, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 29,734	Supplement other funds sources
General fund	Internal Service Fund	5,560	Supplement other funds sources
	Total	<u>\$ 35,294</u>	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2008, are as follows:

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Unlimited Ref. Bonds 1998 4.100%	\$ 2,621,263	--	798	2,620,465	465
Total governmental activities	\$ 2,621,263	\$ --	\$ 798	\$ 2,620,465	\$ 465
Accretion on Refunding	293,039	12,010	154,202	150,847	154,535
TOTAL	\$ 2,914,302	\$ 12,010	\$ 155,000	\$ 2,771,312	\$ 155,000
Current Portion Due Within One Year				155,000	
Due in More Than One Year				2,616,312	

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2008, are as follows:

Year Ending August 31.	Governmental Activities		
	Principal	Interest	Total
2009	\$ 465	\$ 281,628	\$ 282,093
2010	160,000	123,452	283,452
2011	170,000	115,860	285,860
2012	180,000	107,678	287,678
2013	190,000	98,935	288,935
2014-2018	1,100,000	343,783	1,443,783
2019-2023	820,000	63,000	883,000
Totals	\$ 2,620,465	\$ 1,134,336	\$ 3,754,801

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. In 1998 the District issued \$2,954,989 in Unlimited Tax Refunding Bonds Series 1998 to pay off portions of Unlimited Tax Bonds. As of August 31, 2008, outstanding balances of bond issues have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.58% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2008, 2007 and 2006 were \$124,038, \$146,553 and \$96,215, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2008, 2007 and 2006 were \$9,558, \$11,731 and \$8,913, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$103,863 for the year ended August 31, 2008.

I. Retiree Health Care Plan

1. 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). TRS-Care Retired Plan 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 TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2008, 2007 and 2006. 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. For the years ended August 31, 2008, 2007, and 2006, the State's contributions to TRS-Care were \$33,825, \$26,400, and \$17,925, respectively, the active member contributions were \$88,128, \$67,077, and \$46,230, respectively, and the District's contributions were \$81,133, \$53,521, and \$36,533, respectively, which equaled the required contributions each year.

J. Employee Health Care Coverage

During the year ended August 31, 2008, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$173 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

K. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2008.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides for the Reading First Program, and the TX 21st Century to the member districts listed below. All services are provided by the fiscal agent. The member districts provided the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 2 and 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Reading First Expenditures</u>	<u>TX 21st Century Expenditures</u>
Banquete	\$ N/A	\$ 335,765
Ben Bolt		
Bishop		
Ramirez	87,488	
Agua Dulce	133,977	245,614
Total	<u>\$ 221,465</u>	<u>\$ 581,379</u>

M. Prior Period Adjustment

Fund balance at the beginning of the year has been corrected to write off old assets and assets less than \$5,000.

Prior Period Adjustment in Exhibit B-1:

Adjust Buildings and Equipment \$ (403,127)

N. Workers Compensation Insurance

The accrued liability for Workers' Compensation self-insurance of \$8,786 includes incurred but not reported claims. This liability at August 31, 2008, is based on the requirements of Governmental Accounting Standards Board Statement No.10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the discounted estimate of the actuary at the mean funding level.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2008

