



Comprehensive Annual Financial Report

For the year ending August 31, 2008
Laredo Independent School District
Laredo, Texas
www.laredoisd.org



Laredo Independent School District

**1702 Houston St.
Laredo, Texas 78040**

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

Issued by:
Department of Financial Management



Introductory Section

**LAREDO INDEPENDENT SCHOOL DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR FISCAL YEAR ENDED AUGUST 31, 2008**

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1604 Houston St. • Laredo, Texas 78040 • 956 795-3410 • Fax 956 795-3405

LETTER OF TRANSMITTAL

February 28, 2009

Veronica F. Guerra,
Ph.D.
Superintendent of
Schools

Board of Trustees and Taxpayers of
Laredo Independent School District
1702 Houston Street
Laredo, Texas 78040

Board of Education

Jose A. Valdez
President, District 1

George M. Beckelhyme
r
Vice President,
District 4

Daniel Rigal
Secretary, District 5

Trustees

John P. Montalvo
Trustee, District 3

Guillermina Montes
Trustee, District 6

Jesus Martinez
Trustee, District 2

Dear Board Members and Taxpayers:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the Laredo Independent School District (the "District") for the fiscal year ended August 31, 2008. The report was prepared by the District's Division of Finance. The basic financial statements have been audited by the independent accounting firm of Garza/Gonzalez & Associates, whose report is included herein. The financial data appearing in this report has been prepared in accordance with generally accepted accounting principles and reporting standards as promulgated by the Governmental Accounting Standards Board ("GASB").

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects and is presented in a manner which daily sets forth the financial position and results of operations of the District. Furthermore, we believe that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

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

Reporting Entity

The District is an independent school district, founded in 1882, governed by a seven-member Board of Trustees (the "Board"). The Board has governance responsibility over all activities related to public school education within the District. The Board is not included in any other governmental reporting entity as defined by Governmental Accounting Standards Board Statement No. 14. The District has one blended component unit which is the Laredo Independent School District Public Facility Corporation (the "Corporation"). As required by GAAP, the financial statements of the reporting entity include those of the District (the primary government) and its component unit in conformity with GASB Statement No. 14, The Financial Reporting Entity.

In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the District are financially accountable, or for which the relationship to the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District's blended component unit, although a legally separate entity, is in substance part of the District's operations and data from this unit is combined with data of the primary government.

The criteria used to determine whether an organization is a component unit of the District include financial accountability of the District for the component unit, appointment of a voting majority, ability to impose the District's will on the component unit, and whether there is a financial benefit or burden to the District. For financial reporting purposes, the Corporation is included in the operations and activities of the District because of the fiscal dependency criteria outlined in GASB Statement No. 14.

The Corporation, a non-profit corporation, is governed by a seven member Board composed of the members of the District. Although it is legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to assist in financing construction and furnishing the District's school facilities. To accomplish the financing of these facilities, the Corporation has issued lease revenue bonds and entered into a lease with the option to purchase agreement with the District. The District will pay to the Corporation such lease payments at such times and in such amounts as will be required to pay principal and interest on the bonds.

District officials must comply with state and federal laws and regulations, but the Board has complete authority, including adoption and setting of tax rates. Separate financial statements for the component unit can be obtained from the Corporation website at www.laredoisd.org/pfc/default.htm.

Services Provided

The District provides a safe and learning environment that ensures a quality education. Beginning in the 20 elementary schools, four middle schools, and extending through the four high schools (including Early College High School), students study the essential elements of language arts, reading, science, mathematics, art, music, physical education and computer literacy. In addition, in the four middle schools a diversified group of elective subjects is added to the required studies, including home economics, art, band, choir, orchestra, mariachi band and foreign languages. Similar individual educational needs continue at the four high schools.

Additionally, the District has a communication and fine arts magnet school that offers our students comprehensive courses of study in the areas of communication, dance, music, theatre arts, and visual arts with emphasis on creative development and artistic performance; a health and science magnet school that offers our students a wide range of health and science courses to prepare them for related careers; and a technology and engineering magnet school that offers our students courses of study towards industry certifications to prepare them for related careers.

Enrollment

Our enrollment for school year 2007-2008 was 25,148 students of which 5,915 (23%) students were enrolled at the high school level, 4,981(20%) at the middle school level, and 14,252(57%) at the elementary level.

Over 96.5% of our students are classified as economically disadvantaged; 68.1% as Bilingual/English as a Second Language education, 18.4% as Special Education, and 7.4% participate in Gifted and Talented courses. In addition, 11.2% of high school and middle school students take career and technology courses.

Mission Statement

The mission of the District is to ensure that all students achieve their potential and graduate as bilingual, bi-literate, and be responsible adults with the skills to succeed in higher education, the workforce, or the military.

District Goals (Strategic Improvement Plan 2007-2010)

- Goal I. LISD shall meet or exceed federal state and local academic mandates.
- Goal II. LISD shall achieve a fund balance equal to two months of operation's expenditure and shall achieve fiscal reporting recognition awards.
- Goal III. LISD shall be recognized for a comprehensive student support system that promotes a safe learning environment thru innovative safety programs.
- Goal IV. LISD shall be recognized for a strong use of Best Practices program, planning, monitoring, and use of data analysis to promote in a systematic approach to optimize the performance of all departments (Deleted May 14, 2008).

- Goal V. LISD shall be recognized for its partnerships with community institutions, business entities, and parent groups that combine to support student achievement.
- Goal VI. LISD shall be recognized for its stable construction facilities program that support student achievement creating an environment conducive to student excelling.

Achievements

The District received a sixth Superior rating on the School FIRST (Financial Integrity Rating System of Texas) financial accountability system for the fiscal year ending August 31, 2007. The rating system was established during the 77th Legislative session. School districts received its first official rating by TEA in August 2003 for the fiscal year 2001-2002.

Economic Condition and Outlook

Laredo Independent School District is located in the heart of the City of Laredo and encompasses approximately 13 square miles. The total population for the City of Laredo is more than 221,000, of which more than 95,000 are concentrated within the District's boundaries.

Our District is an inner city district which serves the community of Laredo and Webb County; being on the border to Mexico, it is affected by traditional economic and social issues common to border regions.

Laredo, Texas, best known for its geographic location with two international bridges bordering Nuevo Laredo, Tamaulipas, Mexico and one international bridge bordering Dolores, Nuevo Leon, Mexico, is in the center of a new era. This era includes the passage of the North American Free Trade Agreement, which has enhanced trade between the United States and Mexico, provided for a growing tax base, and the attraction of new industries.

Financial Information

The Accounting System and Budgetary Control

The Division of Finance is responsible for providing all District financial services including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management budgeting, procurement, tax office collections, risk management and special financial and policy analyses to District management. The Chief Financial Officer, appointed by the Superintendent, has oversight responsibility for the division's operations.

The District's computer hardware includes Dell file servers as well as numerous personal computers and laptops. The District utilizes the Information Design Incorporated government software applications and computerized financial accounting system, which includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use of disposition and the reliability of financial records for preparing financial statements and maintaining accountability over the District's assets.

The District also operates a student accountability system supported by the District's Information Technology Department. This system services all campuses of the District. The applications being used are attendance, grades and report cards, student tracking, and all other information required by the State of Texas.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework and are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting records for governmental fund types are maintained on a modified accrual basis with revenues recorded when services or goods are received and the liabilities are incurred. Accounting records for trust funds are maintained on the accrual basis.

The annual operating budget or financial plan is proposed by the Superintendent and enacted by the Board after public discussion. The site-based decision making process, as mandated by the education code, is the cornerstone of all LISD budgetary decisions. Each campus must have a Site-Based Decision Making (SBDM) committee made up of the campus principal, teachers, and administrators. Their role is to build consensus and support all efforts consistent with reaching the campus goals and objectives. SBDM committee members, department directors and administrators are involved in the budgetary cycle.

Subsequent budget amendments must be approved by the Board for the General Fund Budget. For Special Revenue Funds, budget amendments are approved subject to the approval by the granting agency. A summary of all amendments is presented to the Board on a monthly basis. All departments are required to operate within their budgetary constraints. The operating budgets are amended prior to expenditure, and the accounting system provides a strong budgetary control over expenditures.

Cash Management

The District awarded the depository agreement to Laredo National Bank, now Compass Bank, for a period of two years beginning September 1, 2007 and ending August 31, 2009. The agreement provides that virtually every service performed by the bank be billed to the District at a predetermined rate and offset this charge against bank balances before interest earnings are calculated.

As required, investment policies are reviewed annually and updated as rules and regulation change. The investment officers invest directly in securities issued by the Treasury of the United States, certain federal agencies, and highly rated investment pools.

Budget

For discussion of the budget please refer to the MD&A section – “General Fund Budgetary Highlights.”

Risk Management

The Laredo I.S.D. Risk Management Program includes the following:

Health Insurance and Workers’ Compensation are described in detail in the notes to the financial statements. Please refer to that section for more information.

Life & AD&D As a strategy to protect the second most important asset of the district after the students, the employees, as well as to retain current employees and recruit new employees, the District provides \$20,000 of basic life insurance to each TRS qualified employee. The cost for this employee benefit is fully funded by the District. The insurance carrier is Ft. Dearborn.

Employee Assistance Program Because of a strong and heartfelt belief that employees are one of the District’s most important assets, the District recognized a need to provide the services of an Employee Assistance Program (EAP). An Employee Assistance Program was/is viewed as an important tool which can assist the District in the management of the ever increasing direct and indirect costs and associated expenses pertaining to workers’ compensation, health & medical, attendance, disability, etc. Therefore, it was/is the desire of the school district to provide short-term counseling and referral services with the objective of helping all eligible employees and their dependents to cope with a variety of problems related, but not limited, to family, marital, child, adolescent, depression, anxiety, stress, tension, alcohol, chemical, substance abuse or dependency, financial, debt, legal, job performance, attendance, and other. All TRS eligible employees and their dependents are eligible to receive these confidential services. The program is administered by Deer Oaks EAP Services located in San Antonio, Texas, with a full service office located locally. The cost for this service is fully funded by the District.

Property & Casualty In order to protect the District from various risk exposures, the District has purchased a property & casualty insurance package. This insurance package provides coverage for several types and variety of risk exposures inherent to all assets of the district including loss or damage to buildings, contents, boiler & machinery, vehicles, crime (monetary), general liability, professional liability, law enforcement liability, and terrorism. The multiple insurance carriers to which the excess risk and/or liabilities have been transferred to, beyond the District’s responsibility of deductibles and/or self insurance retentions include Travelers, Texas Political Sub-division, Illinois Union, Travelers Indemnity, and Lexington. Depending on the coverage, deductibles and/or SIRs may range from \$0 - \$100,000. Total insurable values less exclusions for buildings were estimated at \$365,519,130 and were provided by the appraisal services of Maximus, Inc. The insurable values for contents were estimated at \$69,776,126 and vehicle insurable values were estimated at \$9,199,827. Insurable values for contents and vehicles are estimated at cost, but insured at a replacement cost recovery basis. The maintenance of this value and cost information is monitored and updated by the district’s Fixed Assets Department.

Student Insurance The District is allowed to purchase insurance in order to protect students against bodily injury that may be sustained by students while training for or engaging in interscholastic athletic competition or while engaging in school-sponsored activities. The District currently pays the premium and provides secondary and in some cases, primary

due to CHIPS or Medicaid, accident insurance coverage for all eligible students as aforementioned. The coverage includes a blanket student accident policy with a maximum benefit of \$25,000 with \$0 deductible under Chesapeake Life Insurance as the carrier. Coverage also includes catastrophic coverage maximum limit of \$5,000,000 with a \$25,000 deductible, as well as catastrophic cash benefit of \$500,000. AIG Life Insurance Company is the carrier for the catastrophic coverage. The District also makes readily available a program which offers low cost accident insurance (24 Hour & School-time Only) for students on a voluntary basis in which students or parents are required to pay the premium for the coverage, if they choose to participate.

IRS Section 125 On a yearly basis, effective the calendar year, the District offers a “cafeteria plan” enrollment period which allows the opportunity for all employees to “shelter from income tax” certain eligible insurance product premiums paid by employees under IRS guidelines. Participation in the IRS Section 125 Cafeteria Plan means that pre-taxed dollars can be used to pay for one or all of the three (3) eligible expense categories which include insurance premiums, medical expense flexible spending accounts and dependent care flexible spending accounts. Employees are also afforded an opportunity to add, delete, and/or make changes to voluntary insurance products. Such products include health, dental, vision, cancer, disability, life, AD&D, and flex-spending accounts. The plan administrator is National Plan Administrators.

Tax Sheltered Annuities The District provides employees the opportunity to participate in section 403(b) plans. Due to the complexities in administering the tax sheltered annuity program and the increased concern about the District’s liability exposure for excess contributions under the annuity program, the District contracts third party administrators who screen all tax sheltered annuities, calculate all maximum exclusion allowances, assume any liability for excess contributions and reimburse the District for any penalties imposed as a result of the excess contributions.

Financial Policies and Long-Term Financial Planning

The Superintendent’s office and the executive staff oversee and coordinate all the elements involved in the strategic and financial planning process of the District. The District’s strategic planning is an ongoing process headed by the Director for Planning and Development under the Executive Director for Student Services. The planning process begins with demographic projections of student growth and their needs for classroom space. The District’s student population experiences minimal growth annually as it is land-locked. The classroom environment is determined by the Division of Instruction in their strategic planning for meeting the educational needs of our students and community. The educational planning process identifies the financial needs of the District and determines the proper allocation of District resources.

The District is in the middle of construction projects in which every school will either be renovated or newly constructed. The construction projects began in 1999 with the sale of \$144,000,000 bonds. With the addition of more bond sales, issuance of QZABs, and interest earnings, it is currently at approximately \$296,000,000. The estimated final completion date for these projects is December 2011.

It is the responsibility of the Division of Finance to oversee all finance related issues, including the investment of construction funds for maximization of interest earnings, and to provide financial status reports to the Board with the objective of assisting in the accountability and decision-making process.

Other Information

The Texas Education Agency requires that an annual audit of the books of account, financial records, and transactions of all administrative departments of the school district be performed by an independent certified public accountant(s). The firm of Garza/Gonzalez & Associates was selected by the District and approved by the Board. In addition to meeting the requirements set forth in the state and local policies, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditor’s report on the basic financial statements and schedules are included in a separate report. The auditor’s report related specifically to the single audit is included in the Single Audit section of the report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2007. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded this Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

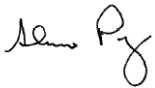
Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Division of Finance and the leadership of the Superintendent.

We would also like to acknowledge the thorough professional and timely manner in which the audit was conducted by our independent auditors, Garza/Gonzalez and Associates.

Furthermore, we would like to especially acknowledge the President of the Board, the Finance Committee of the Board and all Board Members who have consistently supported the school district's goals of excellence in all aspects of financial management.

Sincerely,

A handwritten signature in black ink, appearing to read "Alvaro Perez". The signature is cursive and somewhat stylized, with the first name being more prominent.

Alvaro Perez
Chief Financial Officer

DISTRICT OFFICIALS, CONSULTANTS & ADVISORS

ELECTED OFFICIALS

Board of Trustees	Length of Service	Term Expires	Occupation
John P. Montalvo President	9 Years	Nov. 2010	Aldo Tatangelo Farm Labor Housing Development
Jesus Justo Guerra Vice-President	8 Years	Nov. 2008	Retired Postal Employee
Guillermina Montes Secretary	6 Years	Nov. 2010	Retired Educator
Jorge Luis Rodriguez Parliamentarian	9 Years	Nov. 2008	Automotive Sales Manager
George M. Beckelhymer Trustee	6 Years	Nov. 2008	Business Owner
Daniel Rigal Trustee	3 Years	Nov. 2010	Automotive Sales Manager
Jose A. Valdez Trustee	12 Years	Nov. 2008	Self Employed/Construction

CONSULTANTS & ADVISORS

Financial Advisor	Estrada-Hinojosa & Company, Inc. Dallas and San Antonio, Texas
Bond Counsel	Escamilla & Poneck, Inc. San Antonio, Texas
Certified Public Accountants	Garza/Gonzalez & Associates San Antonio, Texas
General Counsel.....	Kazen, Meurer & Perez, Attorneys-at-Law Laredo, Texas

LAREDO INDEPENDENT SCHOOL DISTRICT

Board of Trustees



John P. Montalvo
President
District 3



Guillermina Montes
Secretary
District 6



Jesus J. Guerra
Vice President
District 7



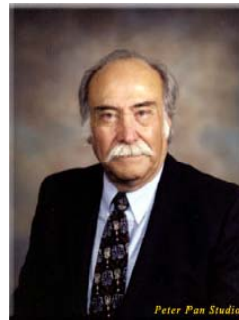
Jorge Luis Rodriguez
Parliamentarian
District 2



George M. Beckelhymer
Trustee
District 4



Daniel Rigal
Trustee
District 5



Jose A. Valdez
Trustee
District 1

Superintendent & Administrative Officials



Superintendent of Schools
Veronica F. Guerra, Ph.D.

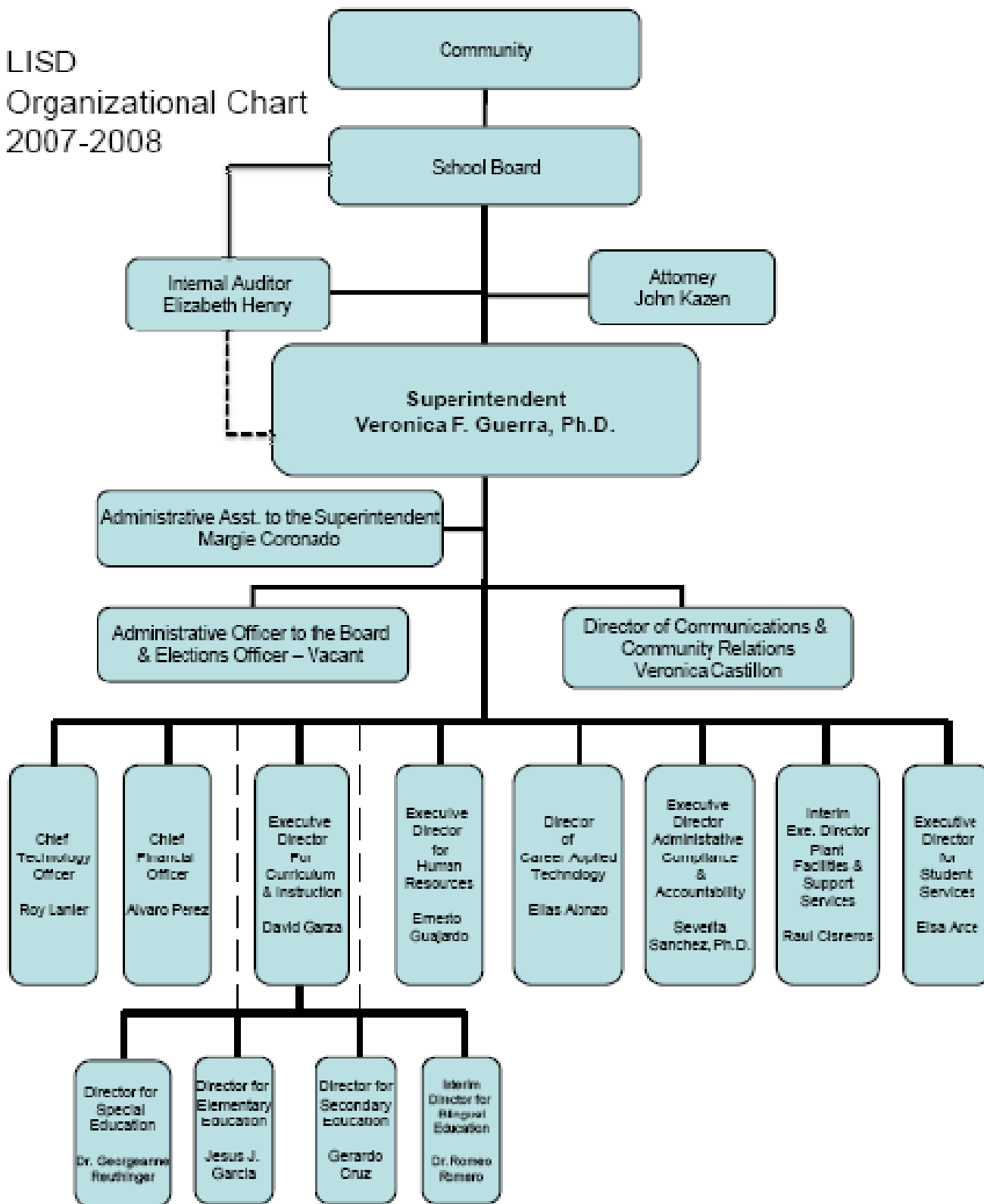
NAME

POSITION

David Garza	Executive Director for Curriculum & Instruction
Alvaro Perez	Chief Financial Officer
Elsa Arce	Executive Director for Student Services
Ernesto Guajardo	Executive Director for Human Resources
Raul Cisneros	Interim Executive Director for Plant Facilities/Support Services
Severita Sanchez	Executive Director for Administrative Compliance & Accountability

ORGANIZATIONAL CHART

LISD
Organizational Chart
2007-2008



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Laredo Independent School
District, Texas

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

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



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CERTIFICATE OF BOARD

Laredo Independent School District

Webb


240-901

Name of School District

County

County District 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 21st day of January, 2009.



Signature of Board Secretary



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):

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Financial Section

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of School Trustees
Laredo Independent School District
Laredo, Texas

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

207 Arden Grove
San Antonio, TX 78215
210/227-1389
Fax 227-0716

The Management's Discussion and Analysis and budgetary comparison information as listed on 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Exhibits and TEA Required Schedules are presented in accordance with the requirements of the Texas Education Agency. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The aforementioned information is not a required part of the basic financial statements of the District. Such information except for the 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Greg Brown
c. Cozart

January 6, 2009

LAREDO INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

This section of the Laredo Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2008. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and related footnote disclosures.

FINANCIAL HIGHLIGHTS

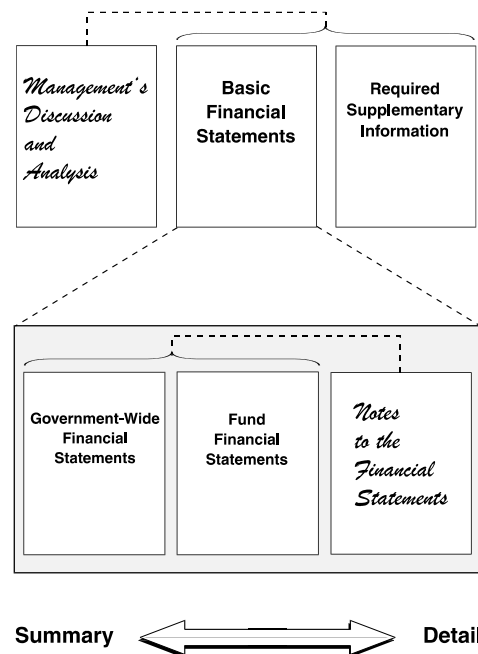
- The District's total combined net assets were \$145,059,297 at August 31, 2008. This was an increase of \$18,208,957 or 14% over prior year.
- During the year, the District's governmental expenditures were \$26,143,709 less than the \$269,059,331 generated in revenues from governmental activities. The increase in earnings was due to the near final refined ADA of 22,701 (compared to the budgeted ADA of 22,400), prior years WADA payment of approximately \$5.3 million dollars, TEA Foundation School adjustments, and salary savings from freeze imposed on vacant positions.
- The totals cost of the District's program increased by 357,741, less than one percent compared to last year, and no new programs were added this year.
- The District's total revenues decreased by \$464, 282, less than one percent compared to last year, mainly from a decrease from earnings from temporary deposits and investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

**LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS**

(UNAUDITED)

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

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency’s government (except fiduciary funds) and the Agency’s component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else’s resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of revenues, expenses and changes in fund net assets ◆ Statement of cash flows 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

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

LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(UNAUDITED)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$145,059,297 at August 31, 2008 (See Table A-1); of which, unrestricted net assets (those net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) equaled \$27,790,751. The government-wide increase in net assets was \$18,208,957.

