

ALEDO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2008

Introductory Section

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

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CERTIFICATE OF BOARD

Aledo Independent School District
Name of School District

Parker
County

184-907
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 17 day of November, 2008.

Jo Anne Carlson
Signature of Board Secretary

JOE DEARING JR
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



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS
Independent Auditor's Report on Financial Statements

Board of Trustees
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

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 Aledo 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 Aledo 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 Aledo Independent School District as of August 31, 2008, and the respective changes in financial position 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 November 10, 2008, on our consideration of Aledo 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.

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 Aledo 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 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,

Snow, Garrett & Company
November 10, 2008

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax: 817-596-9304

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- District rated "Superior Achievement" in financial management for the sixth consecutive year based on 24 financial indicators of the TEA Financial Integrity Rating System of Texas.
- The "AAA" long-term rating on the District's Texas' bonds reflects the Texas Permanent School Fund guarantee. A substantial and rare underlying rating upgrade from "BBB+" to "A-" was made by Standard and Poor's and Fitch Ratings for Series 2006 Unlimited Tax School Building Bonds and Series 2006-B Unlimited Tax Refunding Bonds, and the 2007-A Unlimited Tax School Building Bonds. The upgrade was based upon the District's sound financial standing. Also as a result of the advance refunding of \$7,520,000 by the district of the Series 1998 Unlimited Tax School Building Bonds by the issuance of Series 2007 Unlimited Tax Refunding Bonds, the district reduced its total debt service requirements by \$988,788. This savings of nearly one million dollars was significant for the school district taxpayers.
- Cash/cash equivalents in the general fund increased by \$4,135,867 with a year end cash balance of \$13,391,640.
- Fund balance in the general fund increased by \$2,064,666 for a year end fund balance of \$12,307,472. The district has been prudent to "set aside" funds for future district operating costs in light of state funding changes which will have a negative impact on overall funding.
- Sufficient revenues were realized in the appropriated budget to exceed the final actual expenditures. The district "lived well within its means."
- Investments consistently outperformed market comparables. With priorities of safety and liquidity the district was not exposed to any significant credit risk.
- Total tax collections were greater than 100%, surpassing the legal requirement.
- The Aledo ISD Administrative Cost ratio is a conservative .0860 which is 38.62% below the state standard.
- Governmental funds reported combined ending fund balances of \$84,766,127, an increase of \$53,444,356. Approximately 14 percent of this total amount (\$12,307,472) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved or designated* to indicate it is not available for new spending because it has already been committed (1) to pay debt service (\$7,514,879), (2) for capital projects (\$64,106,227) and (3) for other miscellaneous designations (\$837,549).
- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$(1,844,472) (*net assets*). Of this amount, \$13,850,690 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that

are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 11-16 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and 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 that can be found on page 17.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Supplementary information can be found on page 29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$1,844,472, as of August 31, 2008.

The District's Net Assets

	<u>August 31, 2008</u>	<u>August 31, 2007</u>
Current assets	\$ 80,702,120	\$ 31,157,727
Capital assets	<u>84,130,262</u>	<u>71,082,884</u>
Total assets	<u>164,832,382</u>	<u>102,240,611</u>
Current liabilities	2,255,943	2,000,117
Long-term liabilities outstanding	<u>164,420,911</u>	<u>100,111,436</u>
Total liabilities	<u>166,676,854</u>	<u>102,111,553</u>
Net assets:		
Invested in capital assets, net of related debt	(87,531,836)	(31,750,881)
Restricted	71,836,674	20,668,152
Unrestricted	<u>13,850,690</u>	<u>11,211,787</u>
Total net assets	<u>\$ (1,844,472)</u>	<u>\$ 129,058</u>

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is a negative \$87,531,836. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$71,836,674) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$13,850,690) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's total net assets decreased by \$1,973,530. The total cost of all *governmental activities* this year was \$46,986,958. The amount that our taxpayers paid for these activities through property taxes was \$27,915,067 or 59%.