Changes in the workers compensation claims liability amounts in fiscal year 2008 is represented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008 Workers' Compensation	\$ <u>6,788</u>	\$ <u>(3,680)</u>	\$ <u>14,206</u>	\$ <u>19,312</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,300,289	\$ 1,391,519	\$ 1,398,560	\$ 7,041
5800	State Program Revenues	1,835,110	1,835,110	1,620,649	(214,461)
5900	Federal Program Revenues	15,785	15,785	7,824	(7,961)
5020	Total Revenues	3,151,184	3,242,414	3,027,033	(215,381)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,617,878	1,600,547	1,506,569	93,978
0012	Instructional Resources and Media Services	27,973	27,973	22,331	5,642
0013	Curriculum and Staff Development	11,247	10,523	7,217	3,306
	Total Instruction & Instr. Related Services	1,657,098	1,639,043	1,536,117	102,926
Instructional and School Leadership:					
0021	Instructional Leadership	5,800	3,350	3,349	1
0023	School Leadership	187,213	190,647	187,931	2,716
	Total Instructional & School Leadership	193,013	193,997	191,280	2,717
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	58,166	58,166	48,534	9,632
0033	Health Services	28,627	28,627	25,601	1,026
0034	Student (Pupil) Transportation	156,077	205,708	203,194	2,514
0036	Cocurricular/Extracurricular Activities	274,727	303,652	256,287	47,385
	Total Support Services - Student (Pupil)	515,597	594,153	533,596	60,557
Administrative Support Services:					
0041	General Administration	275,501	282,303	253,228	29,075
	Total Administrative Support Services	275,501	282,303	253,228	29,075
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	410,220	396,613	344,789	51,824
0052	Security and Monitoring Services	5,650	24,099	23,936	163
0053	Data Processing Services	13,251	13,251	12,745	506
	Total Support Services - Nonstudent Based	429,121	433,963	381,470	52,493
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	51,001	76,001	57,387	18,614
	Total Intergovernmental Charges	51,001	76,001	57,387	18,614
6030	Total Expenditures	3,121,331	3,219,460	2,953,078	266,382
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	29,853	22,954	73,955	51,001
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	5,000	5,000	300	(4,700)
8911	Transfers Out	(14,259)	(31,661)	(35,294)	(3,633)
7080	Total Other Financing Sources and (Uses)	(9,259)	(26,661)	(34,994)	(8,333)
1200	Net Change in Fund Balance	20,594	(3,707)	38,961	42,668
0100	Fund Balance - Beginning	850,937	850,937	850,937	-
3000	Fund Balance - Ending	\$ 871,531	\$ 847,230	\$ 889,898	\$ 42,668

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

SSA 21ST CENTURY COMMUNITY LEARNING CENTERS

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5900	Federal Program Revenues	\$ 700,000	\$ 700,000	\$ 686,109	\$ (13,891)
5020	Total Revenues	700,000	700,000	686,109	(13,891)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	700,000	106,198	89,729	16,469
0013	Curriculum and Staff Development	--	15,000	15,000	--
	Total Instruction & Instr. Related Services	700,000	121,198	104,729	16,469
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	--	587,943	581,380	6,563
	Total Intergovernmental Charges	--	587,943	581,380	6,563
6030	Total Expenditures	700,000	709,141	686,109	23,032
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(9,141)	--	9,141
1200	Net Change in Fund Balance	--	(9,141)	--	9,141
0100	Fund Balance - Beginning	--	--	--	--
3000	Fund Balance - Ending	\$ --	\$ (9,141)	\$ --	\$ 9,141

***Combining Statements and Budget Comparisons
as Supplementary Information***

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2008

Data Control Codes		240 National School Breakfast/Lunch Program	261 Reading First	265 21st Century Community Learning Center
ASSETS:				
1110	Cash and Cash Equivalents	\$ 2,614	\$ 5,588	\$ 13,544
1240	Due from Other Governments	2,066	--	--
1000	Total Assets	<u>\$ 4,680</u>	<u>\$ 5,588</u>	<u>\$ 13,544</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 141	\$ 1,011	\$ 6,981
2160	Accrued Wages Payable	2,483	4,577	6,563
2170	Due to Other Funds	--	--	--
2180	Due to Other Governments	--	--	--
2300	Unearned Revenue	--	--	--
2000	Total Liabilities	<u>2,624</u>	<u>5,588</u>	<u>13,544</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	2,056	--	--
3000	Total Fund Balances	<u>2,056</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,680</u>	<u>\$ 5,588</u>	<u>\$ 13,544</u>

	348 Reading First	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	(12)	(419)	(1,867)	4,062	23,510
	28,919	1,199	1,867	--	34,051
\$	28,907	780	--	4,062	57,561
\$	--	--	--	--	8,133
	--	--	--	--	13,623
	--	780	--	--	780
	28,907	--	--	--	28,907
	--	--	--	4,062	4,062
	28,907	780	--	4,062	55,505
	--	--	--	--	2,056
	--	--	--	--	2,056
\$	28,907	780	--	4,062	57,561

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	261 Reading First
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ 30,654	\$ --	\$ --
5800	State Program Revenues	--	1,040	--	--
5900	Federal Program Revenues	98,983	85,515	26,667	133,977
5020	Total Revenues	98,983	117,209	26,667	133,977
EXPENDITURES:					
Current:					
0011	Instruction	96,775	--	26,183	133,977
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	224	--	--	--
0021	Instructional Leadership	1,984	--	484	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	146,762	--	--
0051	Plant Maintenance and Operations	--	180	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	98,983	146,942	26,667	133,977
1100	Excess (Deficiency) of Revenues Over (Under)	--	(29,733)	--	--
1100	Expenditures	--	--	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	29,733	--	--
7080	Total Other Financing Sources and (Uses)	--	29,733	--	--
0100	Fund Balances - Beginning	--	2,056	--	--
3000	Fund Balances - Ending	\$ --	\$ 2,056	\$ --	\$ --