Table A-1
Laredo Independent School District's Net Assets

	Governmental Activities		Percentage Change
	2008	2007	
Current and other assets	\$ 105,021,459	\$ 116,808,301	-10%
Capital and Non- Current assets	391,368,963	384,571,218	2%
Total Assets	<u>496,390,422</u>	<u>501,379,519</u>	<u>-1%</u>
Current Liabilities	22,448,905	30,431,617	-26%
Non-Current Liabilities	328,882,224	344,097,561	-4%
Total Liabilities	<u>351,331,129</u>	<u>374,529,178</u>	<u>-6%</u>
Net assets:			
Investment in capital assets, net of related debt	87,359,760	88,131,399	-1%
Restricted	29,908,786	21,237,224	41%
Unrestricted	27,790,751	17,481,717	59%
Total Net Assets	<u>\$ 145,059,297</u>	<u>\$ 126,850,340</u>	<u>14%</u>

The District's assets were approximately \$496 million. The District's current assets of \$105 million were sufficient to cover current liabilities of \$22.4 million. This represents a current ratio of 4.69%. Receivables consisted of taxes, accrued interest, and various operating receivables. The District's investment in capital assets was \$281,363,499, net of accumulated depreciation. Investment in capital assets increased because several construction projects were completed, kitchen equipment was purchased, and construction in progress continued.

The District's current liabilities consisted primarily of payroll, interest payable, WADA Partnerships, and various payables for operations. Non-current liabilities consisted of long-term debt from the issuance of bonds. The bonds were issued for the construction, renovation, and equipping of several schools and facilities.

Changes in Net Assets

The District's total revenues were \$269,059,331. Only 10.29% of the District's revenue comes from taxes and other local revenues, 65.63% comes from state aid formula grants 18.51% from operating grants and contributions, 3.68% from investment earnings and 1.89% from miscellaneous sources.

**LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(UNAUDITED)

Table A-2
Laredo Independent School District's Changes in Net Assets

	<u>Governmental</u>		Percentage Change
	<u>2008</u>	<u>2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 493,479	\$ 293,903	68%
Operating grants and contributions	49,795,966	60,095,888	-17%
General revenues:			
Property taxes	26,557,371	29,885,445	-11%
State aid	176,570,738	155,643,283	13%
Grants and contributions - unrestricted	658,657	559,150	18%
Investment earnings	9,893,383	12,207,337	-19%
Miscellaneous	5,089,737	10,838,607	-53%
Total Revenues	<u>269,059,331</u>	<u>269,523,613</u>	<u>-0.17%</u>
Expenses			
Instruction	134,358,549	129,599,244	4%
Instructional resources and media services	4,989,927	5,063,766	-1%
Curriculum and staff development	3,667,984	4,422,899	-17%
Instructional leadership	4,883,535	4,645,809	5%
School leadership	11,506,693	10,985,322	5%
Guidance, counseling, and evaluation services	7,927,242	8,023,575	-1%
Social work services	1,873,976	1,909,811	-2%
Health services	3,028,304	2,937,961	3%
Student transportation	3,779,327	3,715,848	2%
Food services	12,521,327	14,169,981	-12%
Extracurricular activities	3,401,939	3,733,030	-9%
General administration	6,876,464	6,192,926	11%
Plant maintenance and operations	20,569,466	20,750,136	-1%
Security and monitoring services	3,031,417	3,625,540	-16%
Data processing services	2,968,845	3,305,837	-10%
Community service	1,307,808	945,323	38%
Interest on long-term debt	15,747,078	13,274,418	19%
Bond Issuance Coat and Fees	222,245	-	100%
Facilities acquisition and construction	81,952	5,235,162	-98%
Payments related to shared services arrangements	8,391	8,903	-6%
Payments to Juvenile Justice Alternative Education Program	163,153	12,390	1217%
Total Expenses	<u>242,915,622</u>	<u>242,557,881</u>	<u>0.15%</u>
Increase in net assets	26,143,709	26,965,732	-3%
Net assets at beginning of year	126,850,340	99,884,608	27%
Prior Period Adjustment	(7,934,752)	-	100%
Net assets at end of year	<u>\$ 145,059,297</u>	<u>\$ 126,850,340</u>	<u>14%</u>

**LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(UNAUDITED)

Fund Balance Analysis

The combined fund balance for all governmental funds at August 31, 2008 was \$184,942,224 compared to \$199,554,724 at the end of fiscal year 2007. The decrease in fund balance was due primarily to the high expenditures for ongoing construction projects. The General Fund experienced a net increase of \$15,778,920 primarily due to receipt of funds from the prior years WADA payments and increase in Foundation School Funds. Other non-major funds had a decrease in fund balance of \$24,277,102 due to the completion of construction projects. Out of the combined fund balances, \$32,504,685 constitutes unreserved, undesignated fund balance available for operations of the District.

The District's major funds for the year were General Fund, 2005 and 2006 Bond funds.

The General Fund is the primary operating fund of the District. At the end of fiscal year 2008, the fund balance of the General Fund was \$46,663,007, out of which \$498,322 was reserved for encumbrances; \$1,007,248 was reserved for inventories; \$1,314,858 was reserved for capital acquisition; \$9,936,133 for the repayment of debt or new construction; \$1,401,761 reserved for food service; and \$32,504,685 was unreserved, undesignated fund balance.

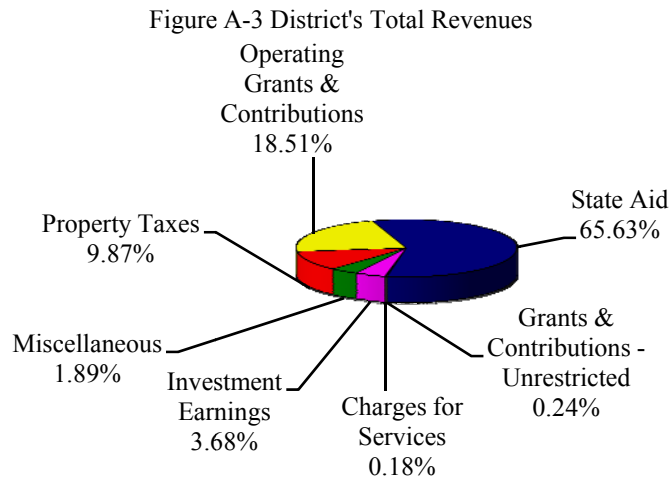
The two major funds were Capital Projects Funds, which were the 2005 Bond Fund and the 2006 Bond Fund. The 2005 Bond Fund and the 2006 Bond Fund were created in order to finance the renovation and building of additional school facilities. Capital outlay in the 2005 Bond and the 2006 Bond was \$7,166,787 and \$4,433,705, respectively. Overall, the total fund balance for the major Construction Projects Funds was \$108,025,217. This entire amount is committed for future construction.

The Special Revenue Fund had a total fund balance of \$2,988,518. Seventy percent of the total fund balance was from the Technology Allotment fund, which will be used to purchase software and/or equipment to enhance student learning.

The Debt Service Fund balance at August 31, 2008 was \$15,672,278. The fund balance increased by \$961,097 from the prior fiscal year. The available funds are used for the retirement of long-term debt.

Governmental Activities

The following chart highlights the District's revenues by funding source:



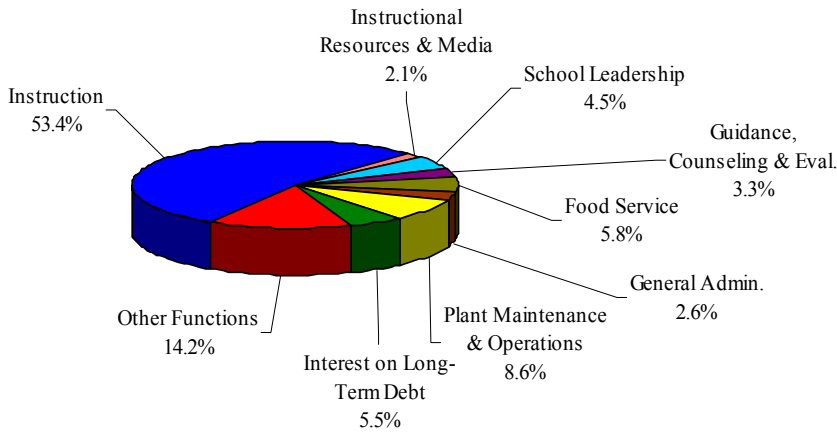
**LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(UNAUDITED)

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

- The cost of all *governmental* activities this year was \$242,557,881.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$29,885,445 or 11.09%.
- Costs paid by those who directly benefited from the programs are \$293,903 or .11%.
- State aid formula grants and contributions totaled \$155,643,283 or 57.75%.

Figure A-4 - District's Functional Expenditures



Business-type Activities

The district did not have any business type of activities.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$268,270,399. The increase in state revenues was a result of increase in the Foundation School aid and prior years WADA payments. The increase in federal revenues was primarily due to an increase in federal program awards.

General Fund Budgetary Highlights

During the 2008 fiscal year, the general fund budget was amended 21 times. The original appropriation was increased by \$1,110,842, as of the final amended budget. This increase was approximately due to:

- Outstanding purchase orders from the prior year in the amount of \$333,709;
- Adjustment to increase the interest earnings in the amount of \$41,453;
- Additional kitchen equipment for various campuses in the amount of \$385,786; and
- Increase in Gifts and Bequests (donations) in the amount of \$349,893.

Even with these adjustments, actual expenditures were \$19,037,155 below the final budget amounts. The most significant positive variance resulted from staffing. Staffing is budgeted for full employment throughout the fiscal year. Budget amounts for vacant positions throughout the year are not eligible for budget revisions. Other variances were due to on-going capital projects that were not completed by the end of the year resulting in the unspent appropriations.

**LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(UNAUDITED)

The major budget increases were reflected in the food service. The food service increase was due to the renovation of the school cafeterias which were not fully completed, yet budgeted, during this fiscal year.

On the other hand, resources available were \$7,520,989 from the final budgeted amount. The increase was mainly due to prior years WADA payments in the amount of \$5.3 million and higher interest earnings in our investments than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the District had invested \$281,363,499 in a broad range of capital assets, including land, equipment, and buildings. (See Table A-3.) This amount represented a net increase (including additions and deductions) of \$17,029,987 or 6% over the previous year.

	2008	2007	Percentage Change
Land	\$ 11,270,591	\$ 11,270,591	0%
Buildings and improvements	308,880,694	171,007,792	81%
Equipment	28,233,869	26,073,490	8%
Construction in progress	20,492,793	138,436,573	-85%
Totals at historical cost	<u>368,877,947</u>	<u>346,788,446</u>	<u>6%</u>
Total accumulated depreciation	<u>87,514,448</u>	<u>82,454,928</u>	<u>6%</u>
Net capital assets	<u>\$ 281,363,499</u>	<u>\$ 264,333,518</u>	<u>6%</u>

District's fiscal year 2008 capital improvement balance totaled \$119,621,422, which will be used principally for the completion of the Capital Improvement Plan. The beginning balance was restated to reflect adjustment to construction in progress that were reclassified to buildings and improvements. More detailed information about the District's capital assets is presented in the notes to the financial statements (Note F).

The District opened three new replacement schools this year, Don Jose Gallego Elementary School, Leyendecker Elementary School, and DD Hachar Elementary School. Project costs were \$8,793,040, \$9,646,370, and \$10,581,166, respectively. Other renovations continued at several elementary and secondary schools.

Long Term Debt

At year-end the District had \$328,882,225 in outstanding loans, leases, bonds, arbitrage, and compensated absences outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements (Note K).

Table A-4
Laredo Independent School District's Long-Term Debt

	2008	2007	Percentage Change
Loans payable	\$ 29,640,000	\$ 31,360,000	-5.5%
Leases payable	3,679,751	7,859,060	-53.2%
Bonds payable	292,267,566	301,894,348	-3.2%
Arbitrage payable	831,345	460,762	100.0%
Compensated absences	<u>2,463,563</u>	<u>2,523,390</u>	<u>-2.4%</u>
Total long term debt payable	<u>\$ 328,882,225</u>	<u>\$ 344,097,560</u>	<u>-4.4%</u>

**LAREDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(UNAUDITED)

The loans payable decreased by 5.5% due to a combined payment \$15,720,000 made during the year on three of the outstanding loans which included a \$14,000,000 Tax Anticipation Note issued to assist the District's short term cash flow needs. Leases payable decreased by 53.2% due to the repayments of outstanding Dell leases in the amount of \$3,290,540. The District did not enter into new leases during the year. The bonds payable decrease by 3.2% as a result of the net effect between the increases in capital appreciation bonds in the amount of \$2,642,167 and payments of \$12,268,949. Arbitrage payable increase because draws on construction projects were delayed due to scope work changes based on feasibility studies conducted. Lastly, the decrease in the compensated absences was due to a decrease in number of employees meeting the retirement qualifications.

Bond Ratings:
The District's bonds presently carry "AAA" ratings with underlying ratings as follows:
Moody's Investor Services "A3", Fitch "A" and Standard & Poors "A".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's board members considered many factors when setting the fiscal year 2008-09 budget and tax rates. Some of these factors were the district needs, the campus needs, appraised values, and the Laredo economy. The following factors are highlights of the budget:

- The official opening tax levy for tax year 2008 is \$27,408,723.45. This levy compared to the previous year's levy is \$1,442,599.29 higher, which represents an increase of 5.55%. The budget includes a 96% collection rate.
- The District's fiscal year 2008-09 refined average daily attendance is expected to be 22,400, compared to last year's 22,701. A conservative average daily attendance was used for the 2009 budget.

These indicators were taken into account when adopting the general fund budget for 2008-09. Revenues available for appropriation in the general fund budget are \$202,758,628, a increase of approximately 4.41% percent over the final 2008 budget of \$194,192,582. The District allocated funds for the payment of the Lease Revenue Bonds issued by the Public Finance Corporation (PFC) which is financed in part by the District's maintenance and operating tax and state contributions.

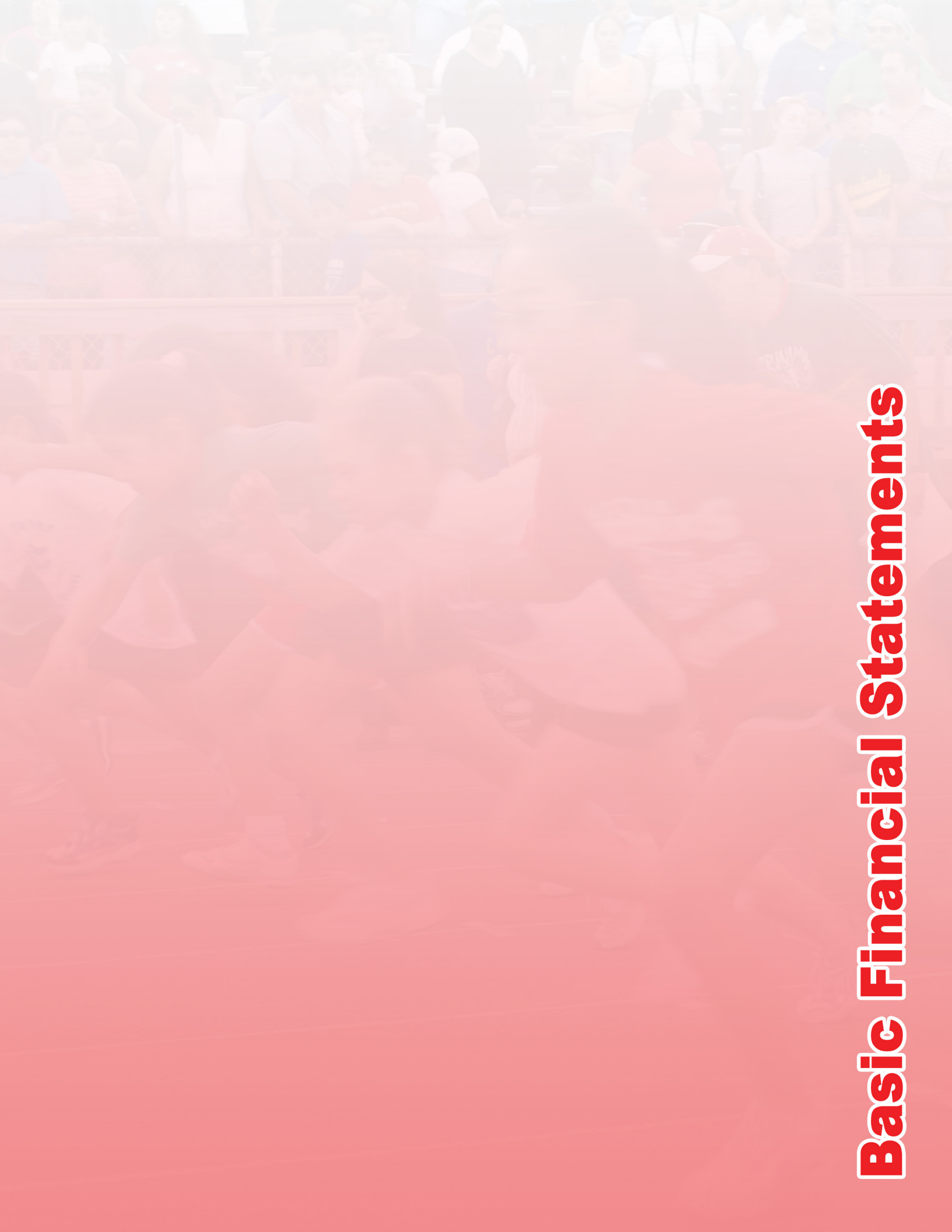
Expenditures, including Transfers Outs, are budgeted to rise nearly 4.75% percent to \$215,546,856. The largest increment is due to the funding of Board approved salary increases.

The District's Goal is to increase the general operating fund balance to be equivalent to two months average cost, at approximately \$36,015,050. In order to accomplish this goal, the District will have to operate within current budget allocations and a surplus budget in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Financial Management Department, attention to the Chief Financial Officer, at (956) 795-4112.

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Basic Financial Statements

Government-Wide Financial Statements

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

Data Control Codes	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
1110 Cash and Cash Equivalents	\$ 87,335,740
1220 Property Taxes Receivable (Delinquent)	3,824,863
1230 Allowance for Uncollectible Taxes	(2,640,404)
1240 Due from Other Governments	11,054,234
1250 Accrued Interest	54,507
1290 Other Receivables, net	183,456
1300 Inventories	1,007,249
1410 Deferred Expenses	482,651
1490 Other Current Assets	3,719,163
Capital Assets:	
1510 Land	11,270,591
1520 Buildings, Net	239,810,620
1530 Furniture and Equipment, Net	9,789,494
1580 Construction in Progress	20,492,793
1900 Long-Term Investments	110,005,465
1000 Total Assets	496,390,422
LIABILITIES	
2110 Accounts Payable	6,639,582
2140 Interest Payable	964,010
2160 Accrued Wages Payable	6,859,358
2180 Due to Other Governments	6,913,940
2300 Unearned Revenues	1,072,015
Noncurrent Liabilities	
2501 Due Within One Year	16,252,119
2502 Due in More Than One Year	312,630,105
2000 Total Liabilities	351,331,129
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	87,359,760
3820 Restricted for Federal and State Programs	2,985,517
3850 Restricted for Debt Service	15,672,278
3860 Restricted for Capital Projects	11,250,991
3900 Unrestricted Net Assets	27,790,751
3000 Total Net Assets	\$ 145,059,297

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
				Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 134,358,549	\$ -	\$ 26,753,380	\$ (107,605,169)
12 Instructional Resources and Media Services	4,989,927	-	462,725	(4,527,202)
13 Curriculum and Instructional Staff Development	3,667,984	-	3,216,508	(451,476)
21 Instructional Leadership	4,883,535	-	1,449,279	(3,434,256)
23 School Leadership	11,506,693	-	122,631	(11,384,062)
31 Guidance, Counseling and Evaluation Services	7,927,242	-	1,505,882	(6,421,360)
32 Social Work Services	1,873,976	-	187,757	(1,686,219)
33 Health Services	3,028,304	-	1,326,488	(1,701,816)
34 Student (Pupil) Transportation	3,779,327	-	20,010	(3,759,317)
35 Food Services	12,521,327	281,112	13,026,473	786,258
36 Extracurricular Activities	3,401,939	201,995	180,171	(3,019,773)
41 General Administration	6,958,416	-	401,341	(6,557,075)
51 Plant Maintenance and Operations	20,569,466	-	69,240	(20,500,226)
52 Security and Monitoring Services	3,031,417	-	4,180	(3,027,237)
53 Data Processing Services	2,968,845	-	102,624	(2,866,221)
61 Community Services	1,307,808	10,372	958,886	(338,550)
72 Debt Service - Interest on Long Term Debt	15,747,078	-	-	(15,747,078)
73 Debt Service - Bond Issuance Cost and Fees	222,245	-	-	(222,245)
93 Payments to Fiscal Agent/Member Districts of SSA	8,391	-	8,391	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	163,153	-	-	(163,153)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 242,915,622	\$ 493,479	\$ 49,795,966	(192,626,177)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			21,700,103
DT	Property Taxes, Levied for Debt Service			4,857,268
SF	State Aid - Formula Grants			176,570,738
GC	Grants and Contributions not Restricted			658,657
IE	Investment Earnings			9,893,383
MI	Miscellaneous Local and Intermediate Revenue			5,089,737
TR	Total General Revenues			218,769,886
CN	Change in Net Assets			26,143,709
NB	Net Assets--Beginning			126,850,340
PA	Prior Period Adjustment			(7,934,752)
NE	Net Assets--Ending			\$ 145,059,297

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

Fund Financial Statements

LAREDO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2008

Data Control Codes	10 General Fund	60 2005 Bond Fund	60 2006 Bond Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 55,079,322	\$ 279,963	\$ 353,111
1220 Property Taxes - Delinquent	3,267,161	-	-
1230 Allowance for Uncollectible Taxes	(2,255,407)	-	-
1240 Due from Other Governments	4,836,499	-	-
1250 Accrued Interest	-	20,467	22,951
1260 Due from Other Funds	7,694,901	218,029	-
1290 Other Receivables	203,859	-	-
1300 Inventories	1,007,249	-	-
1410 Deferred Expenditures	482,651	-	-
1900 Long-Term Investments	-	50,818,772	58,374,427
1000 Total Assets	<u>\$ 70,316,235</u>	<u>\$ 51,337,231</u>	<u>\$ 58,750,489</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 2,138,108	\$ 481,275	\$ 1,060,623
2160 Accrued Wages Payable	5,916,337	-	-
2170 Due to Other Funds	3,756,490	450,327	70,279
2180 Due to Other Governments	6,892,006	-	-
2300 Deferred Revenues	4,950,291	-	-
2000 Total Liabilities	<u>\$ 23,653,232</u>	<u>\$ 931,602</u>	<u>\$ 1,130,902</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	\$ 1,007,248	\$ -	\$ -
3420 Retirement of Long Term Debt	-	-	-
3440 Outstanding Encumbrances	498,322	2,280,287	7,518,550
3450 Food Service	1,401,761	-	-
3470 Capital Acquisition Program	1,314,858	-	-
3490 Other Purposes	9,936,133	-	-
Unreserved Designated For:			
3510 Construction	-	48,125,342	50,101,038
3590 Other Purposes	-	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	32,504,685	-	-
3000 Total Fund Balances	<u>\$ 46,663,007</u>	<u>\$ 50,405,629</u>	<u>\$ 57,619,588</u>
4000 Total Liabilities and Fund Balances	<u>\$ 70,316,239</u>	<u>\$ 51,337,231</u>	<u>\$ 58,750,490</u>

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

EXHIBIT C-1

Other Funds	Total Governmental Funds
\$ 31,623,344	\$ 87,335,740
557,702	3,824,863
(384,997)	(2,640,404)
6,217,735	11,054,234
11,089	54,507
1,625,836	9,538,766
(20,403)	183,456
-	1,007,249
-	482,651
812,266	110,005,465
<u>\$ 40,442,572</u>	<u>\$ 220,846,527</u>
\$ 2,959,576	\$ 6,639,582
943,019	6,859,356
5,261,672	9,538,768
21,934	6,913,940
1,002,371	5,952,662
<u>\$ 10,188,572</u>	<u>\$ 35,904,308</u>
\$ -	\$ 1,007,248
15,672,278	15,672,278
3,891,010	14,188,169
-	1,401,761
-	1,314,858
-	9,936,133
7,705,195	105,931,575
2,985,517	2,985,517
-	32,504,685
<u>\$ 30,254,000</u>	<u>\$ 184,942,224</u>
<u>\$ 40,442,572</u>	<u>\$ 220,846,532</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	184,942,224
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$346,788,446 and the accumulated depreciation was \$82,454,928. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets.		(76,796,098)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase net assets.		42,516,424
3 The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(10,483,900)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		4,880,647
19 Net Assets of Governmental Activities	\$	145,059,297

