

**LA PORTE INDEPENDENT SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2011**

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## **INTRODUCTORY SECTION**

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD**

La Porte Independent  
School District  
Name of Local Education Agency

Harris  
County

101-916  
County-District-Number No.

We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and

approved                      disapproved

\_\_\_\_\_

for the year ended June 30, 2011 at a meeting of the Board of Trustees of such school district on the 8th day of November, 2011.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is (are):

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
La Porte Independent School District  
La Porte, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the District) as of and for the year ended June 30, 2011, 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 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 La Porte Independent School District as of June 30, 2011 and the respective changes in financial position and cash flows thereof, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, 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 should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 supplementary information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Porte Independent School District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and other TEA required schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other TEA required schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the introductory section and that portion marked as "unaudited" on which we express no opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 7, 2011



**La Porte Independent School District  
Management's Discussion and Analysis  
Year Ended June 30, 2011**

As the management of the La Porte Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$66,847,329 (*net assets*). Of this amount, \$7,787,870 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets decreased by \$5,726,409.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$70,295,653, an increase of \$7,966,674 in comparison with the prior year. The increase in governmental fund balances was primarily due to an increase in the capital projects fund balance of \$13,656,473 and a decrease of \$3,043,140 and \$2,288,760 in the general fund and the non-major governmental funds balance respectively.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$21,746,547, or 28.6 percent of total general fund expenditures.
- The District's total long-term debt increased by 8.09% percent or \$18,226,185 during the current fiscal year.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees and Facilities Acquisition and Construction payments.

The government-wide financial statements can be found on pages 13 and 14 of this report.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains thirty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other thirty-three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

## **Proprietary Fund**

The District maintains one internal service fund, and one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses an internal service fund to account for its self-funded workers' compensation insurance program. Because their service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

## **Fiduciary Fund**

The fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 24 of this report.

## **Required Supplementary Information**

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

## **Other Information**

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 50 through 61 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$66,847,329 at the close of the most recent fiscal year.

The largest portion of the District's net assets (\$50,203,269) reflects its investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### La Porte Independent School District's Net Assets (Amount in 00's)

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current and other assets	\$ 93,323	\$ 91,620
Capital and non-current assets	220,935	216,146
<b>Total Assets</b>	<u>314,258</u>	<u>307,766</u>
<b>Liabilities:</b>		
Current Liabilities	30,452	35,442
Long-term Liabilities	216,959	199,750
<b>Total Liabilities</b>	<u>247,411</u>	<u>235,192</u>
<b>Net Assets:</b>		
Invested in capital assets net of related debt	50,203	47,803
Restricted	8,856	9,332
Unrestricted	7,788	15,439
<b>Total Net Assets</b>	<u>\$ 66,847</u>	<u>\$ 72,574</u>

Net assets of \$8,856,190 are restricted for debt service and grant fund activities. The remaining balance of *unrestricted net assets* of \$7,787,870 may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The District's net assets decreased \$5,726,409 during the current fiscal year.