Changes in the District's Net Assets

	<u>Fiscal Year August 31, 2008</u>	<u>Fiscal Year August 31, 2007</u>
Revenues:		
Program revenues		
Charges for services	\$ 1,823,814	\$ 1,603,036
Operating grants and contributions	3,376,353	3,218,422
General revenues		
Property taxes	27,915,067	26,689,675
State grants	10,337,171	7,812,763
Special Items	-	44,962
Other	1,561,023	3,596,051
Total revenues	<u>45,013,428</u>	<u>42,964,909</u>
Expenses:		
Instruction	21,643,421	19,556,638
Instructional resources and media services	385,963	391,796
Curriculum and staff development	175,089	231,980
Instructional leadership	435,797	429,086
School leadership	1,811,898	1,741,464
Guidance, counseling & evaluation services	649,938	551,209
Health services	308,059	298,021
Student transportation	1,914,721	1,493,006
Food service	1,672,412	1,566,209
Cocurricular/extracurricular activities	1,924,498	1,805,319
General administration	1,389,618	1,174,926
Plant maintenance and operations	4,044,929	4,125,692
Security and monitoring services	292,018	367,203
Data processing services	807,392	714,281
Debt service-interest on long-term debt	4,288,526	3,823,305
Debt service-bond issuance costs	4,886,339	961,214
Capital outlay	187,524	158,718
Payments related to shared service arrangements	168,816	21,310
Total expenses	<u>46,986,958</u>	<u>39,411,377</u>
Increase (decrease) in net assets	(1,973,530)	3,553,532
Beginning net assets	129,058	(3,424,474)
Ending net assets	<u>\$ (1,844,472)</u>	<u>\$ 129,058</u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$84,766,127, an increase of \$53,444,356. Approximately 14 percent of this total amount (\$12,307,472) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed (1) to pay debt service (\$7,514,879), (2) for capital projects (\$64,106,227) and (3) for other miscellaneous designations (\$837,549).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$12,307,472, out of a total fund balance of \$12,307,472. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance and total fund balance represents 39 percent of the total general fund expenditures.

The fund balance of the District's general fund increased by \$2,064,666 during the current fiscal year.

The debt service fund has a total fund balance of \$7,514,879, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund is \$6,180,594.

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment purchases. The fund balance of the District's capital projects fund was \$64,106,227 as of August 31, 2008. The net increase in fund balance for the fiscal year ended August 31, 2008, was \$44,863,054. This increase resulted from the increase in total expenditures and the issuance of bonds. Expenditures for capital projects totaled \$16,676,097 for the year. The net increase in expenditures for capital projects during the period was \$9,776,365.

General Fund Budgetary Highlights

- District recommended and Board approved revisions to budgeted revenue and appropriations.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2008, amounts to \$84,130,262 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Districts Capital Assets (net of depreciation)

	August 31, 2008	August 31, 2007
Land	\$ 5,896,158	\$ 3,106,015
Construction in progress	16,172,196	29,145,401
Buildings and improvements	61,176,235	36,585,078
Furniture and equipment	885,673	2,246,390
Total at historical cost	<u>\$ 84,130,262</u>	<u>\$ 71,082,884</u>

Additional information on the District's capital assets can be found in note D on pages 23-24 of this report.

Long-term debt. As of August 31, 2007, the District had total general obligation bonded debt outstanding of \$153,546,492, an increase of \$59,522,927 over the prior year. The District also had accretion of capital appreciation bonds of \$12,124,191 in fiscal year 2008, an increase of \$4,832,138 over the prior year. The District had a loss on refunding of \$1,249,771, a increase of \$45,590 from the prior year.

The "AAA" long-term rating on the District's Texas' bonds reflects the Texas Permanent School Fund guarantee. The "A-" Standard & Poor's underlying rating on the District's unenhanced debt reflects the District's: (1) strong assessed value growth, (2) changing property tax base that is becoming more suburban and less agriculture and rural, (3) improved financial performance and position due to the implementation of its financial recovery plan, and (4) moderate overall debt levels with future capital needs, which the District expects to finance through debt issuance.

Additional information on the District's long-term debt can be found in note F on pages 25-26 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District's 2007-2008 student attendance rate remained stable at 96.1 percent.
- The 2008-2009 "snapshot": Local property values certified at \$2,197,087,668. The maintenance and operations tax rate was adopted at \$1.04 per \$100 valuation and the debt service tax rate at \$0.3852 per \$100 valuation for a total tax rate of \$1.4252. Local M & O tax revenue is estimated to be \$21,129,860 and debt service tax revenues of \$9,177,780. State aid is estimated at \$12,603,989. The General Operating budget was adopted in the amount of \$40,035,061.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Aledo Business Office.

Basic Financial Statements

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2008

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 2,157,199
1120 <i>Current Investments</i>	84,320,917
1225 <i>Property Taxes Receivable (Net)</i>	921,237
1240 <i>Due from Other Governments</i>	155,273
1420 <i>Capitalized Bond and Other Debt Issuance Costs</i>	694,257
1430 <i>Premium and Discount on Issuance of Bonds</i>	(7,546,763)
Capital Assets:	
1510 <i>Land</i>	5,896,158
1520 <i>Buildings and Improvements, Net</i>	61,176,235
1530 <i>Furniture and Equipment, Net</i>	885,673
1580 <i>Construction in Progress</i>	16,172,196
1000 Total Assets	<u>164,832,382</u>
LIABILITIES:	
2110 <i>Accounts Payable</i>	818,168
2140 <i>Interest Payable</i>	388,681
2165 <i>Accrued Liabilities</i>	1,049,094
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	2,072,852
2502 <i>Due in More Than One Year</i>	162,348,059
2000 Total Liabilities	<u>166,676,854</u>
NET ASSETS	
3200 <i>Invested in Capital Assets, Net of Related Debt</i>	(87,531,836)
Restricted For:	
3850 <i>Debt Service</i>	7,730,447
3860 <i>Capital Projects</i>	64,106,227
3900 <i>Unrestricted</i>	13,850,690
3000 Total Net Assets	<u>\$ (1,844,472)</u>

The accompanying notes are an integral part of this statement.