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

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	10 General Fund	60 2005 Bond Fund	60 2006 Bond Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 27,936,801	\$ 2,621,559	\$ 2,852,735
5800 State Program Revenues	160,249,242	-	-
5900 Federal Program Revenues	13,527,528	-	-
5020 Total Revenues	<u>201,713,571</u>	<u>2,621,559</u>	<u>2,852,735</u>
EXPENDITURES:			
Current:			
0011 Instruction	98,112,857	-	-
0012 Instructional Resources and Media Services	4,552,704	-	-
0013 Curriculum and Instructional Staff Development	447,699	-	-
0021 Instructional Leadership	3,214,920	-	-
0023 School Leadership	11,383,093	-	-
0031 Guidance, Counseling and Evaluation Services	6,373,318	-	-
0032 Social Work Services	1,686,067	-	-
0033 Health Services	1,676,180	-	-
0034 Student (Pupil) Transportation	3,760,467	-	-
0035 Food Services	12,291,079	-	-
0036 Extracurricular Activities	3,376,574	-	-
0041 General Administration	6,020,367	-	-
0051 Facilities Maintenance and Operations	20,235,334	-	-
0052 Security and Monitoring Services	3,080,340	-	-
0053 Data Processing Services	2,663,427	-	-
0061 Community Services	339,793	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	931,985	-	-
0072 Debt Service - Interest on Long Term Debt	581,909	-	-
0073 Debt Service - Bond Issuance Cost and Fees	87,000	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	188,456	7,166,787	4,433,705
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	163,153	-	-
6030 Total Expenditures	<u>181,166,722</u>	<u>7,166,787</u>	<u>4,433,705</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,546,849</u>	<u>(4,545,228)</u>	<u>(1,580,970)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	663,077	-	-
8911 Transfers Out (Use)	(5,431,006)	(7,939)	-
7080 Total Other Financing Sources (Uses)	<u>(4,767,929)</u>	<u>(7,939)</u>	<u>-</u>
1200 Net Change in Fund Balances	15,778,920	(4,553,167)	(1,580,970)
0100 Fund Balance - September 1 (Beginning)	30,884,086	54,958,796	59,200,558
1300 Increase (Decrease) in Fund Balance	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 46,663,006</u>	<u>\$ 50,405,629</u>	<u>\$ 57,619,588</u>

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

Other Funds	Total Governmental Funds
\$ 7,833,942	\$ 41,245,037
24,742,658	184,991,900
<u>28,505,934</u>	<u>42,033,462</u>
61,082,534	268,270,399
26,461,416	124,574,273
462,725	5,015,429
3,219,236	3,666,935
1,593,564	4,808,484
123,220	11,506,313
1,555,077	7,928,395
187,757	1,873,824
1,353,044	3,029,224
20,010	3,780,477
759,797	13,050,876
30,910	3,407,484
130,865	6,151,232
437,472	20,672,806
4,181	3,084,521
283,596	2,947,023
968,131	1,307,924
16,289,411	17,221,396
12,559,895	13,141,804
20,750	107,750
23,118,788	34,907,736
8,391	8,391
-	163,153
<u>89,588,236</u>	<u>282,355,450</u>
<u>(28,505,702)</u>	<u>(14,085,051)</u>
4,775,868	5,438,945
-	(5,438,945)
4,775,868	-
(23,729,834)	(14,085,051)
54,511,284	199,554,724
(527,449)	(527,449)
<u>\$ 30,254,001</u>	<u>\$ 184,942,224</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$	(14,085,051)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		49,923,727
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(10,483,900)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		788,933
Change in Net Assets of Governmental Activities	\$	26,143,709

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

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

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 65,256	\$ 347,778
Other Receivables	1,733	-
Total Assets	<u>66,989</u>	<u>\$ 347,778</u>
LIABILITIES		
Accounts Payable	2,733	\$ -
Due to Student Groups	-	347,778
Total Liabilities	<u>2,733</u>	<u>\$ 347,778</u>
NET ASSETS		
Unrestricted Net Assets	<u>64,256</u>	
Total Net Assets	<u>\$ 64,256</u>	

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

LAREDO INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT E-2

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 14,229
Total Additions	<u>14,229</u>
DEDUCTIONS:	
Other Operating Costs	14,489
Total Deductions	<u>14,489</u>
Change in Net Assets	(260)
Total Net Assets - September 1 (Beginning)	<u>64,516</u>
Total Net Assets - August 31 (Ending)	<u>\$ 64,256</u>

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

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies

The basic financial statements of Laredo 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 appointed 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*, and there is one blended component unit included within the reporting entity, as noted below.

Laredo Independent School District Public Facility Corporation (the "Corporation"), a non-profit corporation, is governed by a seven member Board of Directors composed of the members of the Board of Trustees of Laredo Independent School District. Although it is legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to assist in financing construction and furnishing the District's school facilities.

Separate financial statements for the component unit can be obtained from Laredo Independent School District Public Facility Corporation website at www.laredoisd.org/pfc/default.htm

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and statement of activities include the financial activities of the overall government, except for fiduciary activities. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

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. Indirect cost expenditures are determined by applying approved indirect cost rates to actual applicable expenditures of federally funded grant programs. Indirect cost revenues are reported in the general fund. 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 classified as program revenues are presented as general revenues.

The fund financial statements provide information about the District's Governmental and Fiduciary 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 non-major funds.

b. Fund Accounting

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.
- **2006 Bond and 2005 Bond – Capital Projects Funds:** The District accounts for proceeds from long-term debt financing (including the sale of bonds) and revenues and expenditures related to authorized construction and other capital asset acquisitions in these funds. The Board approves project budgets, not annual appropriated budgets.

Fiduciary Funds

- **Private-Purpose Trust Funds:** These funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.
- **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. Agency funds have no measurement focus.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting

Government-wide 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. Revenue from Impact Aid received in lieu of property taxes is recognized in the fiscal year for which the taxes are received. 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 60 days after year-end. Impact Aid 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. Deposits

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond 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 insurance.

b. Inventories and Prepaid Items

Inventories of supplies on the Statement of Net Assets are carried at cost, which is determined principally by the average cost method, while investments of food commodities are recorded at market values supplied by the United States Department of Agriculture (USDA). Inventories are considered expenditures or expenses as they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the USDA and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are changed, and revenue is recognized for an equal amount.

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

c. 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 Fund are \$2,255,407 and \$384,997 for the Debt Service Fund which is 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.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. Land and Construction in Progress are not depreciated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is 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 (Years)</u>
Buildings	15 – 30
Furniture and Equipment	3 – 15
Vehicles	7 – 10

e. Receivable and Payable Balances

The District believes 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.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are not 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 inter-fund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the governmental fund financial statements. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

g. Use of Estimates

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

h. Data Control Codes

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

i. Budgets

The office budget was prepared for adoption for all required Governmental Fund Types. The following procedures are followed in establishing the budgetary data:

- (1) Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- (3) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. During the year, several amendments were necessary.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Debt Service, and the General Fund - Food Service. The Special Revenue Funds and Capital Projects Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The budget was properly amended throughout the year by the Board. Such amendments are before the fact and are reflected in the official minutes of the Board.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

Each budget is controlled by the budget coordinator at the expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. Budget information is summarized below:

	Original Budget	Increase/ (Decrease)	Amended Budget
General Fund	\$ 199,093,035	\$ 1,110,842	\$ 200,203,877
General Fund – Child Nutrition	13,223,763	385,786	13,609,549
Debt Service Fund	20,428,559	-	20,428,559
PFC Debt Service Fund	4,730,483	-	4,730,483

j. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

k. Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District's liability as of August 31, 2008 was \$831,345.

l. Deferred Revenues

Deferred revenues arise principally from amounts received from the state that relate to the subsequent fiscal year.

m. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

n. Investment 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 in Texas ("Pools") are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds 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. As of August 31st, the District invested part of its money with Lone Star and MBIA, which hold an AAA rating from Moody's.

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.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

A. Summary of Significant Accounting Policies (Continued)

o. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

B. Compliance and Accountability

Excess Actual Over Budget

General Fund function 61 Community Services expenditures exceeded the budget by \$1,822. The excess actual over budget increases occurred due to TRS on behalf expenditure increases for fiscal year 07-08.

C. Deposits and Investments

Custodial Credit Risk-Deposits: The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank places 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 waved only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The carrying amount of the District's deposits and investments are as follows:

Cash in Bank or On Hand – Primary Government	\$ 12,025,364	
Cash Equivalents		
Investment Pool Accounts:		
MBIA	8,668,287	
Lonestar	60,566,805	
PFC-Texas Daily	5,019,449	
Money Market Accounts:		
PFC-Wells Fargo	1,055,835	
Total Cash and Cash Equivalents	\$ 87,335,740	
Investments		110,005,465
Total Deposits and Investments – Primary Government		\$ 197,341,205

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

C. Deposits and Investments (Continued)

Deposits:

At August 31, 2008, the District's bank deposits (cash and interest bearing accounts) were \$80,698,561. 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.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Laredo National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$67,230,582.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$51,938,581 and occurred during the month of November 2007.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$200,000.

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 general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

2. Deposits and Investments (Continued)

The District's investments in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

MBIA Municipal Investors Service Corp. (MBIA-MISC), SEC-registered investment advisor, provides investment management services to the public and not-for-profit sectors. Its principal products are liquid cash management, longer-term investment programs and short-term pooled local government cash management programs for school districts and municipalities. Many of MBIA's local government investment pools are marketed under the name CLASS, the Cooperative Liquid Assets Securities System. CLASS enables local governments to pool funds with other units of government, giving them the opportunity to obtain safety of principal, daily liquidity, competitive rates, and superior service on their short-term investments.

The Lone Star Investment Pool offers three diverse funds (Liquidity, Liquidity Plus, and Liquidity Corporate) that give investors the opportunity to tailor their portfolio to their particular liquidity requirements and risk tolerance. Account managers assist in selecting the mix that will help school districts meet short-and long-term goals. The Liquidity Corporate Fund is used by Laredo ISD and is designed with similar objectives as that of the Liquidity Fund: safety of principal, daily liquidity, and the highest possible rate of return. The Liquidity Corporate Fund will have slightly longer maturities than the Liquidity Fund. This Fund can participate in any investment authorized under the Public Funds Investment Act.

Texas DAILY is a portfolio established by Texas Term Advisory Board pursuant to the provisions of the Texas TERM Common Investment Contract that established the Pool. Texas DAILY is a local government investment portfolio established to allow school districts and other governmental entities in Texas to pool their funds for investment under the provisions of the Inter local Cooperation Act, Chapter 791 of the Texas Government Code, the PFIA and other similar cooperative statutes and under the statutes governing investment of funds by those local governments.

Credit Risk. In accordance with state law and the District's investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1,P-1, or have an equivalent rating, and obligations of states, agencies, counties, and cities must be rated at least A or its equivalent. As of August 31, 2008, MBIA was rated AAA/v1+ by Fitch Ratings, Lonestar Investment Pool was rated AAAf-s/t by Standard and Poor's (S&P), and Texas Daily was rated AAAM by Standard and Poor's (S&P). The District did not have any investments in commercial paper as of August 31, 2008. The District's investments in bonds of Federal Home Loan Bank (FHLB) and Repurchase Agreements are rated AAA by S&P.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

C. Deposits and Investments (Continued)

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer, rather investments are governed by the objectives of preservation and safety of principal, liquidity, and yield. In addition, the investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer. More than 50% of the District's investments are in Flex Repurchase Agreements (55.22%), FHLB (0.41%), MBIA (4.38%), Lonestar (30.63%), Texas Daily (2.54%), and Wells Fargo Money Market (0.53%), IBC CD (.11%) and LNB (6.18%).

Interest Rate Risk. In accordance with state law and the District's investment policy, the District does not purchase any investments with maturities greater than five (5) years for its Operating Funds.

The investment maturities in the following table reflect the maturity date of the investments in each category. Some investments are callable (redeemable) by the issuer on specified dates prior to the stated maturity date. The District uses its investments in the investment pools to further mitigate interest rate risk.

The District's investments at August 31, 2008 are shown below:

Investment	Fair Value	Investment Maturities in Years			
		Less Than 1 Year	1 to 2 Years	2 to 3 Years	More Than 3 Years
Agency Bonds and Discount Notes					
FHLB Note	\$ 812,266	\$ -	\$ -	\$ -	\$ 812,266
Flex Repurchase – Series 2005	50,818,772	-	-	-	50,818,772
Flex Repurchase – Series 2006	58,374,427	-	-	-	58,374,427
Sub Total	110,005,465	-	-	-	110,005,465
Investment Pools					
MBIA	8,668,287	8,668,287	-	-	-
Lonestar	60,566,805	60,566,805	-	-	-
PFC – Texas Daily	5,019,449	5,019,449	-	-	-
Sub Total	74,254,541	74,254,541	-	-	-
Money Market Investments					
PFC – Wells Fargo	1,055,835	1,055,835	-	-	-
Letter of Credit					
IBC – Commerce	208,236	208,236	-	-	-
Total Fair Value	\$ 185,524,077	\$ 75,518,612	\$ -	\$ -	\$ 110,005,465

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

D. Due to and from Other Governments and Agencies

The District participates in a variety of federal, state, and local programs from which it receives grants to partially or fully finance certain activities. Amounts due to and from federal, state, and local governments as of August 31, 2008 are summarized below and are reported on the government-wide statement of net assets:

	Due to Other Governments	Due From Other Governments
General Fund:		
General Fund	\$ 6,892,006	\$ 4,461,041
Food Service	-	375,458
Public Charter Schools	5,605	-
FEMA	11,762	-
Non-Educational Community	4,568	-
Special Revenue Funds:		
Safe Drug-Free Schools	-	22,545
ESEA Title I Part A	-	1,537,412
ESEA Title I Part C	-	43,739
IDEA - Part B, Formula	-	213,336
IDEA - Part B, Discretionary	-	13,502
DHS Summer Feeding Program	-	31,471
Vocational Education Basic Grant	-	20,029
ESEA Title II Part A	-	410,105
Early College High School	-	41,858
Texas Reading First Grant	-	842,108
Title II Part D	-	17,910
Immigrant/LEP Program	-	132,584
Class Size Reduction Program	-	71,466
Emergency Impact Aid Grant	-	17,584
Optional Extended Year	-	195,161
Accelerated Reading	-	640,734
Pre-Kinder Expansion Grant	-	517,791
Texas Fitness Now Grant	-	87,446
Read to Succeed	-	1,279,088
SECO-Clean School Bus Program	-	(4,637)
Regional Day School for the Deaf	-	86,501
Total	\$ 6,913,940	\$ 11,054,234

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

	Due from Other Funds	Due to Other Funds
	\$	\$
General Fund	7,694,901	3,756,490
Special Revenue funds:		
Safe Drug-Free Schools	-	14,506
ESEA Title I	4	1,120,718
ESEA Title I - Migrant	-	42,304
IDEA - Part B, Formula	23	139,955
IDEA - Part B, Discretionary	-	9,895
DHS Summer Feeding Program	3,103	295,485
Vocational Education Basic Grant	-	17,362
ESEA Title II Part A	54	271,448
Early College High School	-	36,253
Texas Reading First Grant	-	757,194
Title II Part D	-	11,470
Immigrant/LEP Program	56	108,910
FEMA	-	1,295
Teaching American History	-	56,413
Emergency Impact Aid Grant	-	7,598
Optional Extended Year	-	195,161
ARI/AMI	-	628,225
Technology	88	-
Pre-Kinder Expansion Grant	-	441
Texas Fitness Now Grant	-	84,660
High School Allotment	53	196
Texas Excellence Award	-	1,279,089
Regional Day School for the Deaf	-	237
E-Rate	442,629	163,069
Debt Service Fund	965,397	102,983
Capital Projects Fund:		
QZAB 1	7,819	-
PFC	-	(83,256)
\$60M 2005 Bond	218,029	450,327
Instructional Facilities Allotment 2	205,547	61
\$57M 2006 Bond	-	70,279
Instructional Facilities Allotment 1	1,063	(2)
	\$ 9,538,766	\$ 9,538,766

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

E. Interfund Balances and Activities (Continued)

Transfers between the Special Revenue Funds and the General Fund are to account for amounts due for indirect costs earned. Transfers between Debt Service and Capital Project Funds are related to amounts to be contributed by the General Fund. All amounts due are scheduled to be repaid within one year.

2. Transfers To/From Other Funds

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

Transfers From	Transfers To	Amount	Purpose
General Fund	Debt Service	\$ 3,222,238	Transfer to cover for interest and principal costs for loans.
General Fund	E-Rate	500,000	Transfer to cover local share of grant.
General Fund	PFC Debt Service	1,045,691	Transfer to cover for interest & principal cost for the PFC debt.
General Fund	Athletics Program	663,077	Transfer to cover athletic costs for the District.
Capital Projects	E-Rate	<u>7,939</u>	To cover local share of grant.
		<u>\$ 5,438,945</u>	

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

E. Interfund Balances and Activities (Continued)

Transfers between the Special Revenue Funds and the General Fund are to account for amounts due for indirect costs earned. Transfers between Debt Service and Capital Project Funds are related to amounts to be contributed by the General Fund. All amounts due are scheduled to be repaid within one year.

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Capital Projects	E-Rate	7,939	To cover local share of grant.
		<u>\$ 5,438,945</u>	

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

F. Capital Assets

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

	Beginning Balance*	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,270,591	\$ -	\$ -	\$ 11,270,591
Construction in Progress	25,229,441	34,825,784	39,562,432	20,492,793
Total capital assets not being depreciated	<u>36,500,032</u>	<u>34,825,784</u>	<u>39,562,432</u>	<u>31,763,384</u>
Capital assets being depreciated:				
Buildings and Improvements	273,685,905	39,562,432	4,367,643	308,880,694
Equipment	27,558,254	1,260,429	584,814	28,233,869
Total capital assets being depreciated	<u>301,244,159</u>	<u>40,822,861</u>	<u>4,952,457</u>	<u>337,114,563</u>
Less accumulated depreciation:				
Building and Improvements	64,196,079	8,533,569	3,659,574	69,070,073
Equipment	17,062,988	1,950,331	568,944	18,444,375
Total accumulated depreciation	<u>81,259,067</u>	<u>10,483,900</u>	<u>4,228,518</u>	<u>87,514,448</u>
Total capital assets being depreciated, net	<u>219,985,092</u>	<u>30,338,961</u>	<u>723,939</u>	<u>249,600,115</u>
Governmental activities capital assets, net	<u>\$ 256,485,124</u>	<u>\$ 65,164,745</u>	<u>\$ 40,286,371</u>	<u>\$ 281,363,499</u>

* The beginning balance was restated to reflect adjustments to inventory.

Depreciation was charged to Functions as follows:

Function	Total
Instruction	\$ 665,314
Resource & Media Services	29,020
Staff Development	1,857
Instructional Leadership	76,373
School Leadership	4,139
Guidance & Counseling	1,405
Social Services	713
Food Service	247,767
Co-Curricular Activities	2,648
General Administration	18,642
Plant & Maintenance	52,107
Security & Monitoring Services	1,571
Data Processing	22,657
Parental Development	293
Facilities Acquisition & Construction	9,359,394
Total Depreciation	<u>\$ 10,483,900</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

G. Deferred Revenue

Deferred revenue at August 31, 2008 consisted of the following:

Food Service Fund	\$	306,214
Successor & Interest		18,410
General Operating Fund - Tax Revenue		993,344
General Operating Fund - Escrow Refunds		37,183
General Operating - Deferred Revenue		3,595,140
ESEA Title I Part A - Improving B.		26,626
FEMA Grant		20,762
Advanced Placement Middle School		5,099
Pregnancy, Education, and Parenting CCMS		202,955
Pregnancy, Education, and Parenting CCMS		10,184
Pre-Kinder Expansion Grant		561,568
USTA MSE		2,469
Debt Service Fund		172,705
	<u>\$</u>	<u>5,952,662</u>

H. Loans

The District accounts for short-term debts through the appropriate funds. Short-term debts include notes made in accordance with the provisions of the Texas Education Code.

A loan of \$4,255,000 was issued on September 2, 1998, for the purchase of capital equipment as authorized by Texas Local Government Code Section 271. The loan has an interest rate of 5.06% and an original term of ten years. The final principal and interest payment will be made in the fiscal year ending August 31, 2008.

A Qualified Zone Academy Limited Maintenance Tax Note of \$8,000,000 was entered into on August 23, 2000 for the purpose of financing the construction of academies for three District high schools. The loan has an interest rate of 1.10% and an original term of twelve years. Interest payments of \$88,000 will be made on a yearly basis for twelve years with one principal payment of \$8,000,000 due at maturity on August 23, 2012.

A Qualified Zone Academy Limited Maintenance Tax Note of \$8,000,000 was entered into on August 30, 2001 for the purpose of financing the construction of academies for three middle schools and two high schools. The loan has an interest rate of 1.097% and an original term of twelve years. Interest payments of \$87,780 will be made on a yearly basis for twelve years with one principal payment of \$8,000,000 due at maturity on August 30, 2013.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

H. Loans (Continued)

A loan of \$4,000,000 was issued on December 18, 2003, for the purchase of capital equipment as authorized by Texas Local Government Code Section 271. The loan has an interest rate of 2.0% to 3.0% and an original term of five years. The final principal and interest payment will be made in fiscal year ending August 31, 2008.

A Qualified Zone Academy Limited Maintenance Tax Note of \$8,000,000 was entered into on October 3, 2005 for the purpose of financing the construction of academics for three middle schools and two high schools. The loan has an interest rate of 0% and an original term of twelve years. The principal payment of \$8,000,000 is due to mature on October 3, 2021. In connection with the Qualified Zone Academy Limited Maintenance Tax Note, within the Interest and Sinking Fund, there shall be established a "Cumulative Sinking Fund Deposit Account"; provided however that the Cumulative Sinking Fund Deposit Account shall at all times be maintained by the District with, and held by, the Registrar.

A loan of \$6,000,000 was issued on August 10, 2006, due to mature purchase of capital equipment as authorized by Texas Local Government Code Section 271. The loan has an interest rate of 4.0% to 4.25% and an original term of five years. The final principal and interest payment will be made in fiscal year ending August 31, 2011.

A Maintain Tax Anticipation Note (TAN) in the amount of \$14,000,000 was issued by the District on September 6, 2007, in order to meet the District's short-term cash flow needs created by the timing of the TEA disbursement. The interest rate on the note was 4.08% and matured on August 1, 2008.

The following is a summary of loan transaction of the district for the year ending August 31, 2008.

Description	Balance Outstanding 09/01/07	Issued Current Year	Retired Current Year	Balance Outstanding 08/31/08	Amounts Due Within One Year
Loan – September 2, 1998	\$ 530,000	\$ -	\$ 530,000	\$ -	\$ -
Note – August 23, 2000	8,000,000	-	-	8,000,000	-
Note – August 30, 2000	8,000,000	-	-	8,000,000	-
Note – December 18, 2003	830,000	-	830,000	-	-
Note – October 3, 2005	8,000,000	-	-	8,000,000	-
Note – August 10, 2006	6,000,000	-	360,000	5,640,000	1,785,000
Note – September 6, 2007	-	14,000,000	14,000,000	-	-
Total	\$ 31,360,000	\$ 14,000,000	\$ 15,720,000	\$ 29,640,000	\$ 1,785,000

Interest paid during the year on loans was \$935,549. All loans are payable from the operating funds which include the Food Service and General Fund.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

H. Loans (Continued)

The following is a schedule of the required payments for these loans:

Year Ending August 31,	Principal	Interest	Total
2009	\$ 1,785,000	\$ 415,460	\$ 2,200,460
2010	1,880,000	339,598	2,219,598
2011	1,975,000	259,697	2,234,697
2012	8,000,000	175,760	8,175,760
2013	8,000,000	87,760	8,087,760
2014-2018	-	-	-
2019-2023	8,000,000	-	8,000,000
Total	<u>\$ 29,640,000</u>	<u>\$ 1,278,275</u>	<u>\$ 30,918,275</u>

The future sinking fund requirements for the Qualified Zone Academy Limited Maintenance Tax Note of \$8,000,000 are as follows:

Year Ending August 31,	Amount
2009	\$ 389,887
2010	389,887
2011	389,887
2012	389,887
2013	389,887
2014-2018	1,949,435
2019-2023	1,169,661
Total	<u>\$ 5,068,531</u>

I. 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.

Bonded indebtedness of the District reflected in the General Long Term Debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Total principal amount of Tax Bond indebtedness cannot exceed 10 percent of the taxable assessed valuation of property in the School District.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

I. Long-Term Obligations (Continued)

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:

Interest paid on bonded indebtedness during the current year was \$12,035,696.