262 Enhancing Education through Technology	265 21st Century Community Learning Centers	269 Title V, Part A Innovative Programs	281 Small, Rural School Achievement Prog	331 Vo Ed Basic Grant
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
3,182	245,614	867	15,961	36,906
<u>3,182</u>	<u>245,614</u>	<u>867</u>	<u>15,961</u>	<u>36,906</u>
3,164	234,724	--	15,961	36,906
--	--	857	--	--
--	--	--	--	--
18	--	10	--	--
--	10,890	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>3,182</u>	<u>245,614</u>	<u>867</u>	<u>15,961</u>	<u>36,906</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	348 Reading First	401 Optional Extended Year Program	404 Student Success Initiative
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --
5800 State Program Revenues	--	1,722	18,666
5900 Federal Program Revenues	232,966	--	--
5020 Total Revenues	<u>232,966</u>	<u>1,722</u>	<u>18,666</u>
EXPENDITURES:			
Current:			
0011 Instruction	1,500	1,222	18,666
0012 Instructional Resources and Media Services	--	--	--
0013 Curriculum and Staff Development	10,000	--	--
0021 Instructional Leadership	--	500	--
0034 Student Transportation	--	--	--
0035 Food Service	--	--	--
0051 Plant Maintenance and Operations	--	--	--
0093 Payments to Shared Service Arrangements	221,466	--	--
6030 Total Expenditures	<u>232,966</u>	<u>1,722</u>	<u>18,666</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
Other Financing Sources and (Uses):			
7915 Transfers In	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

409 Basic Skills Programs	411 Technology Allotment	427 Auto Extnl Defibrillators	428 High School Allotment	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 30,654
12,263	10,899	2,950	25,294	72,834
--	--	--	--	880,638
<u>12,263</u>	<u>10,899</u>	<u>2,950</u>	<u>25,294</u>	<u>984,126</u>
11,513	10,899	2,950	25,294	619,734
--	--	--	--	857
750	--	--	--	10,974
--	--	--	--	2,996
--	--	--	--	10,890
--	--	--	--	146,762
--	--	--	--	180
--	--	--	--	221,466
<u>12,263</u>	<u>10,899</u>	<u>2,950</u>	<u>25,294</u>	<u>1,013,859</u>
--	--	--	--	(29,733)
--	--	--	--	29,733
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>29,733</u>
--	--	--	--	2,056
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,056</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2008

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
1999 and Prior Years						
2000		1.47		.47		59,992,596
2001		1.50		.3673		67,254,616
2002		1.50		.3443		75,910,961
2003		1.50		.2428		80,019,542
2004		1.50		.3094		71,571,973
2005		1.50		.2599		77,154,317
2006		1.50		.244		84,747,024
2007		1.3705		.2406		91,378,993
2008 (School Year Under Audit)		1.047		.2129		105,068,194

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/07	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/08
\$ 81,423	\$ --	\$ 2,349	\$ 742	\$ (3,708)	\$ 74,824
9,556	--	1,345	430	(106)	7,675
12,068	--	3,262	799	(104)	7,903
18,433	--	2,122	487	(86)	18,737
22,269	--	4,045	655	(100)	17,470
16,440	--	2,902	599	(81)	12,859
17,969	--	4,684	812	(607)	11,867
21,720	--	6,881	1,119	(510)	13,210
44,500	--	15,032	2,639	(461)	26,369
--	1,300,513	1,056,745	214,909	(488)	28,372
<u>\$ 244,378</u>	<u>\$ 1,300,513</u>	<u>\$ 1,099,367</u>	<u>\$ 223,189</u>	<u>\$ (6,250)</u>	<u>\$ 216,085</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2009-2010