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 21,643,420	\$ --	\$ 2,740,682	\$ (18,902,738)
12	<i>Instructional Resources and Media Services</i>	385,963	--	--	(385,963)
13	<i>Curriculum and Staff Development</i>	175,089	--	37,174	(137,915)
21	<i>Instructional Leadership</i>	435,797	--	--	(435,797)
23	<i>School Leadership</i>	1,811,898	--	--	(1,811,898)
31	<i>Guidance, Counseling, & Evaluation Services</i>	649,938	--	--	(649,938)
33	<i>Health Services</i>	308,059	--	--	(308,059)
34	<i>Student Transportation</i>	1,914,721	--	--	(1,914,721)
35	<i>Food Service</i>	1,672,412	1,307,641	363,156	(1,615)
36	<i>Cocurricular/Extracurricular Activities</i>	1,924,498	448,431	28,300	(1,447,767)
41	<i>General Administration</i>	1,389,618	--	--	(1,389,618)
51	<i>Plant Maintenance and Operations</i>	4,044,929	67,742	--	(3,977,187)
52	<i>Security and Monitoring Services</i>	292,018	--	3,931	(288,087)
53	<i>Data Processing Services</i>	807,392	--	--	(807,392)
72	<i>Interest on Long-term Debt</i>	4,288,526	--	203,110	(4,085,416)
73	<i>Bond Issuance Costs and Fees</i>	4,886,339	--	--	(4,886,339)
81	<i>Capital Outlay</i>	187,524	--	--	(187,524)
93	<i>Payments Related to Shared Services Arrangements</i>	168,816	--	--	(168,816)
TG	Total Governmental Activities	46,986,958	1,823,814	3,376,353	(41,786,791)
TP	Total Primary Government	\$ 46,986,958	\$ 1,823,814	\$ 3,376,353	(41,786,791)
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				20,911,501
DT	<i>Property Taxes, Levied for Debt Service</i>				7,003,566
IE	<i>Investment Earnings</i>				1,643,011
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				10,337,171
MI	<i>Miscellaneous</i>				(81,988)
TR	Total General Revenues				39,813,261
CN	Change in Net Assets				(1,973,530)
NB	Net Assets - Beginning				129,058
NE	Net Assets - Ending				\$ (1,844,472)

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110	\$ 1,409,151	\$ 20,114
1120	11,982,489	7,452,774
1225	705,669	215,568
1240	129,565	5,663
1260	13,254	36,328
1000	<u>\$ 14,240,128</u>	<u>\$ 7,730,447</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 6,189	\$ --
2160	1,010,321	--
2170	191,236	--
2200	19,241	--
2300	705,669	215,568
2000	<u>1,932,656</u>	<u>215,568</u>
FUND BALANCES:		
Reserved Fund Balances:		
3420	--	7,514,879
3450	--	--
3490	--	--
3600	12,307,472	--
3000	<u>12,307,472</u>	<u>7,514,879</u>
4000	<u>\$ 14,240,128</u>	<u>\$ 7,730,447</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 24	\$ 32,528	\$ 695,382	\$ 2,157,199
61,060,329	3,825,325	--	84,320,917
--	--	--	921,237
--	--	20,045	155,273
--	--	154,908	204,490
<u>\$ 61,060,353</u>	<u>\$ 3,857,853</u>	<u>\$ 870,335</u>	<u>\$ 87,759,116</u>
\$ 711,090	\$ 100,889	\$ --	\$ 818,168
--	--	19,182	1,029,503
--	--	13,254	204,490
--	--	350	19,591
--	--	--	921,237
<u>711,090</u>	<u>100,889</u>	<u>32,786</u>	<u>2,992,989</u>
--	--	--	7,514,879
--	--	136,517	136,517
60,349,263	3,756,964	701,032	64,807,259
--	--	--	12,307,472
<u>60,349,263</u>	<u>3,756,964</u>	<u>837,549</u>	<u>84,766,127</u>
<u>\$ 61,060,353</u>	<u>\$ 3,857,853</u>	<u>\$ 870,335</u>	<u>\$ 87,759,116</u>

ALEDO 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	\$ 84,766,127
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	84,130,262
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	921,237
Payables for bond principal which are not due in the current period are not reported in the funds.	(153,546,491)
Payables for bond interest which are not due in the current period are not reported in the funds.	(388,681)
Bond issuance cost are capitalized for the SNA but are not in the funds.	694,257
Premium on the issuance of bonds are capitalized for the SNA but not in the funds.	(7,546,763)
Deferred loss on refunding of bonds are capitalized in the SNA but not in the funds.	1,249,771
Payables for accumulated accretion on CAB's.	<u>(12,124,191)</u>
Net assets of governmental activities - statement of net assets	<u>\$ (1,844,472)</u>

The accompanying notes are an integral part of this statement.