Description	Rate Payable	Original Issue	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Unlimited Tax School Building Bonds:</i>							
Current Interest	5.50-6.75%	\$ 72,000,000	\$ 4,440,000	\$ -	\$ 2,150,000	\$ 2,290,000	\$ 2,290,000
<i>Unlimited Tax Refunding Bonds:</i>							
Current Interest	5.25-6.75%	77,890,000	51,575,000	-	2,705,000	48,870,000	2,815,000
Current Interest	5.00%	18,200,000	2,000,000	-	-	2,000,000	-
Capital Appreciation	5.26-5.42%	2,509,910	4,420,927	454,929	-	4,875,856	-
<i>Lease Revenue Bonds</i>							
Series A	4-5%	30,105,000	27,575,000	-	775,000	26,800,000	795,000
Series B	3.6-4.25%	6,345,000	5,795,000	-	170,000	5,625,000	175,000
Series C	3-5%	23,715,000	21,745,000	-	600,000	21,145,000	620,000
Series D	2.05-3.5%	2,140,000	1,955,000	-	55,000	1,900,000	55,000
Series E	2.05-3.5%	1,215,000	1,110,000	-	30,000	1,080,000	30,000
<i>Lease Revenue Bonds</i>							
Series F	3.4-4%	4,615,000	4,195,000	-	120,000	4,075,000	125,000
<i>Unlimited Tax Refunding Bonds:</i>							
Current Interest	3-5%	51,120,000	50,620,000	-	210,000	50,410,000	215,000
Capital Appreciation	4%	3,024,784	3,593,089	145,197	-	3,738,286	-
<i>Unlimited Tax School Building Bonds:</i>							
Current Interest	5.00%	17,370,000	16,190,000	-	-	16,190,000	-
Capital Appreciation	3.39-5.18%	42,485,846	46,167,122	2,042,041	3,408,177	44,800,986	3,273,982
<i>Unlimited Tax School Building Bonds:</i>							
Current Interest	4.125-5.00%	56,950,000	55,370,000	-	1,540,000	53,830,000	1,605,000
TOTALS		\$ 409,685,540	\$ 296,751,138	\$ 2,642,167	\$ 11,763,177	\$ 287,630,128	\$ 11,998,982

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

I. Long-Term Obligations (Continued)

The following is a schedule of the required payments for these general obligation bonds:

Year Ending August 31,	Principal	Capital Appreciation Bond	Interest	Total
2009	\$ 11,998,982	\$ 355,621	\$ 11,788,410	\$ 23,787,392
2010	12,264,518	352,031	11,521,414	23,785,932
2011	12,489,652	355,922	11,280,437	23,770,089
2012	11,384,301	1,065,588	12,365,018	23,749,319
2013	12,815,585	346,334	10,914,872	23,730,457
2014-2018	59,714,373	3,986,432	58,738,996	118,453,369
2019-2023	78,752,307	1,332,711	39,583,881	118,336,188
2024-2028	62,562,645	656,302	19,648,830	82,211,475
2029-2033	16,845,000	-	1,062,000	17,907,000
	<u>\$ 278,827,363</u>	<u>\$ 8,450,941</u>	<u>\$ 176,903,858</u>	<u>\$ 455,731,221</u>

Capital Appreciation Bonds

The total accretion of discount on capital appreciation bonds that is included in the August 31, 2008 ending balance of \$287,278,304 is \$8,450,941.

Capital Leases

The District has entered into lease agreements for financing the acquisition of computers and computer related equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The Master Lease Agreement No. 2468966, dated January 9, 1998, includes an interest rate based on market conditions that varies between 5.99% and 6.56% with terms of three, four, and five years.

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2008 are as follows:

Year Ending August 31,	Total Requirements
2009	\$ 2,035,383
2010	1,516,183
2011	476,606
2012	23,445
Total Minimum Lease Payments	<u>4,051,617</u>
Less: Amount Representing Interest	<u>371,866</u>
Present Value Minimum Lease Payments	<u>\$ 3,679,751</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

I. Long-Term Obligations (Continued)

Rental expenditures in the amount of \$3,290,540 were incurred in the current year. The computers were expensed at inception of the lease since they were purchased for a per-unit cost less than the District's capitalization threshold of \$5,000.

J. Accumulated State Personal and Sick Leave Benefits

Buy back of accrued sick leave at retirement – The District buys back accrued unused sick leave from employees when they retire from the District with full benefits under the Teacher Retirement System. Buy back of accrued leave is at the rates established in the District's approved Pay Plan, without local increments. This one-time-only benefit is available to employees who have served at least ten consecutive years in the District; however, the plan applies also to employees who die while employed in the District, regardless of the length of their employment, with payment made to the designated beneficiary.

Rate for professional employees – A professional employee who retires meeting the eligibility criteria specified above shall be paid for accumulated leave to a maximum of 40 days of state leave, of which 5 days are at 100%, 10 days at 75%, and 25 days at 50% of the daily rate of pay; in addition, 40 days of local sick leave are at \$100 per day.

Rate for para-professional and auxiliary employees – A paraprofessional or auxiliary employee who retires meeting the eligibility criteria specified above shall be paid for accumulated leave to a maximum of 80 days of leave, of which the first 10 days are at 100%, the next 15 days are at 75%, and the next 55 days are at 50% of the daily rate of pay.

As of August 31, 2008, the balance for the State Personal and Sick Leave is \$2,463,563. The estimated amount due within a year totals to \$433,602 and the General Fund and the Special Revenue Funds are expected to pay for most of these expenses.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

K. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2008, was as follows:

Description	Balance Outstanding 09/01/07	Issued Current Year	Retired Current Year	Balance Outstanding 08/31/08	Amounts Due Within One Year
Loans Payable					
Loans	\$ 31,360,000	\$ -	\$ 1,720,000	\$ 29,640,000	\$ 1,785,000
Capital Leases Payable	*6,970,291	-	3,290,540	3,679,751	1,808,009
General Obligation Bonds	296,751,137	2,642,167	11,763,177	287,630,127	11,998,982
Bonds Premium Amortization	5,143,211	-	505,772	4,637,439	226,527
Total Bonds and Loans Payable	301,894,348	2,642,167	12,268,949	292,267,566	12,225,509
Other Liabilities					
Compensated Absences	2,523,390	373,775	433,602	2,463,563	433,602
Arbitrage Payable	460,762	370,583	-	831,345	-
Total Other Liabilities	2,984,152	744,358	433,602	3,294,908	433,602
Total Governmental Activities Long-term Liabilities	\$ 343,208,791	\$ 3,386,525	\$ 17,713,091	\$ 328,882,225	\$ 16,252,119

* Restated beginning balance due to cancelled capital leases.

L. Revenues from Local and Intermediate Sources

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

	General Fund	2005 Bond Fund	2006 Bond Fund	Other Governmental Funds	Total
Property Taxes	\$ 21,096,208	\$ -	\$ -	\$ 4,684,810	\$ 25,781,018
Penalties & Interest	636,566	-	-	126,223	762,789
Investment Income	2,482,939	2,621,559	2,852,735	816,353	8,773,586
Rental of Facilities & Insurance Recovery	40,013	-	-	-	40,013
Co-curricular	201,995	-	-	-	201,995
Miscellaneous	3,479,080	-	-	2,206,556	5,685,636
	\$ 27,936,801	\$ 2,621,559	\$ 2,852,735	\$ 7,833,942	\$ 41,245,037

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

M. Risk Financing Activities

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 these risks. 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.

The District was self-insured and partially self-insured for workers compensation claims in fiscal years 2002, 2003 and 2004. The liabilities reported are based on claims outstanding incurred through August 31, 2004 and are based on cost estimates. The District accounts for claim payments in the General Fund.

A summary of the workers compensation aggregate claim liabilities for workers' compensation claims for prior and current year is presented below:

Year	Beginning of Fiscal Year Liability (2)	Current Year Claims &/or Changes In Estimated	Claim Payments	Balance at Fiscal Year-End
2006-07	\$ 396,205	\$ (101,687)	\$ 52,232	\$ 230,354
2007-08	\$ 230,354	\$ (113,528)	\$ 41,809	\$ 141,170

N. Pension Plan

The District contributes to the Teacher Retirement System of Texas (the "System"), a public 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, Texas 78701-2698 or by (800) 887-0123.

State law provides for fiscal year 2008 a state contribution rate of 6.58% and for fiscal year years 2006 and 2007, a state contribution rate of 6.0 % and a member contribution rate of 6.4%. In certain instances, the District is required to make all or a portion of the state's 6.58% contribution. Contribution requirements are not actuarially determined, but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6.58% and not more than 10.0% of the aggregate annual compensation of all members of TRS during the fiscal year, and (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

N. Pension Plan (Continued)

action, the time required to amortize the System's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions made to the System on behalf of the District's employees for the years ended August 31, 2008, 2007, and 2006 were \$9,346,606, \$9,211,628 and \$8,564,185, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants, reporting entity contributions and from the District for salaries above the statutory minimum for the years ended August 31, 2008, 2007, and 2006 were \$1,672,017, \$1,476,489 and \$2,746,169, respectively, and were equal to the required contributions for each year. The District contributed 6% totaling \$133,024 for state contributions during the first 90 days of a new member's employment. The amount contributed by the Teacher Retirement System of Texas on behalf of the District was recognized as revenues and expenditures which totaled to \$7,785,412.19

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$338,894, \$296,478 and \$207,645 for fiscal years 2008, 2007, and 2006, respectively. Revenue and expenditures equal to the amount by the federal government were recognized during the 2008 fiscal year. The recording of the revenue and expenditures paid on behalf of the District would have no effect on previously reported fund balance or net assets.

O. Health Care Coverage

For the term effective 9/1/07-8/31/08, the District continued to be fully-insured with Blue Cross Blue Shield of Texas, Inc. being the medical health provider. The carrier BCBSTX, as well as the local servicing agency, Laurel Insurance, contracted by BCBSTX, administered and serviced the medical program. The program is a fully insured program, but is unique in that it includes a "retention agreement" whereby any savings under the established utilization (loss ratio) threshold of 85.85% may be reimbursed to the District.

The District contributed \$235 for all Teacher Retirement System (TRS) qualified employees towards the cost of participation in the Preferred Provider Organization (PPO) medical insurance program that has a maximum lifetime benefit of \$2,000,000. There are three (3) insurance plan options (Low, High, and State Comparable) as well as options of the four (4) tier coverage levels (Employee Only, Employee & Spouse, Employee & Children, Employee & Family) within each option. The District also offered continued coverage in accordance with federal law to all employees and dependents that are no longer eligible for coverage, but meet COBRA requirements.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

O. Health Care Coverage (Continued)

The District's health insurance program has been very efficient and successful in that the District has been able to provide employees different choices of plans and levels of benefits which are in compliance with the TRS Comparability Program. Employee participation in the District's medical insurance is estimated at 3,500 or 88% of the eligible employee base of 4,000 and is considered moderately high. Upon review by TRS, via the mandatory comparability reporting requirements, it was determined that "Your District satisfied all of the reporting requirements of the Education Code for the 2005-2006 comparability study; and it has been determined that your district makes available to the employees group health coverage that is comparable to the basic health coverage that is comparable to the basic health coverage provided to state employees under the Texas Employees Uniform Group Insurance Benefits Act (Health Select)."

P. 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 collection 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

The District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any material adverse affect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

Q. Construction Commitments

As of August 31, 2008, the District was obligated under the terms of various agreements for the construction of the following projects:

Project Name	Contract Amount	Paid to Date	Commitment Balance Remaining	Retainage Payable Amount
School Construction	\$ 45,277,210	\$ 36,231,647	\$ 9,045,563	\$ 1,631,818
Environmental Services	199,702	73,491	\$126,211	-
HVAC Systems	114,720	101,772	\$12,948	6,839
Portable Rentals	2,776,064	1,961,743	\$814,321	25349
Electrical	104,250	93,371	\$10,879	9,546
Architect Services	8,903,295	5,080,560	\$3,822,735	2,078
Total	\$ 57,375,241	\$ 43,542,584	\$ 13,832,657	\$ 1,675,630

R. Shared Service Arrangements

The Laredo Independent School District (L.I.S.D.) participates in the Regional Day School Program for the Deaf (RDSPD), a shared service arrangement with one member District: United Independent School District (U.I.S.D.). The District is acting as the fiscal agent for the party involved. The purpose of the Laredo Independent School District RDSPD is to serve students who are auditory impaired and between ages of 0 and 21. Funding for the LISD RDSPD is provided by the TEA and by the member Districts. Revenue from the respective member Districts is presented below:

LISD	\$ 407,347
UISD	<u>339,748</u>
	<u>\$ 747,095</u>

As a fiscal agent, LISD RDSPD is responsible for reporting all financial activities of the shared service arrangement. The District accounts for the activity in Special Revenue Fund 435.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2008

S. Prior Period Adjustments

Prior Period Adjustments are comprised of adjustments to reflect the effect of two voided Dell Lease agreements, lease rebates refunded to TEA and to properly reflect capital assets subject to the District's physical inventory conducted during the year. Changes in the beginning balance of the Government-Wide Statement of Net Assets and Other Governmental Fund Balance Sheet as a result of the restatement are as follows:

	Government - Wide	Other Governmental Funds
Effect of Leases Payable	\$ 441,091.00	\$ -
Effect of Lease Rebate	(527,449)	(527,449)
Effect of Capital Assets	(7,848,394)	-
	\$ (7,934,752)	\$ (527,449)

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REQUIRED SUPPLEMENTARY INFORMATION

LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 25,651,057	\$ 26,042,403	\$ 27,936,801	\$ 1,894,398
5800	State Program Revenues	154,419,104	154,419,104	160,249,242	5,830,138
5900	Federal Program Revenues	13,731,075	13,731,075	13,527,528	(203,547)
5020	Total Revenues	193,801,236	194,192,582	201,713,571	7,520,989
EXPENDITURES:					
Current:					
0011	Instruction	105,222,890	105,532,339	98,112,857	7,419,482
0012	Instructional Resources and Media Services	4,885,448	4,995,946	4,552,704	443,242
0013	Curriculum and Instructional Staff Development	800,057	845,695	447,699	397,996
0021	Instructional Leadership	3,579,893	3,576,956	3,214,920	362,036
0023	School Leadership	11,506,873	11,418,368	11,383,093	35,275
0031	Guidance, Counseling and Evaluation Services	6,808,077	6,743,709	6,373,318	370,391
0032	Social Work Services	1,839,454	1,969,326	1,686,067	283,259
0033	Health Services	1,946,794	1,880,529	1,676,180	204,349
0034	Student (Pupil) Transportation	4,565,817	4,569,908	3,760,467	809,441
0035	Food Services	16,331,380	16,681,521	12,291,079	4,390,442
0036	Extracurricular Activities	3,835,193	3,978,763	3,376,574	602,189
0041	General Administration	6,468,087	6,407,290	6,020,367	386,923
0051	Facilities Maintenance and Operations	21,706,546	21,356,902	20,235,334	1,121,568
0052	Security and Monitoring Services	4,263,955	4,351,659	3,080,340	1,271,319
0053	Data Processing Services	3,177,594	3,180,277	2,663,427	516,850
0061	Community Services	212,971	337,971	339,793	(1,822)
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	1,752,011	940,275	931,985	8,290
0072	Debt Service - Interest on Long Term Debt	-	613,627	581,909	31,718
0073	Debt Service - Bond Issuance Cost and Fees	-	247,111	87,000	160,111
Capital Outlay:					
0081	Facilities Acquisition and Construction	14,995	400,705	188,456	212,249
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	175,000	175,000	163,153	11,847
6030	Total Expenditures	199,093,035	200,203,877	181,166,722	19,037,155
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,291,799)	(6,011,295)	20,546,849	26,558,144
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	10,000,000	10,000,000	-	(10,000,000)
7915	Transfers In	800,000	800,000	663,077	(136,923)
7949	Other Resources	59,728	59,728	-	(59,728)
8911	Transfers Out (Use)	(5,567,929)	(5,567,929)	(5,431,006)	136,923
7080	Total Other Financing Sources (Uses)	5,291,799	5,291,799	(4,767,929)	(10,059,728)
1200	Net Change in Fund Balances	-	(719,496)	15,778,920	16,498,416
0100	Fund Balance - September 1 (Beginning)	30,884,087	30,884,086	30,884,086	-
3000	Fund Balance - August 31 (Ending)	\$ 30,884,087	\$ 30,164,590	\$ 46,663,006	\$ 16,498,416



Special Revenue Funds

COMBINING AND OTHER STATEMENTS

LAREDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	22,545	1,537,412	43,739	213,336
1250 Accrued Interest	-	-	-	-
1260 Due from Other Funds	-	4	-	23
1290 Other Receivables	-	(5,965)	-	2,396
1900 Long-Term Investments	-	-	-	-
1000 Total Assets	<u>\$ 22,545</u>	<u>\$ 1,531,451</u>	<u>\$ 43,739</u>	<u>\$ 215,755</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ 3,679	\$ -	\$ 13,011
2160 Accrued Wages Payable	8,039	380,428	1,435	62,789
2170 Due to Other Funds	14,506	1,120,718	42,304	139,955
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenues	-	26,626	-	-
2000 Total Liabilities	<u>22,545</u>	<u>1,531,451</u>	<u>43,739</u>	<u>215,755</u>
Fund Balances:				
Reserved For:				
3420 Retirement of Long Term Debt	-	-	-	-
3440 Outstanding Encumbrances	-	-	-	-
Unreserved Designated For:				
3510 Construction	-	-	-	-
3590 Other Purposes	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 22,545</u>	<u>\$ 1,531,451</u>	<u>\$ 43,739</u>	<u>\$ 215,755</u>

EXHIBIT H-1 (Cont'd)

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	242 Summer Feeding Program	243 Vocational Ed Technical Preparation	244 Vocational Ed Basic Grant	253 IDEA Part C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ 305,776	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	13,502	-	-	31,471	-	20,029	-
-	-	-	-	3,103	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 13,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,350</u>	<u>\$ -</u>	<u>\$ 20,029</u>	<u>\$ -</u>
\$ -	\$ 3,607	\$ -	\$ -	\$ 44,865	\$ -	\$ -	\$ -
-	-	-	-	-	-	2,667	-
-	9,895	-	-	295,485	-	17,362	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	13,502	-	-	340,350	-	20,029	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 13,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,350</u>	<u>\$ -</u>	<u>\$ 20,029</u>	<u>\$ -</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	255 ESEA II,A Training and Recruiting	258 Public Charter Schools	261 Reading First	262 Title II, D Education Technology	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	410,105	41,858	842,108	17,910
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	54	-	-	-
1290	Other Receivables	-	-	(21,966)	-
1900	Long-Term Investments	-	-	-	-
1000	Total Assets	<u>\$ 410,159</u>	<u>\$ 41,858</u>	<u>\$ 820,142</u>	<u>\$ 17,910</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 636	\$ -
2160	Accrued Wages Payable	138,711	-	62,312	6,440
2170	Due to Other Funds	271,448	36,253	757,194	11,470
2180	Due to Other Governments	-	5,605	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>410,159</u>	<u>41,858</u>	<u>820,142</u>	<u>17,910</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
3440	Outstanding Encumbrances	-	-	-	-
Unreserved Designated For:					
3510	Construction	-	-	-	-
3590	Other Purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 410,159</u>	<u>\$ 41,858</u>	<u>\$ 820,142</u>	<u>\$ 17,910</u>

263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	280 TIP 2	281 FEMA Grant	284 Advanced Placement	287 Teaching American History	289 Other Federal Special Revenue Funds	385 Visually Impaired
\$ -	\$ -	\$ 11,762	\$ 22,057	\$ 5,099	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
132,584	-	-	-	-	71,466	17,584	-
-	-	-	-	-	-	-	-
56	-	-	-	-	-	-	-
342	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 132,982</u>	<u>\$ -</u>	<u>\$ 11,762</u>	<u>\$ 22,057</u>	<u>\$ 5,099</u>	<u>\$ 71,466</u>	<u>\$ 17,584</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,053	\$ 9,986	\$ -
24,072	-	-	-	-	-	-	-
108,910	-	-	1,295	-	56,413	7,598	-
-	-	11,762	-	-	-	-	-
-	-	-	20,762	5,099	-	-	-
<u>132,982</u>	<u>-</u>	<u>11,762</u>	<u>22,057</u>	<u>5,099</u>	<u>71,466</u>	<u>17,584</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 132,982</u>	<u>\$ -</u>	<u>\$ 11,762</u>	<u>\$ 22,057</u>	<u>\$ 5,099</u>	<u>\$ 71,466</u>	<u>\$ 17,584</u>	<u>\$ -</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	392 Non-Ed. Community Based Support	393 Texas Successful Schools Prog.	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives
ASSETS				
1110 Cash and Cash Equivalents	\$ 3,174	\$ 30,181	\$ 187,010	\$ 53,157
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	-	-	-	-
1250 Accrued Interest	-	-	-	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	2,109	-	26,831	-
1900 Long-Term Investments	-	-	-	-
1000 Total Assets	<u>\$ 5,283</u>	<u>\$ 30,181</u>	<u>\$ 213,841</u>	<u>\$ 53,157</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ 15	\$ 7,223
2160 Accrued Wages Payable	716	-	686	-
2170 Due to Other Funds	-	-	-	-
2180 Due to Other Governments	4,567	-	-	-
2300 Deferred Revenues	-	-	213,140	-
2000 Total Liabilities	<u>5,283</u>	<u>-</u>	<u>213,841</u>	<u>7,223</u>
Fund Balances:				
Reserved For:				
3420 Retirement of Long Term Debt	-	-	-	-
3440 Outstanding Encumbrances	-	-	-	-
Unreserved Designated For:				
3510 Construction	-	-	-	-
3590 Other Purposes	-	30,181	-	45,934
3000 Total Fund Balances	<u>-</u>	<u>30,181</u>	<u>-</u>	<u>45,934</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,283</u>	<u>\$ 30,181</u>	<u>\$ 213,841</u>	<u>\$ 53,157</u>

401 Optional Extended Year Program	404 Student Success Initiative	409 Basic Skills Program High School	411 Technology Allotment	415 Kindergarten and Pre-K Grants	424 Law Enforcement O.S.E.	426 Crime Stoppers	427 Tobacco
\$ -	\$ -	\$ -	\$ 2,499,897	\$ 277,915	\$ 2,469	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
195,161	640,734	-	-	517,791	-	-	87,446
-	-	-	-	-	-	-	-
-	-	-	88	-	-	-	-
-	(7,197)	-	(16,953)	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 195,161</u>	<u>\$ 633,537</u>	<u>\$ -</u>	<u>\$ 2,483,032</u>	<u>\$ 795,706</u>	<u>\$ 2,469</u>	<u>\$ -</u>	<u>\$ 87,446</u>
\$ -	\$ -	\$ -	\$ 387,773	\$ 10,462	\$ -	\$ -	\$ 1,631
-	5,312	-	1,366	148,612	-	-	-
195,161	628,225	-	-	441	-	-	84,660
-	-	-	-	-	-	-	-
-	-	-	-	561,569	2,469	-	-
<u>195,161</u>	<u>633,537</u>	<u>-</u>	<u>389,139</u>	<u>721,084</u>	<u>2,469</u>	<u>-</u>	<u>86,291</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,093,893	74,622	-	-	1,155
-	-	-	2,093,893	74,622	-	-	1,155
<u>\$ 195,161</u>	<u>\$ 633,537</u>	<u>\$ -</u>	<u>\$ 2,483,032</u>	<u>\$ 795,706</u>	<u>\$ 2,469</u>	<u>\$ -</u>	<u>\$ 87,446</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	428 High School Allotment	429 Other State Special Revenue Funds	430 Ready To Read	435 SSA Regional Day School - Deaf
ASSETS				
1110	\$ 160,491	\$ -	\$ 5	\$ 586,592
1220	-	-	-	-
1230	-	-	-	-
1240	-	1,279,089	-	86,502
1250	-	-	-	-
1260	53	-	-	-
1290	-	-	-	-
1900	-	-	-	-
1000	<u>\$ 160,544</u>	<u>\$ 1,279,089</u>	<u>\$ 5</u>	<u>\$ 673,094</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 55	\$ -	\$ -	\$ -
2160	67,539	-	-	31,895
2170	196	1,279,089	-	237
2180	-	-	-	-
2300	-	-	-	-
2000	<u>67,790</u>	<u>1,279,089</u>	<u>-</u>	<u>32,132</u>
Fund Balances:				
Reserved For:				
3420	-	-	-	-
3440	-	-	-	-
Unreserved Designated For:				
3510	-	-	-	-
3590	92,754	-	5	640,962
3000	<u>92,754</u>	<u>-</u>	<u>5</u>	<u>640,962</u>
4000	<u>\$ 160,544</u>	<u>\$ 1,279,089</u>	<u>\$ 5</u>	<u>\$ 673,094</u>

EXHIBIT H-1 (Cont'd)