**La Porte Independent School District's Change in Net Assets (Amounts in 000's)**

	<u>2011</u>	<u>2010</u>	<b>Percentage Change</b>
<b>Program Revenues</b>			
Charges for services	\$ 2,038	\$ 1,997	2%
Operating grants	12,288	21,773	-44%
<b>General Revenues</b>			
Property taxes	76,441	78,227	-2%
Grants and contributions not restricted	7,314	6,255	17%
Interest earnings	148	341	-57%
Special item - Loss on the disposal of capital assets	(530)	-	N/A
Other	3,138	2,669	18%
<b>Total Revenues</b>	<u>100,837</u>	<u>111,262</u>	-9%
<b>Expenses</b>			
Instruction	43,789	30,595	43%
Instruction resources and media services	826	1,189	-31%
Curriculum and staff development	671	659	2%
Instructional leadership	1,026	1,128	-9%
School leadership	3,752	4,096	-8%
Guidance, counseling, and evaluation services	2,432	2,712	-10%
Social work services	182	162	12%
Health services	816	821	-1%
Student transportation	3,152	3,246	-3%
Food service	3,766	3,664	3%
Extracurricular activities	2,248	2,273	-1%
General administration	3,441	3,222	7%
Plant, maintenance and operations	9,498	2,879	230%
Security and monitoring services	609	668	-9%
Data processing services	1,757	234	651%
Community services	85	62	37%
Interest on long-term debt	9,808	8,651	13%
Facilities acquisition and construction	1,433	25,858	-94%
Contracted instructional services between schools	15,406	15,964	-3%
Payments related to shared services arrangements	90	81	11%
Payments to JJAEP	21	19	N/A
Payments to Tax Increment Fund	1,111	1,088	2%
Other intergovernmental charges	645	652	-1%
<b>Total Expenses</b>	<u>106,564</u>	<u>109,923</u>	-3%
<b>Increase (Decrease) in Net Assets</b>	<u>(5,727)</u>	<u>1,339</u>	-528%
<b>Beginning Net Assets</b>	<u>72,574</u>	<u>71,235</u>	2%
<b>Ending Net Assets</b>	<u>\$ 66,847</u>	<u>\$ 72,574</u>	-8%

## Governmental Activities

Governmental activities decreased the District's net assets by \$5,726,409. Key elements of this decrease are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$12,287,750) represent 12.2 percent of total revenues and property taxes of \$76,441,906 represent 75.8 percent of total revenues. The remaining \$12,067,353 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$43,789,099) which represents 48.0 percent of total expenses less contracted instructional services between schools of \$15,406,248. Plant maintenance and operations (\$9,498,226) represents 10.4 percent and Debt Service (\$9,807,789) represents 10.8 percent of total expenses which are less contracted instructional services between schools. The remaining individual functional categories of expenses are each less than 5 percent of total expenses. The overall expenses decreased 3% from the previous year and the decrease to net assets was 528%.

## Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Governmental Funds

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

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$70,295,653, an increase of \$7,966,674 in comparison with the prior year. The increase in governmental fund balances was primarily due to an increase in the capital projects fund balance of \$13,656,473. The general fund balance decreased \$3,043,140 and the debt service fund balance decreased by \$357,899.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$21,746,547, or 28.6 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$10,956,433, all of which is reserved for the payment of debt service. The net decrease in the debt service fund balance during the current year of \$357,899 was primarily due to not increasing the tax rate with a decreasing tax base.

The capital projects fund has a total fund balance of \$29,197,407, all of which is reserved for authorized construction, plant maintenance and technology projects/enhancements. The increase in fund balance during the current year was due to the final bond sale for the 2005 bond issuance.

## General Fund Budgetary Highlights

The primary difference between the original budget and the final amended budget of the general fund was a \$2,768,705 adjustment for additional cost for instruction. This increased due to an early exit incentive and allowing for an early 90 day payoff at 70% under grandfathered board policy.

## Capital Assets And Long-Term Liabilities

### Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2010, amounts to \$220,934,901 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$4,788,946. A comparison of capital asset balances at current and prior fiscal year end follows:

#### Capital Assets (Amounts in 000's)

	<b>Balance June 30, 2011</b>	<b>Balance June 30, 2010</b>
Land	\$ 10,255	\$ 10,255
Buildings and improvements	222,273	222,859
Furniture and equipment	12,963	12,694
Construction in progress	29,433	19,839
	<u>274,924</u>	<u>265,647</u>
Less accumulated depreciation for:		
Buildings and improvements	(45,117)	(41,429)
Furniture and equipment	(8,872)	(8,072)
	<u>(53,989)</u>	<u>(49,501)</u>
Governmental Capital Assets	<u>\$ 220,935</u>	<u>\$ 216,146</u>

Construction in progress substantially complete includes Reid Elementary renovations, Rizzuto Elementary renovations, College Park Elementary renovations, La Porte Junior High renovations, La Porte Elementary renovations, DeWalt Alternative School renovations, JROTC Building renovations, DeWalt Alternative School parking lot, and Lomax Elementary parking lot. Separate and apart from the District's Annual Financial Report, management has recommended and the board has approved an audit of all the capital projects for the 2005 bond authorization. The audit will be presented to the Board of Trustees at the December 2011 board meeting.