ALEDO 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	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 21,837,852	\$ 7,324,016
5800 <i>State Program Revenues</i>	11,700,309	203,110
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>33,538,161</u>	<u>7,527,126</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	18,409,111	--
0012 <i>Instructional Resources and Media Services</i>	362,147	--
0013 <i>Curriculum and Staff Development</i>	107,836	--
0021 <i>Instructional Leadership</i>	408,906	--
0023 <i>School Leadership</i>	1,700,092	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	609,833	--
0033 <i>Health Services</i>	289,050	--
0034 <i>Student Transportation</i>	1,777,665	--
0035 <i>Food Service</i>	18,417	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,288,630	--
0041 <i>General Administration</i>	1,223,053	--
0051 <i>Plant Maintenance and Operations</i>	4,138,819	--
0052 <i>Security and Monitoring Services</i>	260,071	--
0053 <i>Data Processing Services</i>	757,571	--
0071 <i>Principal on Long-term Debt</i>	--	1,477,074
0072 <i>Interest on Long-term Debt</i>	--	4,318,600
0073 <i>Bond Issuance Costs and Fees</i>	--	154,091
0081 <i>Capital Outlay</i>	--	--
0093 <i>Payments to Shared Service Arrangements</i>	168,816	--
6030 Total Expenditures	<u>31,520,017</u>	<u>5,949,765</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>2,018,144</u>	<u>1,577,361</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	7,520,000
7912 <i>Sale of Real or Personal Property</i>	17,790	--
7915 <i>Transfers In</i>	--	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	4,723,624
7949 <i>Other Resources</i>	128,732	--
8911 <i>Transfers Out</i>	(100,000)	--
8949 <i>Other Uses</i>	--	(7,640,391)
7080 Total Other Financing Sources and (Uses)	<u>46,522</u>	<u>4,603,233</u>
1200 Net Change in Fund Balances	<u>2,064,666</u>	<u>6,180,594</u>
0100 Fund Balances - Beginning	<u>10,242,806</u>	<u>1,334,285</u>
3000 Fund Balances - Ending	<u>\$ 12,307,472</u>	<u>\$ 7,514,879</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 101,764	\$ 437,387	\$ 2,623,714	\$ 32,324,733
--	--	612,823	12,516,242
--	--	1,197,282	1,197,282
<u>101,764</u>	<u>437,387</u>	<u>4,433,819</u>	<u>46,038,257</u>
--	--	1,901,736	20,310,847
--	--	--	362,147
--	--	56,449	164,285
--	--	--	408,906
--	--	--	1,700,092
--	--	--	609,833
--	--	--	289,050
--	--	33,047	1,810,712
--	--	1,550,797	1,569,214
--	--	517,114	1,805,744
--	--	80,817	1,303,870
--	--	1,548	4,140,367
--	--	56,269	316,340
--	--	--	757,571
--	--	--	1,477,074
--	--	--	4,318,600
--	--	--	154,091
752,501	15,923,596	--	16,676,097
--	--	--	168,816
<u>752,501</u>	<u>15,923,596</u>	<u>4,197,777</u>	<u>58,343,656</u>
(650,737)	(15,486,209)	236,042	(12,305,399)
61,000,000	--	--	68,520,000
--	--	--	17,790
--	--	100,000	100,000
--	--	--	4,723,624
--	--	--	128,732
--	--	--	(100,000)
--	--	--	(7,640,391)
<u>61,000,000</u>	<u>--</u>	<u>100,000</u>	<u>65,749,755</u>
60,349,263	(15,486,209)	336,042	53,444,356
--	19,243,173	501,507	31,321,771
<u>\$ 60,349,263</u>	<u>\$ 3,756,964</u>	<u>\$ 837,549</u>	<u>\$ 84,766,127</u>

ALEDO 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	\$ 53,444,356
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	16,916,497
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,334,699)
The gain or loss on the sale of capital assets is not reported in the funds.	(1,516,632)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(17,790)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	363,069
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,477,074
Bond issuance costs and similar items are amortized in the SOA but not in the funds	304,530
The accretion of interest on capital appreciation bonds is not reported in the funds.	(4,832,138)
(Increase) decrease in accrued interest from beginning of period to end of period	(174,565)
Premium on the issuance of bonds are capitalized for the SNA but not in the funds.	(4,723,623)
Proceeds of bonds do not provide revenue in the SOA but are reported as other resources in the funds.	(68,520,000)
Payment to escrow agent for refunding bonds are not reported as expenditures in the SOA.	<u>7,640,391</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (1,973,530)</u>

The accompanying notes are an integral part of this statement.

ALEDO INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 AUGUST 31, 2008

Data Control Codes		Agency Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 184,685	
1000	Total Assets	\$ 184,685	
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 184,685	
2000	Total Liabilities	184,685	
	NET ASSETS		
3000	Total Net Assets	\$ --	

The accompanying notes are an integral part of this statement.

ALEDO 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 Aledo 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.

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.

Debt Service Fund: This fund is used to account for tax revenues and for the payment of principal, interest and related cost on long-term debts for which a tax has been dedicated.