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2008

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 108,918	\$ 48,471	\$ --	\$ --	\$ 157,389
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	2,313	--	--	--	2,313
6212	Audit Services	--	--	--	9,610	--	--	9,610
6213	Tax Appraisal and Collection	--	27,137	--	--	--	--	27,137
621X	Other Prof. Services	--	--	250	36,391	--	--	36,641
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	--	--
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	--	--	--
6290	Miscellaneous Contr.	3,764	--	--	3,390	--	--	7,154
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	1,369	--	--	--	1,369
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	2,964	--	1,143	136	--	--	4,243
6410	Travel, Subsistence, Stipends	2,848	--	1,034	1,393	--	--	5,275
6420	Ins. and Bonding Costs	--	--	144	--	--	--	144
6430	Election Costs	4,298	--	--	--	--	--	4,298
6490	Miscellaneous Operating	--	--	6,185	311	--	--	6,496
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 13,874 \$ 27,137 \$ 121,366 \$ 99,702 \$ -- \$ -- \$ 262,069

Total expenditures for General and Special Revenue Funds (9) \$ 4,653,046

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 107,014
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 344,969
Food (Function 35, 6341 and 6499)	(13)	\$ 48,995
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 99,702

Subtotal

600,680

Net Allowed Direct Cost

\$ 4,052,366

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 6,153,065
Historical Cost of Buildings over 50 years old	(16)	1,059,751
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	500,419
Historical Cost of Furniture & Equipment over 16 years old	(19)	132,238
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$8,841 in Function 53 expenditures are included in this report on administrative costs.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2008

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2008 (Exhibit C-1 object 3000 for the General Fund only)	\$ 889,898
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	—
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	—
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	—
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08 - 5/31/09)	349,486
6	Estimate of delayed payments from state sources (58XX) including August payment delays	238,729
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	—
8	Estimate of delayed payments from federal sources (59XX)	—
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	—
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	588,215
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 301,683

If Item 11 is a Positive Number

Excess funds will be used to cover summer deficits and start of school expenses.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT J-4

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 33,000	\$ 30,634	\$ (2,346)
5800	State Program Revenues	1,200	1,040	(160)
5900	Federal Program Revenues	99,000	85,515	(13,485)
5020	Total Revenues	133,200	117,209	(15,991)
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	151,250	146,762	4,488
	Total Support Services - Student (Pupil)	151,250	146,762	4,488
	Support Services - Nonstudent Based:			
0051	Plant Maintenance and Operations	370	180	190
	Total Support Services - Nonstudent Based	370	180	190
6030	Total Expenditures	151,620	146,942	4,678
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(18,420)	(29,733)	(11,313)
	Other Financing Sources (Uses):			
7915	Transfers In	31,661	29,733	(1,928)
7080	Total Other Financing Sources and (Uses)	31,661	29,733	(1,928)
1200	Net Change in Fund Balance	13,241		(13,241)
0100	Fund Balance - Beginning	2,056	2,056	-
3000	Fund Balance - Ending	\$ 15,297	\$ 2,056	\$ (13,241)

AGUA DULCE INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-5****DEBT SERVICE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED AUGUST 31, 2008**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 220,770	\$ 238,237	\$ 17,467
5800	State Program Revenues	68,164	89,618	21,454
5020	Total Revenues	288,934	327,855	38,921
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	155,000	155,000	-
0072	Interest on Long-Term Debt	128,000	127,093	907
0073	Bond Issuance Costs and Fees	2,200	1,900	300
	Total Debt Service	285,200	283,993	1,207
6030	Total Expenditures	285,200	283,993	1,207
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	3,734	43,862	40,128
1200	Net Change in Fund Balance	3,734	43,862	40,128
0100	Fund Balance - Beginning	228,710	228,710	-
5000	Fund Balance - Ending	\$ 232,444	\$ 272,572	\$ 40,128

Independent Auditor's Report

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

Board of Trustees
Agua Dulce Independent School District
P.O. Box 250
Agua Dulce, Texas 78330-0250

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Agua Dulce Independent School District as of and for the year ended August 31, 2008, which collectively comprise the Agua Dulce Independent School District's basic financial statements and have issued our report thereon dated January 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Agua Dulce Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agua Dulce Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agua Dulce Independent School District's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agua Dulce Independent School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agua Dulce Independent School District's financial statements that is more than inconsequential will not be prevented by the Agua Dulce Independent School District's internal control.