Additional information on the District's capital assets can be found in note 5 of the Notes to the financial statements.

## Long-term Liabilities

At the end of the current fiscal year, the District had \$225,500,917 in total debt outstanding, an increase of \$18,226,185 as compared to the previous year. The underlying ratings of the bonds for general obligation debt are "AAA" from Standard and Poor's and "Aaa" from Moody's Investors Service, and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

A comparison of long-term debt as of current and prior fiscal year end follows:

### Long-term Debt (Amounts in 000's)

	<b>Balance June 30, 2011</b>	<b>Balance June 30, 2010</b>
General obligation bonds	\$ 221,035	\$ 201,665
Accreted interest on premium compound interest bonds	-	-
Premium on bonds	3,898	3,920
Deferred loss on bond refundings	(412)	(596)
Accrued compensated absences	980	2,286
	<u>\$ 225,501</u>	<u>\$ 207,275</u>

Additional information on the District's long-term liabilities can be found in note 4 of the notes to the financial statements.

## Major Initiatives

The District has filed suit against Westchester Surplus Lines Insurance Company and its adjusters, Engle Martin & Associates, Inc. for failure to properly investigate, evaluate, adjust and pay the District for its Hurricane Ike losses. Trial is scheduled for April 2012, discovery is currently scheduled to be completed January 27, 2012. The District has sought depositions of numerous insurance company personnel since July, but have been delayed. Depositions are expected to begin in November 2011. Expert reports on damages have been exchanged and damage evaluations continue to be revised. The parties have completed two mediations but have not been able to reach agreement on settlement.

The District started conversion on new student accounting software during FY 2010 to go live during FY 2011. The student software provider is the same as our finance software. Having the same software company allows for better data integration and shared resources.

In continued preparation for reduction in state aid the District contracted for a detailed demographic study that was completed in FY 2011. The District also had a complete personnel and staffing study with well respected and accepted methodology. These studies and recommendations were timely and readily available to management and the governing board when they developed the FY 2012 budget.



The District has partnered with San Jacinto College for a college center for La Porte students to receive dual enrollment credit while attending La Porte High School. The goal of the college center is to become an avenue where students can graduate high school with an associate's degree.

The District offered an early notification of resignation/retirement incentive in anticipation of the budget cuts from the legislative session. This helped in planning the FY 2012 budget and absorbing positions through attrition.

Fall for FY 2011 was the first full academic year at the new Bayshore Elementary School. This occasioned realignment of elementary programs across campuses. The District also implemented a Math initiative for grades K-8 to strengthen teachers' knowledge of mathematics content and instructional strategies. A pre-kindergarten initiative for all pre-kindergarten teachers was implemented to strengthen teachers' knowledge in early childhood instruction and student school readiness.

The District implemented a nationally recognized and evidenced-based teenage pregnancy prevention program for junior high students. The district also received Characteristics of an Effective School Health Advisory Council Award which was used to implement "Choosing the Best" program at Baker Sixth Grade Campus. The district also received Excellence in Texas School Health/Reaching for Excellence Award presented to the district for the "Lean, Mean, and Screened" program for the EKG screening of student athletes. The District also received a Least Restrictive Environment (LRE) Grant to support response to intervention services for students at Head Start to facilitate the students transition to Pre-K and Kindergarten in La Porte ISD.

Staff from the Texas Education Agency conducted a Program Access Review (PAR) in Spring 2011 with the purpose of observing and reviewing the District processes and procedures in special programs to include Career Technology Education (CTE) and Limited English Proficiency (LEP). The PAR also included an analysis of the district's facilities focusing on compliance with the Americans with Disabilities (ADA) Act.