Capital Projects Fund; This fund is used to account for the proceeds of long-term debt financing and revenues and expenditures related to the authorized construction and other capital asset acquisitions.

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

In addition, the District reports the following fund types:

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 and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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 restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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.

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

b. 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.

c. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and Improvements	30
Equipment	3-15

d. 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.

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

e. 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.

f. Use of Estimates

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

g. 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.

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
Invested in Capital Assets, Net of Related Debt	\$ (87,531,837)
Net Assets	\$ (1,844,473)

Remarks:

- (1) Debt has been issued, but the proceeds have not been fully invested into the facilities.
- (2) Due to favorable interest rates, the assets are being depreciated faster than the bonds are being amortized.

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 \$2,341,884 and the bank balance was \$3,242,739. 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.

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.

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

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.

The District's investment at August 31, 2008 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	Wtd Avg Maturity < 60 days	\$ 84,320,917
Total Investments		<u>\$ 84,320,917</u>

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.

At August 31, 2008, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

TexPool AAAM

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.

ALEDO 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
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,106,015	\$ 2,790,143	\$ --	\$ 5,896,158
Construction in progress	29,145,401	13,398,264	26,371,469	16,172,196
Total capital assets not being depreciated	<u>32,251,416</u>	<u>16,188,407</u>	<u>26,371,469</u>	<u>22,068,354</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	58,909,362	26,515,834	--	85,425,196
Equipment	4,534,750	583,725	3,727,162	1,391,313
Total capital assets being depreciated	<u>63,444,112</u>	<u>27,099,559</u>	<u>3,727,162</u>	<u>86,816,509</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,324,284)	(1,924,677)	--	(24,248,961)
Equipment	(2,288,360)	(410,022)	(2,192,742)	(505,640)
Total accumulated depreciation	<u>(24,612,644)</u>	<u>(2,334,699)</u>	<u>(2,192,742)</u>	<u>(24,754,601)</u>
Total capital assets being depreciated, net	<u>38,831,468</u>	<u>24,764,860</u>	<u>1,534,420</u>	<u>62,061,908</u>
Governmental activities capital assets, net	<u>\$ 71,082,884</u>	<u>\$ 40,953,267</u>	<u>\$ 27,905,889</u>	<u>\$ 84,130,262</u>

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

Depreciation was charged to functions as follows:

Instruction	\$ 1,332,574
Instructional Resources and Media Services	23,816
Curriculum and Staff Development	10,804
Instructional Leadership	26,891
School Leadership	111,806
Guidance, Counseling, & Evaluation Services	40,105
Health Services	19,009
Student Transportation	119,080
Food Services	103,198
Extracurricular Activities	118,754
General Administration	85,748
Plant Maintenance and Operations	272,289
Security and Monitoring Services	20,804
Data Processing Services	49,821
	<u>\$ 2,334,699</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:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 13,254	For transfer of federal receipts
Special Revenue Funds	General Fund	154,908	For transfer of federal receipts
Debt Service Fund	General Fund	36,328	Short-term loans
	Total	<u>\$ 204,490</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:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Speical Revenue Funds	\$ 100,000	Supplement other funds sources
	Total	<u>\$ 100,000</u>	

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

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:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 94,023,565	\$ 68,520,000	\$ 8,997,073	\$ 153,546,492	\$ 2,072,852
Accretion on CAB's	7,292,053	4,832,138	--	12,124,191	n/a
Loss on Refunding	(1,204,181)	(120,390)	74,800	(1,249,771)	n/a
Total governmental activities	\$ 100,111,437	\$ 73,231,748	\$ 9,071,873	\$ 164,420,912	\$ 2,072,852

2. Debt Service Requirements

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

<u>Year Ending August 31,</u>	Governmental Activities		
	Principal	Interest	Total
2009	\$ 2,072,852	\$ 7,676,217	\$ 9,749,069
2010	2,294,131	7,699,314	9,993,445
2011	1,982,201	7,538,641	9,520,842
2012	1,946,045	7,578,014	9,524,059
2013	1,944,919	7,630,192	9,575,111
2014-2018	14,297,171	33,053,417	47,350,588
2019-2023	19,700,736	31,345,118	51,045,854
2024-2028	23,789,562	27,464,736	51,254,298
2029-2033	20,663,875	29,578,725	50,242,600
2034-2038	26,230,000	22,499,906	48,729,906
2039-2043	38,625,000	6,031,250	44,656,250
Totals	\$ 153,546,492	\$ 188,095,530	\$ 341,642,022

The interest rates on the Unlimited Tax School Building and Refunding Bonds, Series 1998 range from 4.40% to 5.00% and mature on February 15, 2029.

The interest rates on the Unlimited Tax School Building Bonds, Series 2001 range from 4.500% to 5.550% and mature on February 15, 2032.

The interest rates on the Unlimited Tax School Building Bonds, Series 2005-A range from 3.500% to 5.125% and mature on February 15, 2033.