480	482	486	499	Total	511	512	Total
E-Rate	Dr. Hochman Grant	Seco-Clean School Bus	Other Local Special Revenue Funds	Nonmajor Special Revenue Funds	Debt Service	PFC DEBT Service	Nonmajor Debt Service Funds
\$ -	\$ 6,181	\$ 4,637	\$ -	\$ 4,156,403	\$ 13,449,226	\$ 545,087	\$ 13,994,313
-	-	-	-	-	557,702	-	557,702
-	-	-	-	-	(384,997)	-	(384,997)
-	-	(4,637)	-	6,217,735	-	-	-
-	-	-	-	-	3,286	-	3,286
442,629	-	-	-	446,010	965,397	-	965,397
-	-	-	-	(20,403)	-	-	-
-	-	-	-	-	812,266	-	812,266
<u>\$ 442,629</u>	<u>\$ 6,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,799,745</u>	<u>\$ 15,402,880</u>	<u>\$ 545,087</u>	<u>\$ 15,947,967</u>
\$ 279,560	\$ 170	\$ -	\$ -	\$ 777,726	\$ -	\$ -	\$ -
-	-	-	-	943,019	-	-	-
163,069	-	-	-	5,241,884	5,347	97,636	102,983
-	-	-	-	21,934	-	-	-
-	-	-	-	829,665	172,706	-	172,706
<u>442,629</u>	<u>170</u>	<u>-</u>	<u>-</u>	<u>7,814,228</u>	<u>178,053</u>	<u>97,636</u>	<u>275,689</u>
-	-	-	-	-	15,224,827	447,451	15,672,278
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	6,011	-	-	2,985,517	-	-	-
<u>-</u>	<u>6,011</u>	<u>-</u>	<u>-</u>	<u>2,985,517</u>	<u>15,224,827</u>	<u>447,451</u>	<u>15,672,278</u>
<u>\$ 442,629</u>	<u>\$ 6,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,799,745</u>	<u>\$ 15,402,880</u>	<u>\$ 545,087</u>	<u>\$ 15,947,967</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	616 Capital Projects Fund	625 QZAB #1 Bond Issue	626 QZAB #2 Bond Issue	627 PFC Fund
ASSETS				
1110 Cash and Cash Equivalents	\$ 24,732	\$ 2,747,178	\$ 855,559	\$ 6,075,284
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	-	-	-	-
1250 Accrued Interest	-	7,803	-	-
1260 Due from Other Funds	-	7,819	-	-
1290 Other Receivables	-	-	-	-
1900 Long-Term Investments	-	-	-	-
1000 Total Assets	<u>\$ 24,732</u>	<u>\$ 2,762,800</u>	<u>\$ 855,559</u>	<u>\$ 6,075,284</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ 703,140	\$ 149,533	\$ 948,841
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	-	-	-	(83,256)
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>703,140</u>	<u>149,533</u>	<u>865,585</u>
Fund Balances:				
Reserved For:				
3420 Retirement of Long Term Debt	-	-	-	-
3440 Outstanding Encumbrances	-	1,794,843	483,929	409,534
Unreserved Designated For:				
3510 Construction	24,732	264,817	222,097	4,800,165
3590 Other Purposes	-	-	-	-
3000 Total Fund Balances	<u>24,732</u>	<u>2,059,660</u>	<u>706,026</u>	<u>5,209,699</u>
4000 Total Liabilities and Fund Balances	<u>\$ 24,732</u>	<u>\$ 2,762,800</u>	<u>\$ 855,559</u>	<u>\$ 6,075,284</u>

EXHIBIT H-1

630	697	699	Total	Total
QZAB #3	IFA #2	IFA #1	Nonmajor	Nonmajor
Bond Issue	Bond Issue	Bond Issue	Capital	Governmental
			Project Funds	Funds
\$ 1,795,047	\$ 639,452	\$ 1,335,376	\$ 13,472,628	\$ 31,623,344
-	-	-	-	557,702
-	-	-	-	(384,997)
-	-	-	-	6,217,735
-	-	-	7,803	11,089
-	205,547	1,063	214,429	1,625,836
-	-	-	-	(20,403)
-	-	-	-	812,266
<u>\$ 1,795,047</u>	<u>\$ 844,999</u>	<u>\$ 1,336,439</u>	<u>\$ 13,694,860</u>	<u>\$ 40,442,572</u>
\$ 110,512	\$ 121,005	\$ 148,819	\$ 2,181,850	\$ 2,959,576
-	-	-	-	943,019
-	61	-	(83,195)	5,261,672
-	-	-	-	21,934
-	-	-	-	1,002,371
<u>110,512</u>	<u>121,066</u>	<u>148,819</u>	<u>2,098,655</u>	<u>10,188,572</u>
-	-	-	-	15,672,278
24,007	344,576	834,121	3,891,010	3,891,010
1,660,528	379,357	353,499	7,705,195	7,705,195
-	-	-	-	2,985,517
<u>1,684,535</u>	<u>723,933</u>	<u>1,187,620</u>	<u>11,596,205</u>	<u>30,254,000</u>
<u>\$ 1,795,047</u>	<u>\$ 844,999</u>	<u>\$ 1,336,439</u>	<u>\$ 13,694,860</u>	<u>\$ 40,442,572</u>

**LAREDO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008**

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	<u>196,777</u>	<u>14,303,337</u>	<u>188,526</u>	<u>3,864,336</u>
5020	Total Revenues	<u>196,777</u>	<u>14,303,337</u>	<u>188,526</u>	<u>3,864,336</u>
EXPENDITURES:					
Current:					
0011	Instruction	700	9,163,348	998	3,015,496
0012	Instructional Resources and Media Services	-	413,223	-	-
0013	Curriculum and Instructional Staff Development	-	864,826	-	69,563
0021	Instructional Leadership	-	257,753	34,983	342,607
0023	School Leadership	-	18,494	-	1,810
0031	Guidance, Counseling and Evaluation Services	196,077	643,306	43,347	288,346
0032	Social Work Services	-	60,970	-	6,666
0033	Health Services	-	1,218,761	-	95,842
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	36,245	-	-
0036	Extracurricular Activities	-	2,604	-	25,204
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	13,764	-	7,500
0052	Security and Monitoring Services	-	240	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	728,354	109,198	11,302
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	-	929,252	-	-
0072	Debt Service - Interest on Long Term Debt	-	(47,803)	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030	Total Expenditures	<u>196,777</u>	<u>14,303,337</u>	<u>188,526</u>	<u>3,864,336</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2 (Cont'd)

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	227 IDEA - Part B Deaf	228 IDEA - Part B Preschool Deaf	242 Summer Feeding Program	243 Vocational Ed Technical Preparation	244 Vocational Ed Basic Grant	253 IDEA Part C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26,180	33,830	31,667	2,963	715,017	5,592	359,156	790
<u>26,180</u>	<u>33,830</u>	<u>31,667</u>	<u>2,963</u>	<u>715,017</u>	<u>5,592</u>	<u>359,156</u>	<u>790</u>
24,921	10,010	28,347	2,963	-	4,999	196,314	790
-	-	-	-	-	-	-	-
1,259	14,968	3,320	-	-	593	36,848	-
-	461	-	-	-	-	24,791	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	53,316	-
-	-	-	-	-	-	-	-
-	-	-	-	705,734	-	-	-
-	-	-	-	-	-	3,102	-
-	-	-	-	9,283	-	-	-
-	-	-	-	-	-	44,785	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	8,391	-	-	-	-	-	-
<u>26,180</u>	<u>33,830</u>	<u>31,667</u>	<u>2,963</u>	<u>715,017</u>	<u>5,592</u>	<u>359,156</u>	<u>790</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes	255 ESEA II,A Training and Recruiting	258 Public Charter Schools	261 Reading First	262 Title II, D Education Tcchnology
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	3,084,851	89,553	2,464,628	140,726
5020 Total Revenues	<u>3,084,851</u>	<u>89,553</u>	<u>2,464,628</u>	<u>140,726</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,962,612	64,778	2,231,149	-
0012 Instructional Resources and Media Services	943	-	-	-
0013 Curriculum and Instructional Staff Development	903,008	19,731	132,653	140,726
0021 Instructional Leadership	215,678	-	81,361	-
0023 School Leadership	1,510	4,569	18,989	-
0031 Guidance, Counseling and Evaluation Services	1,100	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	397	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	476	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	78	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030 Total Expenditures	<u>3,084,851</u>	<u>89,553</u>	<u>2,464,628</u>	<u>140,726</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	280 TIP 2	281 FEMA Grant	284 Advanced Placement	287 Teaching American History	289 Other Federal Special Revenue Funds	385 Visually Impaired
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,126,542	61,533	538,133	10,530	-	243,683	17,584	2,548
<u>2,126,542</u>	<u>61,533</u>	<u>538,133</u>	<u>10,530</u>	<u>-</u>	<u>243,683</u>	<u>17,584</u>	<u>2,548</u>
1,435,957	36,300	307,751	-	-	8,257	9,987	2,548
6,295	24,316	-	990	-	-	-	-
369,275	917	169,452	-	-	189,233	7,597	-
207,528	-	624	-	-	46,193	-	-
3,625	-	1,842	-	-	-	-	-
-	-	625	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,295	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,094	-	-	-	-
3,201	-	-	7,151	-	-	-	-
-	-	-	-	-	-	-	-
-	-	57,839	-	-	-	-	-
100,661	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,126,542</u>	<u>61,533</u>	<u>538,133</u>	<u>10,530</u>	<u>-</u>	<u>243,683</u>	<u>17,584</u>	<u>2,548</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAREDO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008**

Data Control Codes	392 Non-Ed. Community Based Support	393 Texas Successful Schools Prog.	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	2,109	-	84,436	26,504
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>2,109</u>	<u>-</u>	<u>84,436</u>	<u>26,504</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,109	12,662	-	23,998
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	312	3,567
0021 Instructional Leadership	-	-	396	-
0023 School Leadership	-	589	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	75	-
0032 Social Work Services	-	-	63,113	-
0033 Health Services	-	-	75	-
0034 Student (Pupil) Transportation	-	-	20,010	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	455	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	6,735	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030 Total Expenditures	<u>2,109</u>	<u>19,986</u>	<u>84,436</u>	<u>27,565</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(19,986)</u>	<u>-</u>	<u>(1,061)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	(19,986)	-	(1,061)
0100 Fund Balance - September 1 (Beginning)	-	50,167	-	46,995
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 30,181</u>	<u>\$ -</u>	<u>\$ 45,934</u>

EXHIBIT H-2 (Cont'd)

401 Optional Extended Year Program	404 Student Success Initiative	409 Basic Skills Program High School	411 Technology Allotment	415 Kindergarten and Pre-K Grants	424 Law Enforcement O.S.E.	426 Crime Stoppers	427 Tobacco
\$ -	\$ -	\$ -	\$ 237,590	\$ -	\$ -	\$ -	\$ -
195,161	1,346,101	4,369	635,867	2,762,184	-	15,000	175,057
-	-	-	-	-	-	-	-
<u>195,161</u>	<u>1,346,101</u>	<u>4,369</u>	<u>873,457</u>	<u>2,762,184</u>	<u>-</u>	<u>15,000</u>	<u>175,057</u>
181,480	1,201,016	2,623	268,225	2,773,088	-	8,663	175,057
-	-	-	-	-	-	-	-
-	145,085	-	140,150	-	-	2,720	-
8,449	-	-	371,775	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,746	-	-	-	3,617	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	180,972	-	-	-	-
5,232	-	-	422	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,706,982	-	-	-	-
-	-	-	127,833	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>195,161</u>	<u>1,346,101</u>	<u>4,369</u>	<u>3,796,359</u>	<u>2,773,088</u>	<u>-</u>	<u>15,000</u>	<u>175,057</u>
-	-	-	(2,922,902)	(10,904)	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(2,922,902)	(10,904)	-	-	-
-	-	-	5,544,244	85,526	-	-	1,155
-	-	-	(527,449)	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,093,893</u>	<u>\$ 74,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155</u>

**LAREDO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008**

Data Control Codes	428 High School Allotment	429 Other State Special Revenue Funds	430 Ready To Read	435 SSA Regional Day School - Deaf
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 339,748
5800 State Program Revenues	1,485,368	1,279,089	22	407,347
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,485,368</u>	<u>1,279,089</u>	<u>22</u>	<u>747,095</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,331,869	1,091,329	17	657,830
0012 Instructional Resources and Media Services	-	16,958	-	-
0013 Curriculum and Instructional Staff Development	705	-	-	2,728
0021 Instructional Leadership	-	965	-	-
0023 School Leadership	-	71,792	-	-
0031 Guidance, Counseling and Evaluation Services	296,023	31,620	-	49,195
0032 Social Work Services	-	3,692	-	-
0033 Health Services	-	11,413	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	16,523	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	27,886	-	-
0052 Security and Monitoring Services	-	3,941	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	1,091	2,970	-	2,088
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030 Total Expenditures	<u>1,629,688</u>	<u>1,279,089</u>	<u>17</u>	<u>711,841</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(144,320)</u>	<u>-</u>	<u>5</u>	<u>35,254</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(144,320)	-	5	35,254
0100 Fund Balance - September 1 (Beginning)	237,074	-	-	605,709
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 92,754</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 640,963</u>

EXHIBIT H-2 (Cont'd)

480	482	486	499	Total	511	512	Total
E-Rate	Dr. Hochman Grant	Seco-Clean School Bus	Other Local Special Revenue Funds	Nonmajor Special Revenue Funds	Debt Service	PFC DEBT Service	Nonmajor Debt Service Funds
\$ 579,418	\$ 5,000	\$ -	\$ 26,556	\$ 1,188,312	\$ 5,495,428	\$ 30,036	\$ 5,525,464
-	-	-	-	8,421,162	12,775,352	3,546,144	16,321,496
-	-	-	-	28,505,934	-	-	-
<u>579,418</u>	<u>5,000</u>	<u>-</u>	<u>26,556</u>	<u>38,115,408</u>	<u>18,270,780</u>	<u>3,576,180</u>	<u>21,846,960</u>
218,896	4,329	-	-	26,461,416	-	-	-
-	-	-	-	462,725	-	-	-
-	-	-	-	3,219,236	-	-	-
-	-	-	-	1,593,564	-	-	-
-	-	-	-	123,220	-	-	-
-	-	-	-	1,555,077	-	-	-
-	-	-	-	187,757	-	-	-
-	-	-	26,556	1,353,044	-	-	-
-	-	-	-	20,010	-	-	-
-	-	-	-	759,797	-	-	-
-	-	-	-	30,910	-	-	-
129,295	-	-	-	130,865	-	-	-
338,296	-	-	-	407,536	-	-	-
-	-	-	-	4,181	-	-	-
-	-	-	-	283,596	-	-	-
-	-	-	-	968,131	-	-	-
-	-	-	-	3,636,234	10,903,177	1,750,000	12,653,177
-	-	-	-	80,030	9,519,382	2,960,483	12,479,865
-	-	-	-	-	5,350	15,400	20,750
400,870	-	-	-	400,870	-	-	-
-	-	-	-	8,391	-	-	-
<u>1,087,357</u>	<u>4,329</u>	<u>-</u>	<u>26,556</u>	<u>41,686,590</u>	<u>20,427,909</u>	<u>4,725,883</u>	<u>25,153,792</u>
<u>(507,939)</u>	<u>671</u>	<u>-</u>	<u>-</u>	<u>(3,571,182)</u>	<u>(2,157,129)</u>	<u>(1,149,703)</u>	<u>(3,306,832)</u>
<u>507,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,939</u>	<u>3,222,238</u>	<u>1,045,691</u>	<u>4,267,929</u>
<u>507,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,939</u>	<u>3,222,238</u>	<u>1,045,691</u>	<u>4,267,929</u>
-	671	-	-	(3,063,243)	1,065,109	(104,012)	961,097
-	5,340	-	-	6,576,210	14,159,718	551,463	14,711,181
-	-	-	-	(527,449)	-	-	-
<u>\$ -</u>	<u>\$ 6,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,985,518</u>	<u>\$ 15,224,827</u>	<u>\$ 447,451</u>	<u>\$ 15,672,278</u>

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

Data Control Codes	616 Capital Projects Fund	625 QZAB #1 Bond Issue	626 QZAB #2 Bond Issue	627 PFC Fund	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 108,585	\$ 143,702	\$ 531,788
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>-</u>	<u>108,585</u>	<u>143,702</u>	<u>531,788</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	-	-	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	29,936	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	-	-	-	-
0072	Debt Service - Interest on Long Term Debt	-	-	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	26,233	867,284	3,037,953	12,151,677
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030	Total Expenditures	<u>56,169</u>	<u>867,284</u>	<u>3,037,953</u>	<u>12,151,677</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,169)</u>	<u>(758,699)</u>	<u>(2,894,251)</u>	<u>(11,619,889)</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	(56,169)	(758,699)	(2,894,251)	(11,619,889)
0100	Fund Balance - September 1 (Beginning)	80,901	2,818,359	3,600,277	16,829,588
1300	Increase (Decrease) in Fund Balance	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 24,732</u>	<u>\$ 2,059,660</u>	<u>\$ 706,026</u>	<u>\$ 5,209,699</u>

630	697	699	Total	Total
QZAB #3	IFA #2	IFA #1	Nonmajor	Nonmajor
Bond Issue	Bond Issue	Bond Issue	Capital	Governmental
			Project Funds	Funds
\$ 148,896	\$ 78,674	\$ 108,521	\$ 1,120,166	\$ 7,833,942
-	-	-	-	24,742,658
-	-	-	-	28,505,934
<u>148,896</u>	<u>78,674</u>	<u>108,521</u>	<u>1,120,166</u>	<u>61,082,534</u>
-	-	-	-	26,461,416
-	-	-	-	462,725
-	-	-	-	3,219,236
-	-	-	-	1,593,564
-	-	-	-	123,220
-	-	-	-	1,555,077
-	-	-	-	187,757
-	-	-	-	1,353,044
-	-	-	-	20,010
-	-	-	-	759,797
-	-	-	-	30,910
-	-	-	-	130,865
-	-	-	29,936	437,472
-	-	-	-	4,181
-	-	-	-	283,596
-	-	-	-	968,131
-	-	-	-	16,289,411
-	-	-	-	12,559,895
-	-	-	-	20,750
2,793,101	1,818,403	2,023,267	22,717,918	23,118,788
-	-	-	-	8,391
<u>2,793,101</u>	<u>1,818,403</u>	<u>2,023,267</u>	<u>22,747,854</u>	<u>89,588,236</u>
<u>(2,644,205)</u>	<u>(1,739,729)</u>	<u>(1,914,746)</u>	<u>(21,627,688)</u>	<u>(28,505,702)</u>
-	-	-	-	4,775,868
-	-	-	-	4,775,868
(2,644,205)	(1,739,729)	(1,914,746)	(21,627,688)	(23,729,834)
4,328,740	2,463,662	3,102,366	33,223,893	54,511,284
-	-	-	-	(527,449)
<u>\$ 1,684,535</u>	<u>\$ 723,933</u>	<u>\$ 1,187,620</u>	<u>\$ 11,596,205</u>	<u>\$ 30,254,001</u>

**LAREDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2008**

	BALANCE SEPTEMBER 1 2007	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2008
STUDENT ACTIVITY ACCOUNT				
<i>Assets:</i>				
Cash and Temporary Investments	\$ 272,739	\$ 75,039	\$ -	\$ 347,778
<i>Liabilities:</i>				
Due to Student Groups	\$ 272,739	\$ 75,039	\$ -	\$ 347,778

TEA REQUIRED SCHEDULES

**LAREDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2008**

Last 10 Years Ended August 31	(1) Tax Rates		(2)	(3) Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service		
1999 and prior years	Various	Various	\$	Various
2000	1.229100	0.103090		1,329,307,098
2001	1.282910	0.103090		1,359,530,767
2002	1.322910	0.103090		1,391,120,115
2003	1.322910	0.103090		1,430,691,752
2004	1.322910	0.179800		1,492,399,445
2005	1.322910	0.179800		1,681,169,772
2006	1.382910	0.151200		1,799,970,416
2007	1.266310	0.171200		1,850,327,688
2008 (School year under audit)	1.040000	0.229200		2,038,157,312
1000	TOTALS			

Column 10 + Column 20 - Column 31 - Column 40 Equals Column 50

Column 3 - Assessed /Apraised Value for School Tax Purposes: This is the net appraised value, after deductions of all exemptions and reductions provided by law and those granted by the district, based on Maintenance Requirements. **Column 20 - Current Year's Tax Levy:** This amount is calculated by multiplying tax rates (s) times the applicable Assessed/Appraised Value(s) in Column 3.

Column 31 & 32 - Total Collections: These are total collections net of adjustments described in column 40, according to each year of tax levy, which do NOT include penalty and interest.

Column 40 - Entire Year's Adjustments: Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze, and discounts allowed for early payment of taxes.

Column 50 - Ending Balances 8/31/08: This total agrees with Exhibit A-1, Balance Sheet, memorandum totals for current year, for Asset Code 1220 - Property Taxes Delinquent.

EXHIBIT J-1

(10) Beginning Balance 9/1/2007	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2008
\$ 749,696	\$ -	\$ 36,580	\$ 8,746	\$ (73,877)	\$ 630,493
113,846	-	10,531	888	-	102,427
155,078	-	13,050	1,049	-	140,979
186,631	-	16,769	1,307	-	168,556
232,435	-	24,820	3,373	3,277	207,518
254,387	-	38,938	5,292	3,572	213,728
311,961	-	59,292	6,777	3,984	249,876
491,330	-	150,520	18,634	18,347	340,524
1,305,901	-	613,546	111,051	6,196	587,500
-	25,966,124	20,125,278	4,528,188	(129,395)	1,183,263
<u>\$ 3,801,265</u>	<u>\$ 25,966,124</u>	<u>\$ 21,089,324</u>	<u>\$ 4,685,304</u>	<u>\$ (167,897)</u>	<u>\$ 3,824,864</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 72,228	\$ 278,485	\$ 426,813	\$ 5,547,841	\$ 692,573	-	\$ 7,017,940
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	504,279	-	504,279
6212	Audit Services	-	-	-	58,370	-	-	58,370
6213	Tax Appraisal and Collection	-	352,965	-	-	-	-	352,965
621X	Other Professional Services	-	42,129	-	45,972	129,526	-	217,627
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	167,534	190,720	-	358,254
6250	Utilities	-	-	642	-	-	-	642
6260	Rentals	3,559	939	2,340	31,250	60,028	-	98,116
6290	Miscellaneous Contr.	-	2,473	-	16,774	709	-	19,956
6320	Textbooks and Reading	36	11	193	711	285	-	1,236
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,040	15,570	1,979	203,823	39,994	-	262,406
6410	Travel, Subsistence, Stipends	28,514	1,801	10,014	48,052	7,067	-	95,448
6420	Ins. and Bonding Costs	-	-	-	1,066	-	-	1,066
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	16,879	8,449	6,048	55,960	195,578	-	282,914
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	61,845	61,845
6000	TOTAL	\$ 122,256	\$ 702,822	\$ 448,029	\$ 6,177,353	\$ 1,820,759	\$ 61,845	\$ 9,333,064

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 222,853,310

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 4,726,380
Total Debt & Lease(6300)	(11) 5,317,158
Plant Maintenance (Function 51, 6100-6400)	(12) 20,448,983
Food (Function 35, 6341 and 6499)	(13) 4,365,931
Stipends (6413)	(14) 9,807
Column 4 (above) - Total Indirect Cost	6,177,353

SubTotal:

41,045,612

Net Allowed Direct Cost

\$ 181,807,698

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 308,880,694
Historical Cost of Building over 50 years old	(16) \$ 15,817,571
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 28,233,869
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 7,032,768
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 887,028

(8) NOTE A: \$2,725,806 in Function 53 expenditures are included in this report on administrative costs.