The District updated the radio and camera systems on all the buses with current technology. This gives us better quality pictures and coverage on the cameras and allows for better communication with the buses.

The District partnered with the La Porte Education Foundation for an iPod Touch initiative which provided a science classroom and a math classroom with 25 iPod Touches and a PowerSyn Cart for the iPods. These will be used to improve science and math instruction and to give students the opportunity to use this technology as a learning tool. This is the second year of this initiative.

## Economic Factors And Future Budgets And Tax Rates

- The District is a *Chapter 41 Recapture* district with per weighted student funding levels capped at 2006 revenue targets. The District cuts anticipated are 94.9% of revenue targets for 2011-2012 and 90.9% of revenue targets for 2012-2013. The District has planned for and prepared the 2011-2012 budget to anticipated the budget cuts equally over the biennium. The District estimated a reduction of \$4,400,000 per year for the biennium.
- The District's enrollment and ADA (Average Daily Attendance) have not rebounded from the impact of Hurricane Ike. For fiscal year 2012 the district anticipates a peak enrollment of 7,742 students, which is not an increase over the current (FY 2011) fiscal year. Pre-Hurricane Ike Average Daily Attendance (ADA) was 7,670 our FY 2011 current ADA is 7,275. No increase in ADA is anticipated for FY 2012. For two years, FY's 2009 and 2010, the District was awarded TEA Disaster Relief funding to offset the decrease in ADA. These aide payments totaled \$1,050,640. Although our enrollment and ADA has stabilized, we have not recouped from the enrollment decrease occasioned by Hurricane Ike.
- The District currently employs 1,061 faculty and staff, to include 68 employees in central administration departments, 511.5 teachers, librarians, counselors, and nurses plus 224 other school leadership and support staff, 110.5 maintenance employees, 69.5 cafeteria workers and 77.5 employees in transportation for the 2011-12 budget. FTE's were reduced by 82 for a reduction in personnel services for library/media specialists, reading intervention specialists, science specialists, math specialists, career and college preparation specialist, as well the district increased the student/teacher ratio. Staff were also eligible for an early notification of resignation/retirement incentive for the 2010-2011 school year and allowed the district to reduce positions through attrition, assignment responsibilities were redistributed among remaining staff. Attrition is ongoing and will continue through the foreseeable fiscal years. To date, the only program eliminated was Family and Consumer Science at La Porte High School.
- The District maintains 12 campuses for instruction. La Porte ISD is a Recognized District with two Exemplary campuses, four Recognized campuses, five Academically Acceptable campus, and one Alternative Campus that is AEA: Academically Acceptable.
- The 2011 (fiscal year 2011-12) Certified Taxable Property Value as reported by the Harris and Chambers County Appraisal Districts total \$5,840,953,088 which is approximately 2.1% higher than the 2010 taxable values. The budget was planned using the preliminary estimated Certified Taxable Property Value of \$5,642,915,149.
- The property tax rate for 2011-12 will increase to 1.355 per \$100 of assessed value, up \$0.03 from 2010-11. The increase is in the Interest and Sinking tax rate.
- La Porte students are served through a variety of programs to include: At-Risk services, Advancement via Individual Determination (AVID), Bilingual/ESL, Career Technology Education, College and Career Readiness, Dual Language, Gifted and Talented, full day Pre-Kindergarten, Pregnancy and Parenting, Response to Intervention, and Special Education.
- Supplemental funding sources that support student programs include: State Compensatory Education, School Health Advisory Competitive Grant, Title II Part A, Title I, Carl Perkins Grant, Beginning Teacher Induction & Mentoring.
- The District used student data and teacher input as part of the needs assessment process to drive professional development. Additional data sources include DEIC and Campus CPOC's.

All of these factors were considered in preparing the District's budget for the 2012 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, La Porte Independent School District.