The interest rates on the Unlimited Tax School Building Bonds, Series 2005-B range from 3.510% to 4.390% and mature on February 15, 2015.

The interest rates on the Unlimited Tax School Building Bonds, Series 2006 range from 3.375% to 5.500% and mature on February 15, 2029.

The Variable Rate Unlimited Tax School Building Bonds, Series 2006-A range from 3.620% to 3.750% and mature on August 1, 2035.

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

The interest rates on the Unlimited Tax Refunding Bonds, Series 2007 range from 3.500% to 5.000% and mature on February 15, 2029.

The interest rates on the Unlimited Tax School Building Bonds, Series 2008 range from 3.374% to 5.820% and mature on February 15, 2043.

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. As of August 31, 2008, outstanding balances of bond issues that 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 are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Series 1998	\$ 30,555,000
Total	<u>\$ 30,555,000</u>

As a result of the advance refunding of \$7,520,000 of the Series 1998 Unlimited Tax School Building Bonds by the issuance of Series 2007 Unlimited Tax Refunding Bonds, the District reduced its total debt service requirements by \$988,788, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$639,856.

G. **Commitments Under Noncapitalized Leases**

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

<u>Year Ending August 31,</u>	
2009	\$ 379,945
2010	281,648
2011	260,260
2012	213,211
2013	66,668
Total Minimum Rentals	<u>\$ 1,201,732</u>
Rental Expenditures in 2008	<u>\$ 328,098</u>

H. **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.

I. **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 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.

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

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 6.0% 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 \$187,703, \$176,392 and \$126,341, 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 \$192,981, \$165,366 and \$118,447, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$1,409,908 for the year ended August 31, 2008.

J. 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 \$225 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 annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year ended and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

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.

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

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for students with visual impairments with the following school districts:

Member Districts

Azle ISD	Springtown ISD
Castleberry ISD	Weatherford ISD
Decatur ISD	White Settlement ISD
Lake Worth ISD	
Northwest ISD	

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Parker-County Co-op nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in a shared service arrangement for transportation and technology with Dallas County Schools. The District is the only member of these shared shervice arrangements. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Dallas County Schools, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

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.

ALEDO INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 20,490,250	\$ 20,496,265	\$ 21,837,852	\$ 1,341,587
5800	State Program Revenues	11,058,867	11,058,867	11,700,309	641,442
5020	Total Revenues	<u>31,549,117</u>	<u>31,555,132</u>	<u>33,538,161</u>	<u>1,983,029</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	18,428,220	18,428,635	18,409,111	19,524
0012	Instructional Resources and Media Services	375,000	375,000	362,147	12,853
0013	Curriculum and Staff Development	167,094	167,094	107,836	59,258
	Total Instruction & Instr. Related Services	<u>18,970,314</u>	<u>18,970,729</u>	<u>18,879,094</u>	<u>91,635</u>
Instructional and School Leadership:					
0021	Instructional Leadership	425,000	425,000	408,906	16,094
0023	School Leadership	1,700,000	1,700,000	1,700,092	(92)
	Total Instructional & School Leadership	<u>2,125,000</u>	<u>2,125,000</u>	<u>2,108,998</u>	<u>16,002</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	610,000	615,000	609,833	5,167
0033	Health Services	300,000	300,000	289,050	10,950
0034	Student (Pupil) Transportation	1,902,363	1,845,153	1,777,665	67,488
0035	Food Services	18,859	18,859	18,417	442
0036	Cocurricular/Extracurricular Activities	1,395,584	1,470,829	1,288,630	182,199
	Total Support Services - Student (Pupil)	<u>4,226,806</u>	<u>4,249,841</u>	<u>3,983,595</u>	<u>266,246</u>
Administrative Support Services:					
0041	General Administration	1,399,999	1,399,999	1,223,053	176,946
	Total Administrative Support Services	<u>1,399,999</u>	<u>1,399,999</u>	<u>1,223,053</u>	<u>176,946</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	4,500,000	4,520,170	4,138,819	381,351
0052	Security and Monitoring Services	230,000	270,000	260,071	9,929
0053	Data Processing Services	850,000	805,000	757,571	47,429
	Total Support Services - Nonstudent Based	<u>5,580,000</u>	<u>5,595,170</u>	<u>5,156,461</u>	<u>438,709</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	50,000	170,000	168,816	1,184
	Total Intergovernmental Charges	<u>50,000</u>	<u>170,000</u>	<u>168,816</u>	<u>1,184</u>
6030	Total Expenditures	<u>32,352,119</u>	<u>32,510,739</u>	<u>31,520,017</u>	<u>990,722</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(803,002)</u>	<u>(955,607)</u>	<u>2,018,144</u>	<u>2,973,751</u>
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	--	17,790	17,790	--
7949	Other Resources	--	--	128,732	128,732
8911	Transfers Out	(240,000)	(240,000)	(100,000)	140,000
7080	Total Other Financing Sources and (Uses)	<u>(240,000)</u>	<u>(222,210)</u>	<u>46,522</u>	<u>268,732</u>
1200	Net Change in Fund Balance	<u>(1,043,002)</u>	<u>(1,177,817)</u>	<u>2,064,666</u>	<u>3,242,483</u>
0100	Fund Balance - Beginning	10,242,806	10,242,806	10,242,806	--
3000	Fund Balance - Ending	<u>\$ 9,199,804</u>	<u>\$ 9,064,989</u>	<u>\$ 12,307,472</u>	<u>\$ 3,242,483</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.