**LAREDO INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2008**

UNAUDITED

1	Total General Fund Balance as of 8/31/08 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 46,663,007
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 14,158,322
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	-
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08-5/31/09).	18,007,859
6	Estimate of delayed payments from state sources (58xx) including August payment delays	13,277,670
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)	2,375,495
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	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>47,819,346</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	<u>\$ (1,156,339)</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 442,688	\$ 442,688	\$ 417,760	\$ (24,928)
5800 State Program Revenues	115,000	115,000	103,005	(11,995)
5900 Federal Program Revenues	12,666,075	12,666,075	12,266,676	(399,399)
5020 Total Revenues	13,223,763	13,223,763	12,787,441	(436,322)
EXPENDITURES:				
0035 Food Services	12,071,118	12,456,904	11,821,501	635,403
0051 Facilities Maintenance and Operations	302,000	302,000	285,274	16,726
0052 Security and Monitoring Services	20,000	20,000	17,142	2,858
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	830,608	830,608	830,608	-
0072 Debt Service - Interest on Long Term Debt	37	37	37	-
6030 Total Expenditures	13,223,763	13,609,549	12,954,562	654,987
1200 Net Change in Fund Balances	-	(385,786)	(167,121)	218,665
0100 Fund Balance - September 1 (Beginning)	2,173,098	273,098	2,173,098	1,900,000
3000 Fund Balance - August 31 (Ending)	\$ 2,173,098	\$ (112,688)	\$ 2,005,977	\$ 2,118,665

LAREDO INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT J-5

Data Control Codes	Budgeted Amounts		2008 Actual	Variance with Final Budget	2007 Actual	
	Original	Final		Positive (Negative)		
REVENUES:						
5700	Total Local and Intermediate Sources	\$ 5,319,853	\$ 5,319,853	\$ 5,495,428	\$ 175,575	\$ 5,553,861
5800	State Program Revenues	14,503,748	14,503,748	12,775,352	(1,728,396)	13,196,130
5020	Total Revenues	<u>19,823,601</u>	<u>19,823,601</u>	<u>18,270,780</u>	<u>(1,552,821)</u>	<u>18,749,991</u>
EXPENDITURES:						
Debt Service:						
0071	Principal on Long-Term Debt	10,013,177	10,013,177	10,013,177	-	8,216,379
0171	Interest on Long-Term Debt	10,409,382	10,409,382	10,409,382	-	10,465,604
0171	Other Fees	6,000	6,000	5,350	650	3,460
6030	Total Expenditures	<u>20,428,559</u>	<u>20,428,559</u>	<u>20,427,909</u>	<u>650</u>	<u>18,685,443</u>
OTHER FINANCING SOURCES (USES):						
7020	Transfer In	3,222,238	3,222,238	3,222,238	-	2,874,757
8949	Redemption of Refunded Bonds	-	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>3,222,238</u>	<u>3,222,238</u>	<u>3,222,238</u>	<u>-</u>	<u>2,874,757</u>
1200	Net Changes in Fund Balances	2,617,280	2,617,280	1,065,109	(1,553,471)	2,939,305
0100	Fund Balance - September 1 (Beginning)	14,159,718	14,159,718	14,159,718	-	11,220,413
3000	Fund Balance - August 31 (Ending)	<u>\$ 16,776,998</u>	<u>\$ 16,776,998</u>	<u>\$ 15,224,827</u>	<u>\$ (1,553,471)</u>	<u>\$ 14,159,718</u>

LAREDO INDEPENDENT SCHOOL DISTRICT
PFC DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT J-5

Data Control Codes	Budgeted Amounts		2008 Actual	Variance with Final Budget	2007 Actual	
	Original	Final		Positive (Negative)		
REVENUES:						
5700	Total Local and Intermediate Sources	\$ 100,000	\$ 100,000	\$ 30,036	\$ (69,964)	\$ 108,086
5800	State Program Revenues	3,584,792	3,584,792	3,546,144	(38,648)	3,694,482
5020	Total Revenues	<u>3,684,792</u>	<u>3,684,792</u>	<u>3,576,180</u>	<u>(108,612)</u>	<u>3,802,568</u>
EXPENDITURES:						
Debt Service:						
0071	Principal on Long-Term Debt	1,750,000	1,750,000	1,750,000	-	1,705,000
0171	Interest on Long-Term Debt	2,960,483	2,960,483	2,960,483	-	3,011,633
0171	Other Fees	20,000	20,000	15,400	4,600	15,400
6030	Total Expenditures	<u>4,730,483</u>	<u>4,730,483</u>	<u>4,725,883</u>	<u>4,600</u>	<u>4,732,033</u>
OTHER FINANCING SOURCES (USES):						
7020	Transfer In	1,045,691	1,045,691	1,045,691	-	1,032,186
7080	Total Other Financing Sources (Uses)	<u>1,045,691</u>	<u>1,045,691</u>	<u>1,045,691</u>	<u>-</u>	<u>1,032,186</u>
1200	Net Changes in Fund Balances	-	-	(104,012)	(113,212)	102,721
0100	Fund Balance - September 1 (Beginning)	551,463	551,463	551,463	-	448,742
3000	Fund Balance - August 31 (Ending)	<u>\$ 551,463</u>	<u>\$ 551,463</u>	<u>\$ 447,451</u>	<u>\$ (113,212)</u>	<u>\$ 551,463</u>



Capital Assets

LAREDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY LOCATION AND ACTIVITY
AUGUST 31, 2008

Location and Activity	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Assets in Service	\$ 7,134,104	\$ -	\$ -	\$ 7,134,104
HIGH SCHOOLS:				
Martin	29,059,841	153,026	-	29,212,867
Nixon	28,874,452	-	-	28,874,452
Cigarroa	27,715,249	28,520	84,600	27,659,169
VMT Communications & Arts	2,436,533	-	-	2,436,533
Francisco Lara Academy	2,654,221	-	-	2,654,221
Early College High School @ TAMIU	357,916	120,352	-	478,268
MIDDLE SCHOOLS:				
Christen	21,769,596	7,444,215	-	29,213,811
Lamar	15,329,047	-	-	15,329,047
Cigarroa	8,621,134	-	-	8,621,134
Memorial	12,210,803	2,541,452	-	14,752,255
ELEMENTARY SCHOOLS:				
Bruni	7,862,870	1,520	-	7,864,390
Jose Gallegos	2,463,347	8,937,276	1,732,398	9,668,225
Daiches	9,026,655	-	-	9,026,655
Farias	10,321,116	13,004	-	10,334,120
Heights	7,560,910	-	-	7,560,910
Tarver	6,680,631	-	-	6,680,631
Leyendecker	1,987,272	9,925,076	1,589,167	10,323,181
Macdonell	7,626,468	-	-	7,626,468
Milton	6,952,956	38,885	-	6,991,841
Alma Pierce	8,229,218	-	-	8,229,218
Ryan	10,207,748	-	-	10,207,748
Santa Maria	7,118,934	-	5,000	7,113,934
Santo Nino	6,306,245	-	5,000	6,301,245
D. D. Hachar	1,966,504	10,851,275	1,260,079	11,557,700
J. C. Martin	2,280,181	182,090	-	2,462,271
H. B. Zachry	5,182,302	142,140	-	5,324,442
J. Kawas	6,300,086	80,576	-	6,380,662
Dovalina	5,156,851	-	40,610	5,116,241
H. Ligarde	6,985,924	-	-	6,985,924
T. Sanchez/Ochoa	7,484,964	-	-	7,484,964
OTHER DEPARTMENTS:				
Construction Dept.	148,623	-	-	148,623
Pregnancy Ed., & Parenting Program	88,000	-	-	88,000
St. Augustine High School	1,435	-	-	1,435
Blessed Sacrament School	490	-	-	490
Guadalupe School	11,364	-	-	11,364
St. Augustine Elementary School	306	-	-	306
St. Peters School	2,148	-	-	2,148
Juvenile Justice Center	1,354	-	-	1,354
Non Public Schools	5,812	-	-	5,812
Summer Programs	9,185	-	-	9,185
Board Room	29,761	-	-	29,761
Tax Office	90,460	-	-	90,460
Financial Management	1,528,912	-	-	1,528,912

(Continued)

LAREDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN CAPITAL ASSETS BY LOCATION AND ACTIVITY
 AUGUST 31, 2008

Location and Activity	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Human Resources	34,346	15,934	-	50,280
Office of Public Information	240,194	-	-	240,194
Safety & Occupational Health Dept.	5,000	-	-	5,000
Student Services	6,420	-	-	6,420
Internal Auditor	6,922	-	-	6,922
Hearings Officer	5,479	-	-	5,479
Assets Management	1,136,042	9,937	43,818	1,102,161
Records & Assets	595,792	-	-	595,792
Accelerated Ed/State Compensatory	1,717	-	-	1,717
Drug Awareness	663	-	-	663
State Bilingual	6,168	-	-	6,168
R. O. T. C.	64	-	-	64
Office of Compliance	9,367	-	-	9,367
Music	16,374	-	-	16,374
Physical Ed.	831	-	-	831
Language Arts Pk-12	2,189	-	-	2,189
Special Programs/Planning	48,008	10,790	-	58,798
Med Prep Program	3,417	-	-	3,417
State Deaf	10,707	-	-	10,707
Instructional Department	161,352	10,254	5,000	166,606
Staff Development	1,293	-	-	1,293
Career & Technology	8,000	-	-	8,000
Department of Assessment	12,757	-	-	12,757
Section 504	6,966	-	-	6,966
District Wide	1,127,092	26,233	-	1,153,325
Crimestoppers	11,990	-	-	11,990
Instructional Technology	1,441,370	-	-	1,441,370
Guidance and Counseling	3,052	-	-	3,052
Health Services	16,349	-	-	16,349
Pupil Transportation	6,866,813	25,165	112,753	6,779,225
Athletic	809,860	-	9,751	800,109
Special Education	65,473	-	-	65,473
Printing/Creative Services	323,679	26,595	-	350,274
Instructional Television	534,105	16,375	-	550,480
Postal Services	16,273	-	-	16,273
Information Technology	2,264,711	53,684	10,500	2,307,895
Division of Operations	4,660,546	118,972	44,907	4,734,611
LISD Police Department	596,647	-	-	596,647
Child Nutrition Program	5,654,734	49,515	8,874	5,695,375
Title I Migrant	8,000	-	-	8,000
Title VI	5,905	-	-	5,905
Drug Free Schools	6,155	-	-	6,155
Total Assets by Location	305,380,646	40,822,861	4,952,457	341,251,050
Total Assets in Service	312,514,750	40,822,861	4,952,457	348,385,154
Construction in Progress	25,229,441	34,825,784	39,562,432	20,492,793
Total General Fixed Assets	\$ 337,744,191	\$ 75,648,645	\$ 44,514,889	\$ 368,877,947

LAREDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF GENERAL CAPITAL ASSETS BY LOCATION AND ACTIVITY

LOCATION AND ACTIVITY	TOTALS	LAND	BUILDINGS	FURNITURE & EQUIPMENT
Assets in Service	\$7,134,104	\$26,975	\$7,107,129	\$0
High Schools				
Martin	29,212,867	248,174	27,335,463	1,629,230
Nixon	28,874,452	1,086,582	27,052,124	735,746
Cigarroa	27,659,169	872,258	25,923,821	863,090
VMT Communications & Arts	2,436,533	62,761	2,287,876	85,896
Francisco Lara Academy	2,654,221	-	2,621,722	32,499
Early College High School @ TAMU	478,268	-	336,110	142,158
Middle Schools				
Christen	29,213,811	117,596	28,061,567	1,034,649
Lamar	15,329,047	186,887	14,474,085	668,075
Cigarroa	8,621,134	-	8,213,295	407,840
Memorial	14,752,255	447,337	14,013,708	291,210
Elementary Schools				
Bruni	7,864,390	6,139	7,733,621	124,630
Jose Gallegos	9,668,225	694,545	8,937,276	36,404
Daiches	9,026,655	28,111	8,910,466	88,078
Farias	10,334,120	1,750,761	8,278,580	304,778
Heights	7,560,910	400,313	7,034,825	125,772
Tarver	6,680,631	75,100	6,557,502	48,029
Leyendecker	10,323,181	133,989	9,646,370	542,823
Macdonell	7,626,468	1,348,363	6,114,678	163,427
Milton	6,991,841	164,517	6,664,566	162,758
Alma Pierce	8,229,218	47,542	7,961,237	220,439
Ryan	10,207,748	224,806	9,711,869	271,073
Santa Maria	7,113,934	20,950	7,053,410	39,573
Santo Nino	6,301,245	132,267	5,980,509	188,469
D. D. Hachar	11,557,700	484,686	10,581,166	491,848
J. C. Martin	2,462,271	240,525	1,911,588	310,158
H. B. Zachry	5,324,442	101,298	5,001,460	221,684
J. Kavas	6,380,662	238,434	6,029,241	112,988
Dovalina	5,116,241	35,000	4,845,475	235,766
H. Ligarde	6,985,924	129,588	6,676,270	180,066
T. Sanchez/Ochoa	7,484,964	120,000	6,971,956	393,007
Other Departments				
Construction Department	148,623	-	121,159	27,464
Pregnancy Ed., & Parenting Program	88,000	-	-	88,000
St. Augustine High School	1,435	-	-	1,435
Blessed Sacrament School	490	-	-	490
Guadalupe School	11,364	-	-	11,364
St. Augustine Elementary School	306	-	-	306
St. Peters School	2,148	-	-	2,148
Juvenile Justice Center	1,354	-	-	1,354
Non Public Schools	5,812	-	-	5,812
Summer Programs	9,185	-	-	9,185
Board Room	29,761	23,455	-	6,306
Tax Office	90,460	-	13,898	76,562
Financial Management	1,528,912	2,834	1,512,578	13,500
Human Resources	50,280	-	-	50,280
Office of Public Information	240,194	20,119	201,347	18,728
Safety & Occupational Health Dept.	5,000	-	-	5,000

(Continued)

LAREDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF GENERAL CAPITAL ASSETS BY LOCATION AND ACTIVITY

LOCATION AND ACTIVITY	TOTALS	LAND	BUILDINGS	FURNITURE & EQUIPMENT
Student Services	6,420	-	-	6,420
Internal Auditor	6,922	-	-	6,922
Hearings Officer	5,479	-	-	5,479
Assets Management	1,102,161	140,990	396,899	555,273
Records & Assets	595,792	127,770	348,562	119,460
Accelerated Ed/State Compensatory	1,717	-	-	1,717
Drug Awareness	663	-	-	663
State Bilingual	6,168	-	-	6,168
R. O. T. C.	64	-	-	64
Office of Compliance	9,367	-	-	9,367
Music	16,374	-	-	16,374
Physical Ed.	831	-	-	831
Language Arts Pk-12	2,189	-	-	2,189
Special Programs/Planning	58,798	-	22,745	36,053
Med Prep Program	3,417	-	-	3,417
State Deaf	10,707	-	-	10,707
Instructional Department	166,606	103,226	3,380	60,000
Staff Development	1,293	-	-	1,293
Career & Technology	8,000	-	-	8,000
Department of Assessment	12,757	-	-	12,757
Section 504	6,966	-	-	6,966
District Wide	1,153,325	1,153,325	-	-
Crimestoppers	11,990	-	-	11,990
Instructional Technology	1,441,570	-	1,057,115	404,255
Guidance and Counseling	3,052	-	-	3,052
Health Services	16,349	-	1,687	14,662
Pupil Transportation	6,779,225	78,925	327,341	6,372,959
Athletic	800,109	-	243,017	557,092
Special Education	65,473	-	-	65,473
Printing/Creative Services	350,274	15,201	-	335,073
Instructional Television	550,480	28,647	406	521,427
Postal Services	16,273	-	-	16,273
Information Technology	2,307,895	-	608,802	1,699,093
Division of Operations	4,734,611	21,102	3,272,588	1,440,921
Title I Migrant	8,000	-	-	8,000
Title VI	5,905	-	-	5,905
Drug Free Schools	6,155	-	-	6,155
Total Assets by Location	341,251,050	11,243,616	301,773,565	28,233,869
Total Assets in Service	348,385,154	11,270,591	308,880,694	28,233,869
Construction in Progress	20,492,793	-	-	-
Total General Fixed Assets	368,877,947	\$11,270,591	\$308,880,694	\$28,233,869

LAREDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDING AUGUST 31, 2008

Function	Land	Buildings	Furniture & Equipment	Construction in Progress	Total
Prior Year Data	\$ 11,270,591	\$ 273,685,905	\$ 27,538,254	\$ 25,229,441	\$ 337,744,191
Instruction	-	-	(128,941)	-	(128,941)
Instructional Resources & Media Services	-	-	53,224	-	53,224
Curriculum & Instructional Staff Development	-	-	-	-	-
Instructional Administration	-	-	(5,000)	-	(5,000)
School Administration	-	-	-	-	-
Counseling and Guidance Services	-	-	-	-	-
Social Work Services	-	-	-	-	-
Health Services	-	-	-	-	-
Student (Pupil) Transportation	-	-	(156,571)	-	(156,571)
Food Services	-	-	746,924	-	746,924
Cocurricular/Extracurricular Activities	-	-	(2,251)	-	(2,251)
General Administration	-	-	15,934	-	15,934
Plant Maintenance and Operations	-	-	107,082	-	107,082
Security and Monitoring Services	-	-	-	-	-
Data Processing Services	-	-	43,184	-	43,184
Community Services	-	-	-	-	-
Facilities Acquisition and Construction	-	35,194,789	-	(4,726,648)	30,468,141
Total Expenditures	<u>\$ 11,270,591</u>	<u>\$ 308,880,694</u>	<u>\$ 28,233,869</u>	<u>\$ 20,492,793</u>	<u>\$ 368,877,947</u>

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Statistical Section

Statistical Section (Unaudited)

This part of the Laredo Independent School District Statistical's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supp

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	86
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	97
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	101
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</i>	105
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	107

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide include information beginning in that year.*

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Schedule 1
Laredo Independent School District
Net Assets by Component,
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 40,115,453	\$ 50,622,049	\$ 53,428,494	\$ 55,002,128	\$ 66,799,496	\$ 88,131,399	\$ 87,359,760
Restricted							
Federal and State Grants	-	3,694,433	-	3,252,423	4,697,799	6,526,044	2,985,517
Debt Service	8,696,790	4,557,510	-	9,427,615	11,669,155	14,711,181	15,672,278
Food Service	5,200,510	-	3,995,241	-	-	-	-
General Fund	-	434,764	5,928,141	-	-	-	-
Capital Projects	-	-	-	-	-	-	11,250,991
Unrestricted	11,795,249	21,288,169	28,993,925	25,089,348	21,596,578	17,481,717	27,790,751
Total primary government net assets	<u>\$ 65,808,002</u>	<u>\$ 80,596,925</u>	<u>\$ 92,345,801</u>	<u>\$ 92,771,514</u>	<u>\$ 104,763,028</u>	<u>\$ 126,850,341</u>	<u>\$ 145,059,297</u>

Note: The district began to report accrual information when it implemented GASB Statement 34 in 2002.

Schedule 2

Laredo Independent School District

Expenses, Program Revenues, and Net (Expense)/Revenue

Last Seven Fiscal Years

(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
11 Instruction	\$ 94,243,209	\$ 107,384,297	\$ 115,680,810	\$ 122,230,466	\$ 120,826,637	\$ 129,599,244	\$ 134,358,549
12 Instructional Resources & Media Svcs.	3,953,289	4,430,854	5,701,079	4,785,344	4,739,042	5,063,766	4,989,927
13 Curriculum & Instructional Staff Devpt.	2,067,932	2,078,259	3,495,915	4,116,945	4,158,695	4,422,899	3,667,984
21 Instructional Leadership	3,026,813	3,523,053	3,481,745	4,057,212	5,049,862	4,645,809	4,883,535
23 School Leadership	8,613,562	9,466,283	9,888,715	10,234,352	10,352,434	10,985,322	11,506,693
31 Guidance, Counseling, and Evaluation Svcs.	5,816,409	6,216,697	7,187,656	7,669,776	7,859,900	8,023,575	7,927,242
32 Social Work Services	1,207,654	1,308,360	1,592,854	1,732,213	1,881,254	1,909,811	1,873,976
33 Health Services	2,354,961	2,530,252	2,735,815	2,710,696	2,837,440	2,937,961	3,028,304
34 Student (Pupil) Transportation	1,770,885	2,248,431	2,253,072	3,242,862	3,599,991	3,715,848	3,779,327
35 Food Services	8,206,161	9,311,871	9,568,655	10,567,413	12,512,316	14,169,981	12,521,327
36 Cocurricular/Extracurricular Activities	2,613,675	2,828,939	3,057,706	4,179,704	4,175,160	3,733,030	3,401,939
41 General Administration	4,861,219	5,696,593	5,240,709	6,060,603	6,479,272	6,192,926	6,876,464
51 Plant Maintenance & Operations	12,856,097	13,666,070	14,941,942	18,032,667	19,953,661	20,750,136	20,569,466
52 Security & Monitoring Services	1,601,273	1,960,551	1,400,411	2,590,090	3,407,992	3,625,540	3,031,417
53 Data Processing Services	1,548,157	1,904,632	2,325,266	1,599,846	2,958,108	3,305,837	2,968,845
61 Community Services	694,255	784,825	743,336	405,919	382,002	945,323	1,307,808
71 Interest on Long-Term Debt	10,104,964	7,726,182	7,463,089	13,408,938	10,888,015	13,274,418	15,747,078
72 Bond Issuance Costs and Fees	626,186	-	-	-	-	-	222,245
81 Facilities Acquisition	1,938,734	111,087	3,903,541	11,208,722	3,769,838	5,235,162	81,952
93 Payments to Fiscal Agents/Mem.	6,875	6,200	6,675	6,000	11,000	8,903	8,391
95 Payments to Juvenile Justice Alternative Ed.	262,668	305,738	140,892	200,600	131,621	12,390	163,153
Total primary government expenses	168,374,978	183,489,172	200,809,883	229,040,368	225,974,240	242,557,881	242,915,622
Program Revenues							
Governmental activities:							
Charges for services							
Instruction	2,624,178	-	356,998	1,043,355	2,779,468	815	-
Instructional Resources & Media Svcs.	105,530	-	-	-	-	-	-
Curriculum & Instructional Staff Devpt.	23,621	-	6,296	108,159	-	-	-
Instructional Leadership	67,844	-	-	-	-	-	-
School Leadership	276,212	98,673	-	-	-	-	-
Guidance, Counseling, and Evaluation Svcs.	169,427	-	-	20,329	9,132	-	-
Social Work Services	30,654	-	170,975	889	14,450	-	-
Health Services	42,738	-	87,435	86,840	77,961	-	-
Student (Pupil) Transportation	66,173	-	-	-	-	-	-
Food Services	211,153	-	223,343	275,521	367,977	121,443	281,112
Extracurricular Activities	251,698	209,986	175,860	-	-	171,645	201,995
General Administration	157,990	397,638	-	-	-	-	-
Plant Maintenance and Operations	410,997	24,387	8,284	-	-	-	-
Security & Monitoring Services	49,245	-	-	70	-	-	-
Data Processing Services	49,027	-	-	-	-	-	-
Community Services	1,995	-	-	-	1,075	-	10,372
Facilities Acquisition	8,731	-	-	-	2,340,977	-	-
Payments to Juvenile Justice Alternative Ed.	8,462	-	-	-	-	-	-
Operating grants and contributions	28,999,674	59,067,943	61,466,594	69,202,608	70,088,672	60,095,888	49,795,966
Total primary government program revenues	33,555,349	59,798,627	62,495,785	70,737,771	75,679,712	60,389,791	50,289,445
Net (Expense)/Revenue							
Total primary government net expense	\$ 134,819,629	\$ 123,690,545	\$ 138,314,098	\$ 158,302,597	\$ 150,294,528	\$ 182,168,090	\$ 192,626,177

Notes: The district began to report accrual information when it implemented GASB Statement 34 in 2002.

Schedule 3
Laredo Independent School District
General Revenues and Total Change in Net Assets,
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue							
Total primary government net expense	\$ 134,819,629	\$ 123,690,545	\$ 138,314,098	\$ 158,302,597	\$ 150,294,528	\$ 182,168,090	\$ 192,626,177
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes levied for general purposes	17,962,585	18,472,060	19,709,398	21,699,472	24,106,298	25,493,615	21,700,103
Property taxes levied for debt service	1,416,112	2,498,668	2,640,215	2,486,421	2,948,716	4,391,830	4,857,268
Unrestricted State Aid Formula Grants	105,480,527	108,117,088	127,590,082	118,829,241	115,296,468	155,643,283	176,570,738
Unrestricted grants and contributions	18,614,033	620,371	389,943	389,804	1,638,247	559,150	658,657
Investment earnings	5,085,365	2,750,735	1,522,487	5,147,041	8,262,586	12,207,337	9,893,383
Miscellaneous	2,135,895	6,020,515	6,897,219	10,176,331	10,033,727	3,106,862	5,089,737
Loss on Sale of Capital Assets	-	-	(8,686,372)	-	-	-	-
Special Item	-	-	-	-	-	7,731,745	-
Total primary government	<u>150,694,517</u>	<u>138,479,437</u>	<u>150,062,972</u>	<u>158,728,310</u>	<u>162,286,042</u>	<u>209,133,822</u>	<u>218,769,886</u>
Change in Net Assets							
Total primary government	<u>\$ 15,874,888</u>	<u>\$ 14,788,892</u>	<u>\$ 11,748,874</u>	<u>\$ 425,713</u>	<u>\$ 11,991,514</u>	<u>\$ 26,965,732</u>	<u>\$ 26,143,709</u>

Notes: The district began to report accrual information when it implemented GASB Statement 34 in 2002.