## **BASIC FINANCIAL STATEMENTS**

LA PORTE INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2011

EXHIBIT A-1

Data Control Codes	<b>ASSETS</b>	<u>Governmental Activities</u>
	<b>Current assets:</b>	
1110	Cash and cash equivalents	\$ 84,023,133
1220	Property taxes receivable	3,007,105
1230	Allowance for uncollectible property taxes	(1,061,900)
1240	Due from other governments	5,180,690
1260	Due from fiduciary funds	41,981
1290	Other receivables	5,382
1310	Inventories	84,516
1410	Prepaid items	107,242
1420	Capital bond & other debt issuance costs	1,935,048
	Total current and other assets	<u>93,323,197</u>
	<b>Capital assets:</b>	
1510	Land	10,254,937
1520	Building and improvements	222,272,955
1530	Furniture and equipment	12,962,896
1580	Construction in progress	29,433,074
1560	Less accumulated depreciation	(53,988,961)
	Total capital assets (net)	<u>220,934,901</u>
1000	<b>Total assets</b>	<u>314,258,098</u>
	<b>LIABILITIES</b>	
	<b>Current liabilities:</b>	
2110	Accounts payable	1,885,387
2140	Interest payable	3,691,758
2150	Payroll deductions and withholdings payable	920,571
2160	Accrued wages payable	1,716,388
2170	Due to fiduciary funds	17,109
2180	Due to other governments	5,359,492
2300	Unearned revenue	8,319,147
2501	Noncurrent liabilities due within one year	8,542,329
	Total current liabilities	<u>30,452,181</u>
	<b>Noncurrent liabilities:</b>	
2502	Noncurrent liabilities due in more than one year	216,958,588
	Total noncurrent liabilities	<u>216,958,588</u>
2000	<b>Total liabilities</b>	<u>247,410,769</u>
	<b>NET ASSETS</b>	
3200	Invested in capital assets, net of related debt	50,203,269
	Restricted for:	
3840	Grant funds	1,218,644
3850	Debt service	7,637,546
3900	Unrestricted	7,787,870
	Total net assets	<u>\$ 66,847,329</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT B-1**

Data Control Codes		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>					
11	Instruction	\$ 43,789,099	\$ 27,886	\$ 6,946,682	\$ (36,814,531)
12	Instructional resources and media services	825,891	-	70,996	(754,895)
13	Curriculum and staff development	671,220	-	396,692	(274,528)
21	Instructional leadership	1,026,317	-	88,765	(937,552)
23	School leadership	3,752,183	-	215,532	(3,536,651)
31	Guidance and counseling	2,432,240	-	607,554	(1,824,686)
32	Social work services	181,588	-	5,102	(176,486)
33	Health services	815,913	-	47,766	(768,147)
34	Student (pupil) transportation	3,151,946	-	682,478	(2,469,468)
35	Food services	3,765,475	1,847,263	2,271,177	352,965
36	Cocurricular/extracurricular activities	2,248,364	111,767	494,560	(1,642,037)
41	General administration	3,441,371	-	117,458	(3,323,913)
51	Plant maintenance and operations	9,498,226	50,931	193,072	(9,254,223)
52	Security and monitoring services	609,179	-	8,524	(600,655)
53	Data processing services	1,757,198	-	58,988	(1,698,210)
61	Ancillary services	85,274	-	10,654	(74,620)
71	Debt service - interest and fees	9,807,789	-	-	(9,807,789)
81	Facilities repair and maintenance	1,432,410	-	-	(1,432,410)
91	Contracted instructional services	15,406,248	-	-	(15,406,248)
93	Payments to fiscal agent	89,793	-	71,750	(18,043)
95	Payments to juvenile justice alternative education program	20,790	-	-	(20,790)
97	Payments to tax increment fund	1,110,264	-	-	(1,110,264)
99	Other intergovernmental charges	644,788	-	-	(644,788)
	<b>TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 106,563,566</u>	<u>\$ 2,037,847</u>	<u>\$ 12,287,750</u>	<u>(92,237,969)</u>