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

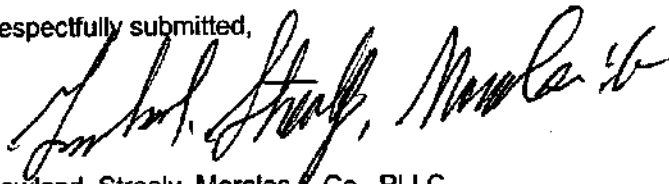
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Agua Dulce Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance that we have reported to management of Agua Dulce Independent School District in a separate letter dated January 3, 2008.

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

Respectfully submitted,



Gowland, Strealy, Morales & Co., PLLC

January 3, 2008

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly CPA

David Morales CPA

Jerry D. Spence CPA

Professional Associates & Senior Advisor:

Peggy Sidler CPA

Betty Morales CPA

Ryan Johnston

David Natividad

Dudley Gowland CPA

Independent Auditor's Report

Report on Compliance with Requirements Applicable To each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133

Board of Trustees
Agua Dulce Independent School District
P.O. Box 250
Agua Dulce, Texas 78330-0250

Members of the Board of Trustees:

Compliance

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

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

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

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Members of the American Institute and Texas Society of Certified Public Accountants

Internal Control Over Compliance

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

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

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

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

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

Respectfully submitted,



Gowland, Strealy, Morales & Co., PLLC

January 3, 2008

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2008

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287	21st Century Community Learning Centers
84.357	Reading First

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2008

B. Financial Statement Findings

N/A

C. Federal Award Findings and Questioned Costs

N/A

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2008

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Federal Award Findings and Questioned Costs		
2007-1		
Internal Control over Financial Reporting		
Ramirez Independent School District a member district participating in a Shared Service Arrangement with Agua Dulce Independent School District purchased three laptop computers for \$3,755 which were not included in the approved budget. It appears there was also a hotel charge by Ramirez that exceeded the TEA maximum allotment of \$85 per day. There was also one reimbursement check for hotel receipts and airline ticket that did not have adequate support.	During the current year we did not see any excesses in these areas.	N/A
The 21st Centruy Grant allows for the purchase of gasoline. Although gasoline was obviously used in the Grant, the District did not adequately document the amount used.	The District still does not document the amount used, but continues to charge the amount budgeted to the program.	The District plans to record the mileage used in the 21st Century Grant to determine the amount of gasoline used.
We suggest in the future, the District document the amount of gasoline used in the Grant. The District might also consider using mileage instead of the cost of gasoline used. The mileage would be much easier to document.		
2007-2		
State Compliance - Excess Expenditures Over Appropriations		
The District's Budget Comparison Schedules reflect several instances of expenditures over appropriations. State law requires that a district adopt a budget and amend it as necessary throughout the year. We recommend that the District reivew its policies and procedures over the budget process and implement such steps as necessary to ensure that budget amendments are made in a timely manner.	During the current year the District did not have any unfavorable budget variances	N/A

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2008

NONE - N/A

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2008

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number /	Federal Expenditures
	U. S. DEPARTMENT OF EDUCATION			
	Passed Through State Department of Education:			
211	ESEA Title I Part A - Improving Basic Programs	84.010A	08610101178901	98,983
	Total CFDA Number 84.010A			98,983
244	SSA Vocational Education - Basic Grant	84.048	08420006178901	36,906
265	Title IV Part B 21st Century Community Learning Centers	84.287	086950017110001	245,614
265	SSA 21st Century Community Learning Centers	84.287	086950017110001	691,925
	Total CFDA Number 84.287			937,539
269	Title V, Part A - Innovative Programs	84.298	08685001178901	867
262	Title II Part D Enhancing Education Through Technology	84.318	08630001178901	3,182
261	Reading First	84.357	086455017110002	133,977
261	SSA Reading First	84.357	086455017110002	234,974
	Total CFDA Number 84.357			368,951
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	08694501178901	26,667
270	Small Rural Achievement Program	84.367A	S358A081780	15,961
	Total CFDA Number 84.367A			42,628
	Total Passed Through State Department of Education			1,489,055
	Total U. S. Department of Education			1,489,055
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
178-901	Food Distribution	10.550	178-901	7,119
240	School Breakfast Program *	10.553	71400801	11,471
240	National School Lunch Program *	10.555	71300801	66,926
	Total Passed Through State Department of Education			85,515
	Total U. S. Department of Agriculture			85,515
	TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,574,571

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

The accompanying notes are an integral part of this schedule.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2008

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Agua Dulce Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2008*

EXHIBIT K-2

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 150,847