Schedule 4
Laredo Independent School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

FISCAL YEAR	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund					
Reserved	\$ 4,138,895	\$ 3,504,810	\$ 4,345,266	\$ 5,517,460	\$ 4,684,864
Unreserved, Designated	1,988,739	2,670,000	2,832,000	8,423,861	9,707,813
Unreserved	<u>1,145,632</u>	<u>8,066,608</u>	<u>10,636,980</u>	<u>12,972,814</u>	<u>11,206,652</u>
Total general fund	<u>\$ 7,273,266</u>	<u>\$ 14,241,418</u>	<u>\$ 17,814,246</u>	<u>\$ 26,914,135</u>	<u>\$ 25,599,329</u>
All Other Governmental Funds					
Reserved, Outstanding Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved, for Capital Acquisition and Contractual Ot	-	-	-	-	-
Unreserved, Designated for Construction	658,966	80,286,727	88,738,530	125,175,957	79,045,740
Unreserved, Designated for Debt Service	-	2,693,244	2,956,866	2,582,073	4,557,512
Unreserved, reported in Special Revenue Funds	<u>238,887</u>	<u>1,235,903</u>	<u>571,158</u>	<u>3,030,654</u>	<u>3,694,431</u>
Total all other governmental funds	<u>\$ 897,853</u>	<u>\$ 84,215,874</u>	<u>\$ 92,266,554</u>	<u>\$ 130,788,684</u>	<u>\$ 87,297,683</u>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 4,823,330	\$ 9,024,994	\$ 12,527,471	\$ 15,458,084	\$ 14,158,322
15,313,568	7,604,288	3,075,750	2,675,751	-
<u>15,090,994</u>	<u>12,155,696</u>	<u>8,620,000</u>	<u>12,750,252</u>	<u>32,504,685</u>
<u>\$ 35,227,892</u>	<u>\$ 28,784,978</u>	<u>\$ 24,223,221</u>	<u>\$ 30,884,087</u>	<u>\$ 46,663,007</u>
\$ -	\$ -	\$ -	\$ 46,096,630	\$ 13,689,847
-	-	-	101,336,782	105,931,575
49,668,348	147,046,196	114,929,536	-	-
6,760,286	9,427,615	11,669,155	14,711,181	15,672,278
<u>2,363,427</u>	<u>3,252,423</u>	<u>4,697,799</u>	<u>6,526,044</u>	<u>2,985,517</u>
<u>\$ 58,792,061</u>	<u>\$ 159,726,234</u>	<u>\$ 131,296,490</u>	<u>\$ 168,670,637</u>	<u>\$ 138,279,217</u>

Schedule 5
Laredo Independent School District
Governmental Funds Revenues,
Last Ten Fiscal Years
(modified accrual basis of accounting)

FISCAL YEAR	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Federal sources:					
Federal grants	\$ 13,366,855	\$ 17,413,460	\$ 15,479,064	\$ 16,626,672	\$ 23,092,971
Food services	7,042,741	7,584,017	8,459,605	9,317,479	9,458,795
Total federal sources	<u>20,409,596</u>	<u>24,997,477</u>	<u>23,938,669</u>	<u>25,944,151</u>	<u>32,551,767</u>
State sources:					
Per Capita and Foundation	91,312,106	96,323,830	97,023,045	109,242,308	111,916,178
Instructional Facilities Allotment	-	6,242,364	6,246,279	10,741,406	10,763,283
Teacher Retirement System on Behalf	5,246,079	5,368,792	5,262,434	5,445,715	8,696,250
Other State Programs	1,099,783	1,135,477	1,147,188	1,577,947	1,902,723
Other Governmental Agencies	74,308	460,962	1,313,909	100,414	882,222
Total state sources	<u>97,732,276</u>	<u>109,531,425</u>	<u>110,992,855</u>	<u>127,107,790</u>	<u>134,160,656</u>
Local sources:					
Property Taxes	-	-	-	18,802,149	20,310,907
Food service sales	-	-	-	216,005	98,673
Investment Income	-	-	-	5,085,365	2,852,918
Penalties, Interest, and Other Fees	-	-	-	715,659	82,882
Co-Curricular	-	-	-	191,057	209,986
Sale of WADA	-	-	-	3,943,211	5,260,737
Other revenues	-	-	-	2,383,625	2,760,105
Local Revenues	* <u>21,198,179</u>	<u>27,173,632</u>	<u>29,413,492</u>	<u>-</u>	<u>-</u>
Total local sources	<u>21,198,179</u>	<u>27,173,632</u>	<u>29,413,492</u>	<u>31,337,071</u>	<u>31,576,208</u>
Total revenues	<u>\$ 139,340,051</u>	<u>\$ 161,702,534</u>	<u>\$ 164,345,016</u>	<u>\$ 184,389,011</u>	<u>\$ 198,288,631</u>

Notes: * = Local revenue breakdown was not available.

Notes:

^a State budget difficulties have led to significant reductions in operating aid since 20X7.

^b Larger than normal amounts of school construction aid were received from the state in 20X5 and 20X9.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	25,877,336	\$ 29,906,211	\$ 32,960,541	\$ 34,948,185	\$ 29,766,786
	10,649,535	11,187,260	10,979,704	11,750,545	12,266,676
	<u>36,526,871</u>	<u>41,093,471</u>	<u>43,940,245</u>	<u>46,698,730</u>	<u>42,033,462</u>
	131,713,457	119,915,636	121,242,425	140,171,354	153,808,970
	10,665,674	14,673,848	12,006,055	15,000,401	14,385,675
	7,981,849	6,356,609	8,532,673	6,995,207	7,785,412
	3,089,194	6,662,788	3,390,917	6,821,882	8,996,843
	8,140	53,027	592,200	17,563	15,000
	<u>153,458,314</u>	<u>147,661,908</u>	<u>145,764,270</u>	<u>169,006,407</u>	<u>184,991,900</u>
	22,072,076	23,948,120	26,759,747	28,217,513	25,781,018
	91,252	275,421	342,424	-	-
	1,522,487	1,468,715	8,939,430	12,653,464	8,773,586
	715,290	5,898,531	730,655	793,048	762,789
	175,860	185,958	210,761	528,836	201,995
	5,025,976	7,043,169	6,640,127	-	-
	1,498,481	2,181,473	4,555,304	3,493,578	5,725,649
	-	-	-	-	-
	<u>31,101,422</u>	<u>41,001,387</u>	<u>48,178,448</u>	<u>45,686,439</u>	<u>41,245,037</u>
\$	<u>221,086,607</u>	<u>229,756,766</u>	<u>237,882,963</u>	<u>261,391,576</u>	<u>268,270,399</u>

Schedule 6

Laredo Independent School District

Governmental Funds Expenditures and Debt Service Ratio,

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
11 Instruction	\$ 82,877,647	\$ 88,242,553	\$ 87,320,665	\$ 94,229,126	\$ 108,533,210
12 Instructional Resources & Media Svcs.	4,173,678	3,431,296	4,070,386	3,981,668	4,540,795
13 Curriculum & Instructional Staff Devpt.	1,804,342	189,749	2,115,236	2,067,715	2,083,381
21 Instructional Leadership	3,177,818	2,842,999	2,759,544	3,025,587	3,517,336
23 School Leadership	7,739,046	7,618,999	7,969,685	8,613,079	9,459,702
31 Guidance, Counseling, and Evaluation Svcs.	5,336,389	5,106,040	5,491,285	5,831,200	6,216,362
32 Social Work Services	1,039,786	1,045,903	1,066,743	1,206,275	1,307,776
33 Health Services	2,059,217	2,157,677	2,192,328	2,354,821	2,529,828
34 Student (Pupil) Transportation	1,948,007	1,709,533	2,664,107	2,501,126	2,798,513
35 Food Services	7,370,642	7,227,903	7,789,238	8,344,431	10,705,893
36 Cocurricular/Extracurricular Activities	2,474,824	2,519,395	2,482,908	2,929,220	2,890,288
41 General Administration	4,369,011	4,007,453	4,638,056	4,967,619	5,908,368
51 Plant Maintenance & Operations	16,035,304	12,563,512	12,347,392	13,023,003	13,772,442
52 Security & Monitoring Services	1,028,210	903,531	1,211,915	1,600,958	2,249,899
53 Data Processing Services	1,055,782	1,266,074	1,323,168	1,578,117	2,020,913
61 Community Services	647,398	704,777	674,507	694,253	783,456
71 Principal	3,609,906	5,365,200	5,141,565	9,405,000	11,510,000
Interest	1,225,381	4,918,420	4,910,491	10,104,964	7,369,225
Other Debt Service Costs	29,547	43,888	44,103	965,764	167,651
81 Facilities acquisition/construction	6,218,452	1,534,807	5,704,033	39,542,651	48,771,194
Other capital outlay					
93 Payments to Fiscal Agents / Members.	6,000	13,284	9,418	6,875	6,200
95 Payments to Juvenile Justice Alternative Ed.	202,405	32,307	142,839	262,668	305,738
Total expenditures	<u>\$ 154,428,792</u>	<u>\$ 153,445,300</u>	<u>\$ 162,069,612</u>	<u>\$ 217,236,120</u>	<u>\$ 247,448,171</u>
Debt service as a percentage of noncapital expenditures	3.26%	6.77%	6.43%	10.98%	9.50%

Percentage was calculated as follows: (Debt Service Principal + Interest Payments) / (Total expenditures - Capital) outlay
 (17,221,396 + 13,141,804) / (282,355,450 - 35,362,274)

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 115,051,643	\$ 121,436,722	\$ 120,677,728	127,566,003	124,574,273
5,591,014	4,722,348	4,783,647	5,117,287	5,015,429
3,482,596	4,112,502	4,156,453	4,407,778	3,666,935
3,677,251	3,995,905	5,038,242	4,593,480	4,808,484
10,213,257	10,199,530	10,334,223	11,496,485	11,506,313
7,117,540	7,655,899	7,848,384	7,973,115	7,928,395
1,584,124	1,725,654	1,878,004	1,898,201	1,873,824
2,717,525	2,703,162	2,833,087	2,914,709	3,029,224
3,353,357	3,557,405	4,006,844	4,421,695	3,780,477
10,488,447	11,112,037	14,060,478	14,019,024	13,050,876
3,335,203	4,121,958	4,201,927	3,865,637	3,407,484
5,902,123	6,013,068	6,462,377	6,414,077	6,151,232
15,823,595	17,890,819	20,191,873	20,833,944	20,672,806
2,589,363	2,560,883	3,649,274	3,658,629	3,084,521
2,724,200	3,550,847	3,089,698	3,246,059	2,947,023
743,051	405,884	381,774	940,663	1,307,924
8,230,000	10,940,000	8,378,013	10,731,378	17,221,396
7,162,878	8,851,746	12,204,644	13,939,432	13,141,804
104,836	7,129,465	94,524	700,532	107,750
34,035,840	36,178,910	50,483,909	33,927,132	34,907,736
6,675	6,000	11,000	8,903	8,391
<u>140,892</u>	<u>200,600</u>	<u>131,393</u>	<u>12,390</u>	<u>163,153</u>
<u>\$ 244,075,410</u>	<u>\$ 269,071,342</u>	<u>\$ 284,897,496</u>	<u>282,686,553</u>	<u>282,355,450</u>
7.33%	8.50%	8.78%	9.94%	12.29%

Schedule 7
Laredo Independent School District
Other Financing Sources and Uses and Net Change in Fund Balances,
Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

FISCAL YEAR	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Excess of revenues over (under) expenditures	\$ (15,088,741)	\$ 6,555,234	\$ 2,275,404	\$ (32,847,108)	\$ (49,157,540)
Other Financing Sources (Uses)					
Issuance of Loans	4,255,000	80,000,000	8,000,000	3,680,000	-
Issuance of Bonds	-	-	-	72,000,000	4,240,000
Lease Proceeds	-	-	-	-	-
Premium Issuance of Bond	-	-	-	3,578,158	113,701
Premium Issuance of Loans	-	-	-	-	-
Redemption of Refunded Bonds	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Transfers in	7,455,195	7,709,595	5,031,536	7,320,096	7,580,700
Transfers out	(7,455,195)	(7,709,595)	(5,031,536)	(7,320,096)	(7,580,700)
Special Item	-	-	-	-	-
Total other financing sources (uses)	<u>4,255,000</u>	<u>80,000,000</u>	<u>8,000,000</u>	<u>79,258,158</u>	<u>4,353,701</u>
Net change in fund balances	\$ (10,833,741)	\$ 86,555,234	\$ 10,275,404	\$ 46,411,050	\$ (44,803,839)

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ (22,988,803)	\$ (39,314,576)	\$ (47,014,533)	\$ (21,294,977)	\$ (14,085,051)
4,000,000	-	14,000,000	-	-
-	182,135,630	-	56,950,000	-
-	-	-	-	-
80,430	5,815,205	-	668,061	-
36,695	-	23,032	-	-
-	(54,145,000)	-	-	-
-	-	-	-	-
8,282,912	9,745,939	8,137,271	8,171,244	5,438,945
(8,282,912)	(9,745,939)	(8,137,271)	(8,171,244)	(5,438,945)
-	-	-	7,731,745	-
<u>4,117,125</u>	<u>133,805,835</u>	<u>14,023,032</u>	<u>65,349,806</u>	<u>-</u>
\$ (18,871,678)	\$ 94,491,259	\$ (32,991,501)	\$ 44,054,829	\$ (14,085,051)

Schedule 8
Laredo Independent School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years

Fiscal Year	Actual Value		Less: Exemptions	Total Taxable Value	Total Direct Rate ^a
	Residential Property	Personal Property			
1999	\$ 1,599,017,395	\$ 219,100,150	\$ 504,050,409	\$ 1,313,353,144	1.225
2000	1,663,129,956	228,116,930	561,939,788	1,329,307,098	1.326
2001	1,680,305,275	247,828,421	568,602,929	1,359,530,767	1.386
2002	1,726,945,838	256,727,464	592,553,187	1,391,120,115	1.426
2003	1,796,614,504	268,876,299	624,798,061	1,430,691,762	1.503
2004	1,897,272,357	270,837,330	675,710,242	1,492,399,445	1.503
2005	1,967,477,564	271,781,800	558,089,592	1,681,169,772	1.474
2006	2,087,865,861	277,897,380	565,792,825	1,799,970,416	1.554
2007	2,145,905,693	287,225,760	582,803,765	1,850,327,688	1.495
2008	2,347,904,503	312,600,408	622,347,599	2,038,157,312	1.274

Source: LISD Tax Office

Notes: ^a Per \$100 of assessed value.

Schedule 9
Laredo Independent School District
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	District Direct Rates			Overlapping Rates ^a		
	Maintenance & Operations	Debt Service	Total	Laredo Community College	City of Laredo	Webb County Road & Bridge
1999	1.026	0.199	1.225	0.158	0.540	0.390
2000	1.223	0.103	1.326	0.164	0.569	0.536
2001	1.283	0.103	1.386	0.170	0.576	0.455
2002	1.323	0.103	1.426	0.217	0.576	0.445
2003	1.323	0.180	1.503	0.227	0.631	0.458
2004	1.323	0.180	1.503	0.236	0.642	0.472
2005	1.323	0.151	1.474	0.236	0.637	0.438
2006	1.383	0.171	1.554	0.234	0.637	0.438
2007	1.266	0.229	1.495	0.222	0.637	0.401
2008	1.040	0.234	1.274	0.256	0.256	0.187

Source: LISD Tax Office.

Note:

^a Includes levies for operating and debt service costs.

Schedule 10

**Laredo Independent School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

<u>Taxpayer</u>	2008			1999		
	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Laredo Texas Hospital Co LP	\$ 94,404,070	1	4.63%	—	—	—
AEP Texas Central Company	34,137,860	2	1.67%	19,282,410	2	1.06%
Southwestern Bell Telephone LP	19,434,723	3	0.95%	19,850,750	1	1.09%
Webb Hospital Holdings LLC	16,967,750	4	0.83%	—	—	—
International Bank of Commerce	16,792,030	5	0.82%	16,045,794	3	0.88%
HE Butt Grocery Co	15,415,068	6	0.76%	14,983,310	4	0.82%
Laredo Specialty Hospital LP	14,801,760	7	0.73%	—	—	—
The Laredo National Bank	13,609,260	8	0.67%	13,139,051	5	0.72%
La Posada Hotel	11,296,710	9	0.55%	8,654,220	6	0.48%
B I A Acquisiton	10,040,880	10	0.49%	7,285,690	8	0.40%
Paragon Cable	—	—	—	8,247,550	7	0.45%
Union National Bank, Texas	—	—	—	6,068,980	9	0.33%
River Drive Mall Assoc LTD	—	—	—	6,024,920	10	0.33%
Total Taxable Value	\$ 2,038,157,312		12.11%	\$ 1,818,203,553		6.58%

Source: LISD Tax Office

Schedule 11
Laredo Independent School District
Property Tax Levies and Collections,
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections and Adjustments in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Amount	Outstanding Tax Levy	Percentage of Levy
1999	\$ 15,143,118	\$ 14,198,623	93.76	\$ 836,670	\$ 15,035,293	\$ 107,825	99.29%
2000	16,552,059	15,520,329	93.77	929,302	16,449,632	102,427	99.38%
2001	18,064,678	16,882,907	93.46	1,040,792	17,923,699	140,979	99.22%
2002	18,758,999	17,864,495	95.23	725,949	18,590,443	168,556	99.10%
2003	20,330,602	19,343,292	95.14	779,792	20,123,084	207,518	98.98%
2004	21,883,429	20,894,287	95.48	775,414	21,669,701	213,728	99.02%
2005	24,424,100	23,477,269	96.12	696,955	24,174,224	249,876	98.98%
2006	26,852,020	25,695,670	95.69	815,826	26,511,496	340,524	98.73%
2007	28,349,279	27,043,378	95.39	718,401	27,761,779	587,500	97.93%
2008	25,836,729	24,653,466	95.42	-	24,653,466	1,183,263	95.42%

Source: LISD Tax Office.

Schedule 12
Laredo Independent School District
Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Loans			
1999	\$ 14,605,443	\$ 8,120,000	\$ 22,725,443	0.85%	120
2000	91,403,357	6,435,000	97,838,357	3.33%	503
2001	80,321,639	20,670,000	100,991,639	3.13%	503
2002	146,095,695	21,630,000	167,725,695	4.88%	811
2003	140,023,093	20,355,000	160,378,093	4.42%	754
2004	134,411,482	22,225,000	156,636,482	4.03%	716
2005	254,032,558	20,480,000	274,512,558	6.49%	1,221
2006	247,637,999	32,675,000	280,312,999	6.18%	1,211
2007	296,751,137	31,360,000	328,111,137	N/A	N/A
2008	287,630,128	29,640,000	317,270,128	N/A	N/A

Notes: N/A = not available.

^a See Schedule 15 for personal income and population data. These ratios are calculated using personal income and

Schedule 13
Laredo Independent School District
Direct and Overlapping Governmental Activities Debt
As of August 31, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^c</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Laredo	\$ 248,010,000	25.686%	\$ 63,703,849
County of Webb	75,058,001	18.730%	14,058,364
Laredo Community College	75,457,943	25.686%	19,382,127
Subtotal, overlapping debt			97,144,339
District direct debt			<u>247,842,363</u>
Total direct and overlapping debt			<u>\$ 344,986,702</u>

Sources: Taxable value data used to estimate applicable percentages provided by the Webb County Property Appraiser. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

^a The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing.

Schedule 14
Laredo Independent School District
Legal Debt Margin Information,
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value of 2007 taxable property		\$	2,038,157,312
Debt limit (10% of assessed value)			203,815,731
Amount of debt applicable to said maximum debt limit:			
Total (net) general bonded debt	\$	247,842,363	
(Percentage of debt to assessed value)			12.16%
Less: Debt Service Fund Balance as of 8/31/08		15,224,827	
Total amount of debt applicable to debt limit			<u>232,617,536</u>
Legal debt margin			<u>\$ (28,801,805)</u>

<u>Fiscal Year</u>	<u>Debt limit</u>	<u>Total net debt applicable to limit</u>	<u>Legal debt margin</u>	<u>----- Applicable to the Limit As a Percentage of Debt Limit</u>
1999	\$ 131,335,314	\$ 80,775,194	\$ 50,560,120	61.50%
2000	132,930,710	76,606,756	56,323,954	57.63%
2001	135,950,941	73,003,135	62,947,806	53.70%
2002	139,112,012	146,290,098	(7,178,086)	105.16%
2003	149,239,945	133,968,230	15,271,715	89.77%
2004	168,116,972	127,395,117	40,721,855	75.78%
2005	180,836,742	245,496,793	(64,660,051)	135.76%
2006	194,474,196	224,767,220	(30,293,024)	115.58%
2007	185,032,769	245,415,822	(60,383,053)	132.63%
2008	203,815,731	232,617,536	(28,801,805)	114.13%

Notes: Currently, outstanding tax supported debt is supported with funds received by either the Existing Debt Allotment Program or the Instructional Facilities Allotment Program from the Texas Education Agency. Both the Existing Debt Allotment Program funds and the Instructional Facilities Allotment Program are subject to biennial appropriation by the Texas Legislature. The District's Series 1999, 2001, 2002, and 2005 Refunding Bonds are secured by the Permanent School Fund Guarantee.

Schedule 15

Laredo Independent School District

Ratio of General Obligation Bonded Debt to Taxable Assessed Value,

General Obligation Bonded Debt Per Capita, and General Obligation Bonded Debt per Student

Last Ten Fiscal Years

Fiscal Year	Assessed Value	General Obligation Bonded Debt	State Revenue For Debt Service	Ratio Of Bonded Debt To Assessed Value	Population	Bonded Debt Per Capita	Student Enrollment	Bonded Debt per Student
1999	\$ 1,313,353,144	\$ 14,605,443	N/A *	1.11%	189,014	\$ 77	22,601	\$ 646
2000	1,329,307,098	91,403,357	N/A *	6.88%	194,706	469	22,524	4,058
2001	1,359,530,767	80,321,639	6,246,279	5.91%	200,917	400	22,547	3,562
2002	1,391,120,115	146,095,695	10,741,406	10.50%	206,952	706	23,188	6,300
2003	1,430,691,752	140,023,093	10,763,283	9.79%	212,661	658	23,881	5,863
2004	1,492,399,445	134,411,482	10,665,674	9.01%	218,833	614	24,359	5,518
2005	1,681,169,772	254,032,558	14,673,848	15.11%	224,874	1,130	24,745	10,266
2006	1,799,970,416	247,637,999	14,520,582	13.76%	227,544	1,088	24,876	9,955
2007	1,850,327,688	296,751,137	16,890,612	16.04%	217,506	1,364	24,795	11,968
2008	2,038,157,312	287,630,128	16,321,496	14.11%	221,000	1,301	25,075	11,471

* Information not available.

Schedule 16
Laredo Independent School District
Demographic and Economic Statistics,
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population^a</u>	<u>Personal Income^a</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate^c</u>
1999	189,014	\$ 2,682,024,000	\$ 14,190	8.50
2000	194,706	2,933,682,000	15,067	5.90
2001	200,917	3,231,723,000	16,085	6.30
2002	206,952	3,432,111,000	16,584	7.00
2003	212,661	3,631,991,000	17,079	7.10
2004	218,833	3,862,951,000	17,653	6.50
2005	224,874	4,229,695,000	18,809	5.70
2006	227,544	4,579,825,000	20,127	5.20
2007	217,506 ^b	N/A	N/A	4.60
2008	221,000 ^d	N/A	N/A	5.19

Notes: N/A = not available.

^aTexas Workforce Commission

^bU.S. Census Bureau

^cU.S. Department of Labor

^dLaredo Development Foundation.

Prior year figures have been revised in accordance with the appropriate sources.

Schedule 17
Laredo Independent School District
Principal Employers,
Current Year and Nine Years Ago

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
United Independent School District	5,941	1	6.37%	3,500	1	4.79%
Laredo Independent School District	4,619	2	4.95%	3,500	1	4.79%
City of Laredo	2,347	3	2.52%	1,879	2	2.57%
H.E.B. Grocery	1,666	4	1.79%	1,100	5	1.51%
Laredo Sector Border Patrol	1,600	5	1.71%	—	—	—
Laredo Medical Center	1,475	6	1.58%	1,595	3	2.18%
Webb County	1,454	7	1.56%	1,181	4	1.62%
McDonald's Restaurant	1,445	8	1.55%	800	7	1.10%
The Laredo National Bank	1,129	9	1.21%	588	10	0.81%
Wal-Mart	1,125	10	1.21%	—	—	—
Laredo Community College	—	—	—	1,001	6	1.37%
APC Homemaker Service	—	—	—	750	8	1.03%
INS	—	—	—	740	9	1.01%
Annual Labor Force	<u>93,295</u>		<u>24.44%</u>	<u>73,004</u>		<u>22.79%</u>

Source: Laredo Development Foundation.