Data Control Codes		
General revenues:		
Taxes:		
MT	Property taxes, levied for general purposes	60,018,204
DT	Property taxes, levied for debt service	16,423,702
SF	State aid-grants and contributions not restricted to specific programs	7,313,766
IE	Investment earnings	148,288
FR	SHARS/MAC	770,963
SI	Special item - loss on the disposal of capital assets	(530,318)
MI	Miscellaneous	2,366,955
TG	Total general revenues	<u>86,511,560</u>
CN	Change in net assets	(5,726,409)
NB	Net assets—beginning	72,573,738
NE	Net assets—ending	<u>\$ 66,847,329</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENT FUNDS  
JUNE 30, 2011**

**EXHIBIT C-1**

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
1110 Cash and cash equivalents	\$ 34,990,044	\$ 11,070,886	\$ 29,859,131	\$ 6,611,230	\$ 82,531,291
Receivables					
1220 Property taxes - delinquent	2,465,235	541,870	-	-	3,007,105
1230 Allowance for uncollectible taxes	(892,900)	(169,000)	-	-	(1,061,900)
1240 Due from other governments	4,417,969	16,004	4,600	742,117	5,180,690
1260 Due from other funds	927,440	-	-	43,652	971,092
1290 Other receivables	5,382	-	-	-	5,382
1310 Inventories, at cost	29,767	-	-	54,749	84,516
1410 Deferred expenditures	55,784	-	49,293	-	105,077
1000 <b>Total Assets</b>	<u>\$ 41,998,721</u>	<u>\$ 11,459,760</u>	<u>\$ 29,913,024</u>	<u>\$ 7,451,748</u>	<u>\$ 90,823,253</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
2110 Accounts payable	\$ 553,515	\$ -	\$ 698,881	\$ 63,890	\$ 1,316,286
2150 Payroll deductions and withholdings payable	920,571	-	-	-	920,571
2160 Accrued wages payable	1,496,852	-	-	219,536	1,716,388
2170 Due to other funds	41,976	130,456	-	778,078	950,510
2180 Due to other governments	5,342,756	-	16,736	-	5,359,492
2300 Deferred revenue	9,830,581	372,871	-	60,901	10,264,353
2000 <b>Total Liabilities</b>	<u>18,186,251</u>	<u>503,327</u>	<u>715,617</u>	<u>1,122,405</u>	<u>20,527,600</u>
<b>FUND BALANCES</b>					
Non-spendable					
3410 Inventories	29,767	-	-	54,749	84,516
3430 Prepaid items	55,784	-	49,293	-	105,077
Restricted for					
3450 Grant funds	-	-	-	1,218,644	1,218,644
3470 Capital acquisitions	-	-	29,148,114	-	29,148,114
3480 Retirement of long-term debt	-	10,956,433	-	-	10,956,433
Committed for					
3520 Compensated absences	980,372	-	-	-	980,372
3540 Self insurance	1,000,000	-	-	-	1,000,000
3545 Local special revenue funds	-	-	-	5,055,950	5,055,950
3600 Unassigned					
General fund	21,746,547	-	-	-	21,746,547
3000 <b>Total Fund Balances</b>	<u>23,812,470</u>	<u>10,956,433</u>	<u>29,197,407</u>	<u>6,329,343</u>	<u>70,295,653</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 41,998,721</u>	<u>\$ 11,459,760</u>	<u>\$ 29,913,024</u>	<u>\$ 7,451,748</u>	<u>\$ 90,823,253</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**EXHIBIT C-2**

**Total fund balances--governmental funds** \$ 70,295,653

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Historical cost	\$ 274,923,862	
Accumulated depreciation	<u>(53,988,961)</u>	
Change due to Capital Assets	<u>220,934,901</u>	220,934,901

Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 1,945,206

Internal service funds are used by the District's management to charge the costs of the workers' compensation insurance program and print shop to the individual funds. The assets and liabilities of the internal service fund are included in the government wide statement of net assets. 929,196

Bond issuance costs are not financial resources and therefore are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds. 1,935,048

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	(221,035,000)	
Deferred loss on refunding	411,946	
Premiums on issuance	(3,897,491)	
Compensated absences	(980,372)	
Accrued interest payable	<u>(3,691,758)</u>	
Change due to long-term liabilities	<u>(229,192,675)</u>	<u>(229,192,675)</u>

**Total net assets--governmental activities** \$ 66,847,329



**LA PORTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT C-3**

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
5700 Total local and intermediate sources	\$ 61,419,251	\$ 16,500,633	\$ 942,750	\$ 2,610,846	\$ 81,473,480
5800 State program revenues	10,733,691	-	-	717,295	11,450,986
5900 Federal program revenues	770,963	-	-	7,397,420	8,168,383
5020 <b>Total Revenues</b>	<u>72,923,905</u>	<u>16,500,633</u>	<u>942,750</u>	<u>10,725,561</u>	<u>101,092,849</u>
<b>EXPENDITURES</b>					
Current:					
0011 Instruction	35,766,678	-	611,645	4,986,372	41,364,695
0012 Instructional resources and media services	801,806	-	-	38,356	840,162
0013 Curriculum and instructional staff development	290,570	-	-	389,647	680,217
0021 Instructional administration	1,013,600	-	-	36,224	1,049,824
0023 School administration	3,826,018	-	-	13,405	3,839,423
0031 Guidance and counseling	1,983,502	-	-	503,645	2,487,147
0032 Social work services	184,084	-	-	-	184,084
0033 Health services	833,817	-	-	1,852	835,669
0034 Student (pupil) transportation	2,978,589	-	-	2,676	2,981,265
0035 Food services	-	-	-	3,824,108	3,824,108
0036 Cocurricular/extracurricular activities	1,445,235	-	-	475,180	1,920,415
0041 General administration	3,032,676	-	105,864	-	3,138,540
0051 Plant maintenance and operations	4,783,405	-	2,063,666	2,661,335	9,508,406
0052 Security and monitoring services	615,219	-	-	549	615,768
0053 Data processing services	1,140,741	-	287,440	93	1,428,274
0061 Ancillary services	69,447	-	-	10,654	80,101
0070 Debt service:					
0071 Principal	-	7,290,000	-	-	7,290,000
0072 Interest	-	9,565,232	-	-	9,565,232
0073 Bond issuance cost and fees	-	3,300	288,212	-	291,512
0081 Facilities acquisition and construction	-	-	11,027,305	-	11,027,305
0090 Intergovernmental:					
0091 Contracted instructional services	15,406,248	-	-	-	15,406,248
0093 Payments to fiscal agent	18,043	-	-	71,750	89,793
0095 Payments to juvenile justice alternative ed program	20,790	-	-	-	20,790
0097 Payments to tax increment fund	1,110,264	-	-	-	1,110,264
0099 Other intergovernmental charges	644,788	-	-	-	644,788
6030 <b>Total Expenditures</b>	<u>75,965,520</u>	<u>16,858,532</u>	<u>14,384,132</u>	<u>13,015,846</u>	<u>120,224,030</u>
1100 <b>Excess of Revenues Over (Under) Expenditures</b>	(3,041,615)	(357,899)	(13,441,382)	(2,290,285)	(19,131,181)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
7911 Capital-related debt issuance	-	-	26,660,000	-	26,660,000
7916 Premium or discount on issuance of bonds	-	-	437,855	-	437,855
7915 Transfers in	-	-	-	1,525	1,525
8911 Transfers out	(1,525)	-	-	-	(1,525)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>(1,525)</u>	<u>-</u>	<u>27,097,855</u>	<u>1,525</u>	<u>27,097,855</u>
1200 Net Change in Fund Balances	(3,043,140)	(357,899)	13,656,473	(2,288,760)	7,966,674
0100 <b>Fund Balance - July 1</b>	26,855,610	11,314,332	15,540,934	8,618,103	62,328,979
3000 <b>Fund Balance - June 30</b>	<u>\$ 23,812,470</u>	<u>\$ 10,956,433</u>	<u>\$ 29,197,407</u>	<u>\$ 6,329,343</u>	<u>\$ 70,295,653</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT C-4**