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

Year Ended August 31	1		2		3	
	Tax Rates		Tax Rates		Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service	Maintenance	Debt Service		
1999 and Prior Years	\$ Various	\$ Various			\$	Various
2000	1.2939	.2250				585,868,564
2001	1.4300	.2387				649,488,151
2002	1.5000	.1936				716,267,333
2003	1.5000	.2318				850,427,770
2004	1.5000	.2203				948,648,433
2005	1.5000	.2203				1,060,816,740
2006	1.5000	.2599				1,285,277,566
2007	1.3700	.2983				1,574,908,526
2008 (School Year Under Audit)	1.0400	.3500				1,908,823,774

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
\$ 109,842	\$ --	\$ 1,002	\$ 245	\$ (1,617)	\$ 106,978
15,889	--	1,038	180	--	14,671
18,408	--	1,304	218	--	16,886
27,645	--	1,183	153	(289)	26,020
39,115	--	9,878	1,526	4,242	31,953
45,557	--	23,143	3,399	15,832	34,847
52,578	--	31,111	4,569	14,946	31,844
186,167	--	132,919	23,030	20,172	50,390
502,353	--	228,699	49,796	(139,236)	84,622
--	26,237,974	19,998,981	6,730,427	1,663,326	1,171,892
<u>\$ 997,554</u>	<u>\$ 26,237,974</u>	<u>\$ 20,429,258</u>	<u>\$ 6,813,543</u>	<u>\$ 1,577,376</u>	<u>\$ 1,570,103</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

ALEDO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2009-2010
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT J-2

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	\$ --	\$ --	\$ 322,403	\$ 364,589	\$ --	\$ 22,879	\$ 709,871
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	--	--	40,998	--	--	--	40,998
6212	Audit Services	--	--	--	20,285	--	--	20,285
6213	Tax Appraisal and Collection	--	425,343	--	--	--	--	425,343
621X	Other Prof. Services	--	--	17,713	10,034	--	--	27,747
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	13,478	--	--	13,478
6240	Contr. Maint. and Repair	--	--	--	--	278	--	278
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	14,775	13,150	--	--	27,925
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	89,375	64,511	--	--	153,886
6410	Travel, Subsistence, Stipends	9,484	--	5,398	5,737	--	--	20,619
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	11,935	--	--	--	--	--	11,935
6490	Miscellaneous Operating	492	--	66,776	8,642	--	--	75,910
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 21,911 \$ 425,343 \$ 557,438 \$ 500,426 \$ 278 \$ 22,879 \$ 1,528,275

Total expenditures for General and Special Revenue Funds (9) \$ 35,669,737

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 427,924
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 3,772,640
Food (Function 35, 6341 and 6499)	(13)	\$ 758,681
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 500,426
Subtotal		5,459,671

Net Allowed Direct Cost \$ 30,210,066

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 85,425,195
Historical Cost of Buildings over 50 years old	(16)	565,893
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,391,313
Historical Cost of Furniture & Equipment over 16 years old	(19)	3,000
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$224,405 in Function 53 expenditures are included in this report on administrative costs.

ALEDO 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)	\$ 12,307,472
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)	5,253,336
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08 - 5/31/09)	2,626,668
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	--
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)	7,880,004
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 4,427,468

The District is currently undergoing major facility additions funded through bonds. The District will utilize additional fund balance to support future building and renovation projects.

ALEDO 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 <i>Local and Intermediate Sources</i>	\$ 1,039,000	\$ 1,324,009	\$ 285,009
5800 <i>State Program Revenues</i>	46,245	47,852	1,607
5900 <i>Federal Program Revenues</i>	262,600	315,304	52,704
5020 Total Revenues	<u>1,347,845</u>	<u>1,687,165</u>	<u>339,320</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,607,950	1,550,648	57,302
Total Support Services - Student (Pupil)	<u>1,607,950</u>	<u>1,550,648</u>	<u>57,302</u>
6030 Total Expenditures	<u>1,607,950</u>	<u>1,550,648</u>	<u>57,302</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(260,105)</u>	<u>136,517</u>	<u>396,622</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	220,000	--	(220,000)
7080 Total Other Financing Sources and (Uses)	<u>220,000</u>	<u>--</u>	<u>(220,000)</u>
1200 Net Change in Fund Balance	<u>(40,105)</u>	<u>136,517</u>	<u>176,622</u>
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ (40,105)</u>	<u>\$ 136,517</u>	<u>\$ 176,622</u>