Schedule 18

**Laredo Independent School District
Full-time-Equivalent District Employees by Type,
Last Ten Fiscal Years**

	Full-time-Equivalent Employees as of August 31										Percentage Change 1999-2008
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Teachers											
Pre-K & Kindergarten	N/A	N/A	9	158	165	169	188	205	222	230	
Elementary	N/A	N/A	691	567	620	644	640	638	631	631	
Secondary	N/A	N/A	472	545	568	566	553	565	599	624	
Special Education	N/A	N/A	96	167	153	163	177	170	156	N/A	
All Level	N/A	N/A	15	9	10	10	12	21	17	98	
Total Teachers	1,410	1,333	1,283	1,445	1,515	1,553	1,570	1,599	1,625	1,563	12.30%
Support Staff											
Supervisors	N/A	N/A	5	6	6	7	5	5	15	N/A	
Counselors	N/A	N/A	50	61	56	61	62	62	66	63	
Educ Diagnosticians	N/A	N/A	15	14	14	20	18	20	19	19	
Librarians	N/A	N/A	22	28	28	28	28	27	30	30	
Nurses/Physicians	N/A	N/A	32	30	35	40	38	40	38	39	
Therapists	N/A	N/A	15	18	21	23	20	18	21	21	
Other Support Staff	N/A	N/A	100	139	154	161	179	215	216	200	
Total Support Staff	266	256	238	296	313	338	350	386	405	372	39.90%
Administrators											
Admin/Instr Officers	N/A	N/A	9	9	7	15	13	24	19	35	
Principals	N/A	N/A	30	28	28	28	27	28	29	29	
Assistant Principals	N/A	N/A	34	49	50	54	55	53	59	59	
Superintendents	N/A	N/A	1	1	-	-	1	1	1	1	
Asst Superintendents	N/A	N/A	-	-	-	5	4	3	-	1	
Total Administrators	87	86	74	87	85	102	99	108	108	125	43.51%
Educational Aides	582	510	387	531	451	484	482	479	477	492	-15.41%
Auxiliary Staff	1,117	1,073	1,126	1,025	1,095	1,089	1,235	1,311	1,318	1,266	15.15%
Total	3,461	3,318	3,108	3,384	3,458	3,566	3,736	3,884	3,933	3,858	11.47%

Notes: N/A = not available.

Source: Texas Education Agency Fall PEIMS Submission

Schedule 19
Laredo Independent School District
Operating Statistics,
Last Ten Fiscal Years

Fiscal Year	Enrollment¹	Operating Expenditures²	Cost per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
1999	22,601	143,345,506	6,342	13.77%	1,410	16.0	98.30%
2000	22,524	143,284,985	6,361	0.30%	1,383	16.3	91.40%
2001	22,547	146,269,420	6,487	1.98%	1,283	17.6	91.10%
2002	23,188	157,217,740	6,780	4.51%	1,445	16.0	96.20%
2003	23,881	179,630,101	7,522	10.94%	1,515	15.8	95.50%
2004	24,359	194,541,856	7,986	6.18%	1,553	15.7	95.60%
2005	24,745	205,971,221	8,324	4.22%	1,570	15.8	96.20%
2006	24,876	213,736,406	8,592	3.22%	1,599	15.6	96.80%
2007	24,795	223,388,079	9,009	4.86%	1,625	15.3	96.50%
2008	25,075	216,976,764	8,653	-3.95%	1,583	15.8	96.00%

Source: Texas Education Agency AEIS Reports and District's CAFRs.

Notes: N/A = not available.

¹ Enrollment is as of the October reporting date to TEA through the Public Education Information System (PEIMS).

² Operating Expenditures are total governmental fund expenditures less debt service and capital projects (functions 71 and 81).

Schedule 20
Laredo Independent School District
Teacher Base Salaries,
Last Ten Fiscal Years

Fiscal Year	0 Years Experience Salary^a	40+ Years Experience Salary^a	District Average Salary^b	County Average Salary^b	Statewide Average Salary^b
1999	\$ 26,000	\$ 42,426	\$ 36,019	\$ 34,428	\$ 34,357
2000	29,000	45,426	39,081	37,567	37,624
2001	29,000	48,066	39,756	37,173	38,359
2002	31,000	50,066	40,739	38,001	39,230
2003	32,500	52,066	40,392	38,631	39,972
2004	34,000	53,666	41,801	40,119	40,476
2005	36,000	55,666	43,071	41,800	41,009
2006	37,000	56,666	43,361	42,371	41,743
2007	39,500	59,166	46,236	45,164	44,897
2008	41,000	60,074	47,416	46,505	46,178

Sources:

^a District records.

^b Texas Education Agency Fall PEIMS Submission

fringe benefits such as pension, health insurance, disability, and so on.

**Schedule 21
Laredo Independent School District
Measures of Capacity**

School	Total Square Feet	Max. Cap. Based on Sq. Feet	Practical Capacity Sq. Feet	Total Classrooms	Max. Cap. Based on Classrooms	Practical Capacity Classrooms	Architect's Capacity	Average Practical Capacity
High Schools								
Cigarroa	250,000	1,067	1,497	54	1,620	1,450	1,500	1,404
Martin	309,569	2,100	1,390	93	2,790	2,511	2,100	2,201
Nixon	274,834	615	553	83	2,490	2,241	1,606	1,467
Nixon Freshman Annex	26,837	179	160	15	450	405	-	405
Nixon Church Annex	32,600	217	195	13	390	351	-	351
Total High Schools:	893,840	4,773	4,295	258	7,740	6,966	5,206	5,828
Middle Schools								
Christen	215,347	1,312	1,181	45	1,125	1,013	1,450	1,097
Cigarroa	216,000	1,723	1,555	56	1,400	1,260	1,349	1,237
Lamar	132,300	1,059	953	63	1,575	1,410	1,440	1,105
Memorial	134,245	1,074	967	30	750	675	950	821
Total Middle Schools:	697,972	5,173	4,656	194	4,850	4,366	5,197	4,340
Elementary Schools								
Bruni	81,576	873	790	29	638	574	725	682
Buenos Aires	92,305	1,025	923	29	638	574	870	749
Daiches	84,751	942	848	-	-	-	873	786
Dovalina	55,454	545	491	28	616	554	603	523
Farias	85,535	840	756	29	638	574	650	665
Hachar	88,214	980	882	29	638	574	650	692
Heights	68,500	761	685	19	418	376	-	531
Kawas	72,810	795	715	34	748	673	850	694
Leyendecker	99,255	853	767	37	814	733	838	750
Ligarde	80,379	893	804	39	858	772	870	788
Macdonell	78,571	863	776	29	638	574	650	675
Martin	94,964	803	723	31	682	614	650	668
Miton	85,897	819	737	38	836	752	873	745
Pierce	86,689	964	867	42	924	832	850	849
Ryan	93,456	883	795	38	836	752	873	773
Sanchez/Ochoa	89,450	955	860	34	748	673	850	767
Santa Maria	81,667	872	785	29	638	574	650	680
Santo Niño	92,078	973	875	43	946	851	850	863
Tarver	84,561	877	789	30	660	594	650	691
Zachry	76,401	801	721	33	726	653	644	687
Total Elem. Schools:	1,672,513	17,325	15,589	620	13,640	12,273	14,469	14,258
Total Campuses:	3,264,325	27,275	24,540	1,072	26,230	23,605	24,872	24,426

Source: Laredo Independent School District Construction Department

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Single Audit Section

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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 School Trustees
Laredo Independent School District
Laredo, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Laredo Independent School District (the District), as of and for the year ended August 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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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 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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting 08-II-01 and 08-II-02.

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 District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such 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 noted certain matters that we reported to management of the District, in a separate letter dated January 6, 2009.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response, and accordingly, we express no opinion on it.

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


Paul Amos
a CPA

January 6, 2009

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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 School Trustees
Laredo Independent School District
Laredo, Texas

Compliance

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

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

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

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Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of 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 District'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 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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



Barry Boyd
a Consultant

January 6, 2009

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended August 31, 2008

SECTION I — SUMMARY OF AUDITORS' RESULTS

<i>Financial Statements</i>		
Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting: • Material weakness (es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

<i>Federal Awards</i>		
Internal control over major programs: • Material weakness (es) identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> 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 Circular A-133, Section. 510(a)?	<u> </u> Yes	<u> X </u> No

<i>Identification of Major Programs</i>		
CFDA Numbers(s)	Name of Federal Program or Cluster	
84.027, 84.173	Special Education - IDEA B Cluster	
84.010	Title I, Part A Program	
84.367	Title II, Part A Program	
84.357	Reading First Program	
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,239,649	
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended August 31, 2008

SECTION II — FINANCIAL STATEMENT FINDINGS

08-II-01 – Student Activity Accounting

The district does not have adequate internal control procedures in place to safeguard student activity funds. Currently, each school maintains its own books of account and bank accounts. The bookkeeper at the school maintains the books, reconciles the bank accounts, pays bills, and in some cases collects cash from club sponsors. Performing all of these functions by only one individual increases the risk of misuse of student activity funds. Further, the district does not adequately monitor student activity transactions. As a result, immaterial fraud did occur at three of the schools.

As recommended in the prior year controls over student activity funds should be strengthened. We concur with management's plans to enhance its control over student activity funds. During our fieldwork we noted that a new centralized accounting software program is being implemented. With the new software, the Districts accounting and internal audit departments should be able to monitor each school's books of account. Lastly, we concur with management's plan to fully centralize the accounting of these funds in the next two to three years.

08-II-02 – Internal Audit Function

The internal audit function is an important element of internal control in an organization. The main function of internal audit is that it assists management in monitoring the design and proper functioning of internal control policies and procedures. The District has an internal audit department staffed by two auditors. We reviewed the work conducted by internal audit in the current year and offer the following observations:

- The Internal audit charter has not been amended to reflect the State law requiring that the Internal Audit reports directly to the Board of Trustees.
- In 2007-2008 a significant portion of the internal auditor's time was devoted to special investigations requested by the Board of Trustees and management. As a result, many of the audits planned were not performed.
- The audit plan for 2008 was not presented for approval to the Board of Trustees. The 2008-2009 audit plan has not been completed.
- The audit plan should be prepared based on the District's audit risk assessment. Such a risk assessment has not been performed for 2008-2009.
- Only thirteen (13) of thirty one (31) schools were audited in 2007-2008. During our fieldwork we noted that eight (8) of the thirty-one (31) schools have been audited for the 2008-2009 year in addition to several surprise cash count audits. Even though more audits are being conducted in 2008-2009, the District does not have an adequate plan in place to ensure that all schools are timely audited.

We recommend the following to strengthen the internal audit function:

- The Internal Audit charter should be amended to reflect State law requirements.
- The internal audit department should prepare a risk assessment on an annual basis in order to determine the audit areas that should be audited annually.
- An annual audit plan should be developed and approved by the Board of Trustees before the year begins.
- The annual audit plan should budget a percentage of time for board requested investigations. Management should consider outsourcing internal audit services when the budget is expected to exceed the budgeted time.
- The annual audit plan should include provisions to ensure that all schools are audited at least every two years based on the District's risk assessment.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs required to be reported in accordance with OMB Circular A-133.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

CORRECTIVE ACTION PLAN

For The Year Ended August 31, 2008

08-II-01 – Student Activity Accounting

The district does not have adequate internal control procedures in place to safeguard student activity funds. Currently, each school maintains its own books of account and bank accounts. The bookkeeper at the school maintains the books, reconciles the bank accounts, pays bills, and in some cases collects cash from club sponsors. Performing all of these functions by only one individual increases the risk of misuse of student activity funds. Further, the district does not adequately monitor student activity transactions. As a result, immaterial fraud did occur at three of the schools.

In response to weaknesses noted in the administration of campus and student activity funds, the District has put into practice a new centralized accounting software. Furthermore, the student activity manual will be revised to provide guidelines for the administration of campus and student activity funds to include the limitation on the number of fund raising events and restrictions on allowable costs. Campus and student activity events will focus on the furtherance of the district's educational purpose. Thus, the campus and student activity funds will not be used to contradict policy, procedures, laws, rules or regulations. Additionally, the Compliance staff will closely monitor the sources and uses of funds related to campus and student activity funds as a measure to strengthen the internal control structure.

Lastly, the District will plan the centralization of the accounting of campus and student activity accounts within the next two to three years.

Responsible Staff: Chief Financial Officer, Director of Financial Management, Compliance Analyst

08-II-02 Internal Audit Function

1. The Internal Audit Charter dated as of May 14, 2003 did reflect the reporting function of the Internal Auditor, however did not reflect the change in its amendment by State law. The Internal Audit Charter has been amended to reflect this change; the charter has been signed by the Board President, the Superintendent and the Internal Auditor as of November 24, 2008 and is currently posted on the Internal Audit Department's website.

Responsible Staff: Internal Auditor

2. As mentioned by the External Auditors, during 07-08, the Internal Audit Department was staffed by two auditors, (Internal Auditor, 12 months; Staff Auditor, 9 months). As a reminder, in 2006 State law changed the function of the Internal Auditor to report directly to the Board of Trustees. Our department concurs with the External Auditor's finding that many planned audits were not performed. This is due to the Special Request Audits by the Board of Trustees and/or Directors and/or Principals. A total of 7 Special Request Audits were performed as requested aside from other planned audits and trainings. Our department did not in any way either neglect or fail to perform its duties and responsibilities. The result of planned audits not being performed is due to a combination of justifications: 1) the demand by our District, in regards to areas that need to be strengthened and therefore assistance needed by Department Directors/Principals were addressed by our Department as needed 2) overall training district wide that will improve the general operation of our District as a whole and 3) understaffing by our department.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

CORRECTIVE ACTION PLAN

For The Year Ended August 31, 2008

Our department concurs with the External Auditors recommendation to allocate a certain percentage of time for Special Requests from the Board of Trustees. This has been planned accordingly in the 2008-2009 Annual Audit Plan. As of December 10, 2008, our department has hired an additional Staff Auditor. This should reduce any of Management's consideration of outsourcing audit services. Further, due to scarce monetary sources it should eliminate any possibilities of outsourcing; the Internal Auditor will have to work with its own resources until further direction from the Board of Trustees.

Responsible Staff: Internal Auditor

3. As discussed with the External Auditors, the Internal Audit Department was not in operation from the time period of April 20, 2007 until I (Internal Auditor) was awarded the position on August 17, 2007. At this time, the Internal Audit Department was a one man department. It was not until November 12, 2008 that the Department was staffed by two Auditors. I concur with the External Auditors' recommendation to have an Annual Audit Plan developed and approved by the Board of Trustees before the year begins; however in this case I had just been awarded the position two weeks prior to the year beginning. I therefore carried over the previous year's Annual Audit Plan due to time constraints. Nevertheless, the 2008-2009 Annual Audit Plan has been completed and subsequently approved by the Board of Trustees on November 24, 2008.

Responsible Staff: Internal Auditor

4. As discussed with the External Auditors, a District wide Risk Assessment was initiated with Department Directors, however a response was not submitted by all Directors accordingly. As a result of the recent activities at the campuses and former requests by the Board of Trustees, our department identified and assessed the risk areas for 2008-2009.

Responsible Staff: Internal Auditor

5. During 07-08, the Internal Audit Department performed 7 Special Request Audits 13 Campus & Student Activity Fund Audits, approximately 30+ training sessions at the Campuses/Departments with only a total department staffing of two. Our department does not concur with the External Auditor's recommendation that the Annual Audit Plan include provisions that all schools are audited at least every two years based on the District's risk assessment. Due to the recent fraud that has occurred at our campuses in the past years, our Department will be auditing the campuses every year; further, random surprise cash audits have been initiated and as of December 2008, a total of 15 campuses have been visited/audited. In addition, 4 Special Request Audits have been performed, 2 Special Request Audits are currently in progress, and 10 Campus & Student Activity Fund Audits have been conducted along with 28 training sessions.

It is understood that the Department of Finance will be centralizing the accounting of student activity funds, it is until this time (within time) that our Department and the Department of Finance will be able to determine how well the program is functioning and the level of monitoring that will be needed. Internal Audit will then re-assess the risk level at all campuses with the assistance of the Department of Finance since this function will be centralized by the Department of Finance.

Responsible Staff: Internal Auditor; Department of Finance

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2008

Prior Year Finding/ Status

07-III-01 - Computer purchase Rebates and Computers Sold- Questioned costs: \$155,713.44

OMB Circular A-87 Cost Principles requires that costs charged to federal programs be charged net of applicable credits. OMB Circular A-87 states "Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate." The District received rebates from Dell related to computer purchases made partially with federal funds. However, the rebates received have not been credited or refunded to the federal programs that partially paid for the computers. The schedule below summarizes the credits that should have been applied the various federal programs in the current year:

CFDA No.	Federal Program	Questioned Cost
84.010	ESEA Title I, Part A	\$ 132,447.50
84.011A	ESEA Title I, Part C, Migrant	10.80
84.173A	IDEA B Formula	2,801.96
84.048A	Vocational Education	1,282.40
84.357A	Texas Reading First	2,172.08
84.318X	Title II, Part D, Technology	2,389.13
84.365A	LEP Program	1,362.69
84.298A	ESEA Title V	<u>194.56</u>
84.318X	TIP 2	<u>\$ 13,052.32</u>

Likely Questioned Costs: Total \$296,400

It is likely that additional amounts are due to various federal programs for rebates received in prior year since similar rebates have been received in prior years. Based on an analysis provided, the District has received additional rebates in the amount of \$708,996 (including \$335,379 received in September 2007). The likely questioned costs based on the allocation percentages applied in the current year are approximately \$248,000.

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2008

Computers Sold

In addition, the District sold back to Dell Co. computers originally purchased under the lease agreements. Proceeds totaling \$322,779 were received in September 2007. Since the computers were partially purchased with federal funds, the federal programs should be credited their corresponding share of the sales proceeds. Likely questioned costs are approximately \$48,400.

Status

The District provided responses on the above finding to the Texas Education Agency in a letter dated November 6, 2008. The District refunded the State the following combined amounts for fiscal years 2004, 2005, 2006, 2007, and 2008:

FUND	SUM OF AMOUNT
211	\$ 327,939.89
212	10.80
224	7,206.83
244	3,310.04
261	5598.09
262	6,164.73
263	3,530.16
269	474.24
280	<u>33,538.46</u>
Grand Total	<u>\$ 387,773.24</u>

The Texas Education Agency has not replied to the District's correspondence as such resolution of the finding is considered to be in progress.

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

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Grantor's Number/NOGA ID #	(3) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE				
199	ROTC	12.999999999	N/A	\$ 149,261
	TOTAL DIRECT PROGRAMS			<u>149,261</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education:				
204	Drug Free Schools and Communities Act	84.186A	8691001240901	192,034
204	Drug Free Schools and Communities Act F09	84.186A	9691001240901	8,187
	Total CFDA Number 84.186A			<u>200,221</u>
211	ESEA Title I, Part A	84.010A	8610101240901	13,099,331
211	ESEA Title I, Part A F09	84.010A	9610101240901	795,918
211	ESEA Title I School Improvement	84.010A	861010424090101	257,300
211	ESEA Title I School Improvement	84.010A	861010424090102	286,250
211	ESEA Title I School Improvement	84.010A	861010424090141	381
211	ESEA Title I School Improvement	84.010A	861010424090142	49,906
211	ESEA Title I School Improvement	84.010A	861010424090143	37,474
211	ESEA Title I School Improvement	84.010A		-
211	ESEA Title I School Improvement	84.010A		-
	Total CFDA Number 84.010A			<u>14,526,560</u>
212	ESEA Title I, Part C Migrant	84.011A	8615001240901	164,968
212	ESEA Title I, Part C Migrant F09	84.011A	9615001240901	26,872
	Total CFDA Number 84.011A			<u>191,840</u>
224	IDEA B, Formula	84.027A	86600012409016600	3,792,972
224	IDEA B, Formula - F09	84.027A	96600012409016600	138,980
	Total CFDA Number 84.027			<u>3,931,952</u>
225	IDEA B, Preschool	84.173A	86610001240901600	26,669
	Total CFDA Number 84.173A			<u>26,669</u>
226	IDEA B, Discretionary (Deaf)	84.027A	86622409016673	33,830
	Total CFDA Number 84.027A			<u>33,830</u>
227	IDEA B, Formula (Deaf)	84.027A	866012409016601	32,028
227	IDEA B, Formula (Deaf)F09	84.027A	966012409016601	-
	Total CFDA Number 84.027A			<u>32,028</u>
228	IDEA B, Preschool (Deaf)	87.173A	866112409016611	3,015
	Total CFDA Number 84.173A			<u>3,015</u>
243	Tech. Prep	84.243A	N/A	5,592
	Total CFDA Number 84.243A			<u>5,592</u>
244	Vocational Education	84.048A	842000624090101	354,701
	Vocational Education - F09	84.048A	942000624090101	8,754
	Total CFDA Number 84.048A			<u>363,455</u>

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

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Grantor's Number/NOGA ID #	(3) Federal Expenditures
253	IDEA C Intervention Total CFDA 84.181A	84.181A	N/A	<u>790</u> <u>790</u>
255	Title II Part A	84.367A	8694501240901	2,959,486
255	Title II Part A - F09		9694501240901	179,395
	Total CFDA Number 84.367A			<u>3,138,881</u>
258	Early College High School Total CFDA Number 84.282A	84.282A	85900057110009	<u>89,553</u> <u>89,553</u>
261	Texas Reading First	84.357A	86455017110038	2,402,466
261	Texas Reading First-F09	84.357A	96455017110038	62,162
	Total CFDA Number 84.357A			<u>2,464,628</u>
262	Title II, Part D Technology	84.318X	8630001240901	136,632
262	Title II, Part D Technology-F09	84.318X	9630001240901	6,557
	Total CFDA Number 84.318X			<u>143,189</u>
263	LEP Program	84.365A	8671001240901	2,107,187
	LEP Program - F09	84.365A	9671001240901	54,950
	Total CFDA Number 84.365A			<u>2,162,137</u>
269	ESEA Title V Total CFDA Number 84.298A	84.298A	8685001240901	<u>62,608</u> <u>62,608</u>
280	TIP 2 Total CFDA Number 84.318X	84.318X	8630027110018	<u>538,133</u> <u>538,133</u>
281	FEMA Grant Total CFDA Number 97.036	97.036	N/A	<u>10,530</u> <u>10,530</u>
287	Teaching American History Total CFDA Number 84.215X	84.215X	U215X060280	<u>247,493</u> <u>247,493</u>
289	TTL I SIP Academy Grant Total CFDA Number 84.377A	84.377A	861070124090102	<u>17,584</u> <u>17,584</u>
TOTAL DEPARTMENT OF EDUCATION				<u><u>28,190,688</u></u>
U.S. DEPARTMENT OF AGRICULTURE				
242	Summer Feeding Program Total U.S. Department of Agriculture	10.559	N/A	<u>715,017</u> <u>715,017</u>
Passed Through State Department of Education:				
101	National School Lunch Program	10.555	N/A	11,732,160
101	USDA Donated Commodities	10.555	N/A	534,516
	Total Passed Through State Department of Education			<u>12,266,676</u>
TOTAL DEPARTMENT OF AGRICULTURE				<u>12,266,676</u>
TOTAL FEDERAL ASSISTANCE				<u><u>\$ 41,321,642</u></u>

LAREDO INDEPENDENT SCHOOL DISTRICT
Laredo, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2008

1. The District utilizes the fund types specified in the Texas Education Agency's Financial Accountability System Resource Guide (FASRG).

General Fund - is accounted for, among other things, resources related to the United States Department of Defense ROTC program.

Special Revenue Funds - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

Capital Projects Funds - are used to account for, among other things, resources related to the U.S. Department of Education's Impact Aid Section 8008 reimbursement and for construction grants from the Department of Defense. These funds are restricted for construction expenditures.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the General Fund, the Special Revenue Funds, or the Capital Projects Funds, components of the Governmental Fund type. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

Federal grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H period of availability of *Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement*.
4. Federal revenues in the General Fund consist of amounts attributed to the National School Lunch Program, the ROTC Program and the Medicaid Administrative Program. Expenditures are not specifically attributable to these revenue sources and are shown as amounts equal to federal revenues. The revenue for indirect costs is recognized in the General Fund. Additionally, the SHARS Program is accounted for in the General Fund. SHARS revenue is not considered federal financial assistance and is therefore not included in the schedule.



It is the policy of the Laredo Independent School District not to discriminate on the basis of race, color, national origin, gender, limited English proficiency, or handicapping condition in its programs