ALEDO INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT J-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 6,453,755	\$ 7,324,016	\$ 870,261
5800 <i>State Program Revenues</i>	--	203,110	203,110
5020 Total Revenues	<u>6,453,755</u>	<u>7,527,126</u>	<u>1,073,371</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	6,625,728	1,477,074	5,148,654
0072 <i>Interest on Long-Term Debt</i>	--	4,318,600	(4,318,600)
0073 <i>Bond Issuance Costs and Fees</i>	163,000	154,091	8,909
Total Debt Service	<u>6,788,728</u>	<u>5,949,765</u>	<u>838,963</u>
6030 Total Expenditures	<u>6,788,728</u>	<u>5,949,765</u>	<u>838,963</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(334,973)</u>	<u>1,577,361</u>	<u>1,912,334</u>
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	7,600,000	7,520,000	(80,000)
7916 <i>Premium or Discount on Issuance of Bonds</i>	212,000	4,723,624	4,511,624
8949 <i>Other Uses</i>	(7,640,500)	(7,640,391)	109
7080 Total Other Financing Sources and (Uses)	<u>171,500</u>	<u>4,603,233</u>	<u>4,431,733</u>
1200 Net Change in Fund Balance	<u>(163,473)</u>	<u>6,180,594</u>	<u>6,344,067</u>
0100 Fund Balance - Beginning	1,334,285	1,334,285	--
3000 Fund Balance - Ending	<u>\$ 1,170,812</u>	<u>\$ 7,514,879</u>	<u>\$ 6,344,067</u>



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

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
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

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 Aledo Independent School District as of and for the year ended August 31, 2008, which collectively comprise the Aledo Independent School District's basic financial statements and have issued our report thereon dated November 10, 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 Aledo 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 Aledo Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Aledo 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 Aledo 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 Aledo Independent School District's financial statements that is more than inconsequential will not be prevented by the Aledo 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 Aledo Independent School District's internal control. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aledo 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 other matters that we reported to management of Aledo Independent School District in a separate letter dated November 10, 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,

A handwritten signature in black ink that reads "Snow, Garrett & Company". The signature is written in a cursive, flowing style.

Snow, Garrett & Company
November 10, 2008



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

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
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Members of the Board of Trustees:

Compliance

We have audited the compliance of Aledo 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. Aledo 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 Aledo Independent School District's management. Our responsibility is to express an opinion on Aledo 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 Aledo 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 Aledo Independent School District's compliance with those requirements.

In our opinion, Aledo 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.

Internal Control Over Compliance

The management of Aledo 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 Aledo 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 Aledo 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,

A handwritten signature in cursive script that reads "Snow, Garrett & Company".

Snow, Garrett & Company
November 10, 2008

ALEDO 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? X Yes 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>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.565	Commodity Supplemental Food Program

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

Findings required to be reported in accordance with Government Auditing Standards

2008-1 Recording of Accounts Payable - Material Weakness

Criteria: Timely and accurate recording of accounts payable and expenditures is essential to perform analysis of financial condition and to monitor budgets.

Condition: The District did not properly record accounts payable at year-end.

Effect: Capital Project Fund accounts payable and expenditures were materially understated for the year.

Auditor's Recommendation: The District should record accounts payable at year-end.

C. Federal Award Findings and Questioned Costs

NONE

ALEDO 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>
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None.

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

The District respectfully submits the following corrective action plan for the year ended August 31, 2008.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The finding numbers are numbered consistently with the numbers assigned in the schedule.

Findings - Financial Statement Audit

2008-1 Recommendation: The District should record accounts payable at year-end.

Action Taken: The District will record accounts payable in all governmental funds in the future.

Findings - Federal Award Programs

There are no current year federal award findings.

ALEDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT K-1

	(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	<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	0861010118490	\$ 160,923
224	<i>IDEA-B Formula *</i>	84.027A	0866000118490766	578,386
226	<i>IDEA-B Discretionary *</i>	84.027A	0866000618490766	25,142
	Total CFDA Number 84.027A			<u>603,528</u>
225	<i>IDEA-B Preschool *</i>	84.173A	0866100118490766	10,294
204	<i>ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act</i>	84.186A	08691001184907	9,693
269	<i>Title V, Part A - Innovative Programs</i>	84.298A	08685001184907	5,952
263	<i>SSA English Language Acquisition and Language Enhancement</i>	84.365A	08671001184907	13,184
255	<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	08694501184907	78,404
	Total Passed Through State Department of Education			<u>881,978</u>
	Total U. S. Department of Education			<u>881,978</u>
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
240	School Breakfast Program *	10.553	71400801	40,542
240	National School Lunch Program *	10.555	71300801	205,977
241	Commodity Supplemental Food Program	10.565	184-907	68,785
	Total Passed Through State Department of Education			<u>315,304</u>
	Total U. S. Department of Agriculture			<u>315,304</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,197,282</u>

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

The accompanying notes are an integral part of this schedule.

ALEDO 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 Aledo 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.

ALEDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2008

Data Control Codes		Responses
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?	Yes
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?	\$ 12,124,191