Net change in fund balances—total governmental funds \$ 7,966,674

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The capital outlays that were expensed for governmental purposes but capitalized in statement of net assets were: 10,834,840

Depreciation expense is recorded in statement of activities but is not recorded in the governmental fund statement of revenues, expenditures and changes in fund balance. The total amount of depreciation expense was: (5,515,576)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. For the statement of activities, a portion of the current year property tax is recognized as income in the current year along with the related penalties and interest. The difference between the fund basis and full accrual basis on property taxes was: (255,692)

Current year amortization of deferred loss on refunding bonds is not recorded in the governmental funds. (184,244)

Current year amortization of bond issuance costs is not recorded in the governmental funds. (215,257)

Current year amortization of premium on bonds payable is not recorded in the governmental funds. 460,313

The current year issuance of bonds are shown as an other resource in the fund financial statements but are shown as an increase in long-term liabilities on the government-wide financial statements. (26,660,000)

Bond issuance costs are expensed in full when paid on the fund financial statements, whereas they are amortized to expense over the life of the related bonds payable on the government-wide financial statements. 288,213

Premiums associated with bonds payable are reported as revenue when bonds are issued. Amounts are reported net of amortization on the government-wide financial statements. (437,855)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets, the amount of principal payments was: 7,290,000

The current year loss on disposal of capital assets is not recorded in the governmental funds (530,318)

The change in the interest expense accrual amount was: (300,070)

Internal service funds are used by management to charge the costs of workers compensation and print shop activities to the governmental funds. Accordingly, the income in the internal service funds is allocated back to the governmental activities. 226,962

Change in compensated absences to accrual basis. 1,305,601

Change in net assets of governmental activities \$ (5,726,409)

LA PORTE INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2011

EXHIBIT D-1

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
<b>ASSETS</b>		
Current Assets:		
1110	Cash and cash equivalents	\$ 1,491,842
1260	Due from other funds	6,189
1410	Deferred expenditures	2,165
	Total current assets	<u>1,500,196</u>
1000	<b>Total Assets</b>	<u><u>\$ 1,500,196</u></u>
 <b>LIABILITIES</b>		
Current Liabilities:		
2110	Accounts payable	6,999
2170	Due to other funds	1,899
2200	Accrued expenses	562,102
	Total current liabilities	<u>571,000</u>
2000	<b>Total Liabilities</b>	<u><u>571,000</u></u>
 <b>NET ASSETS</b>		
3300	Unrestricted net assets	<u>929,196</u>
3000	<b>Total Net Assets</b>	<u>929,196</u>
4000	<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 1,500,196</u></u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS – PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT D-2**

<u>Codes</u>		<u>Internal Service Fund</u>
	<b>OPERATING REVENUES</b>	
5700	Charges for services	\$ 865,148
5020	Total operating revenues	<u>865,148</u>
	<b>OPERATING EXPENSES</b>	
6100	Payroll costs	56,226
6200	Purchased and contracted services	581,960
6030	Total operating expenses	<u>638,186</u>
	Operating income	<u>226,962</u>
1300	<b>Change in Net Assets</b>	226,962
0100	<b>Net Assets - July 1 (Beginning)</b>	<u>702,234</u>
3300	<b>Net Assets - June 30 (Ending)</b>	<u><u>\$ 929,196</u></u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT D-3**

	<b>Internal Service Fund</b>
	<u>                    </u>
<b>Cash Flows From Operating Activities:</b>	
Cash received from charges for services	\$ 1,636,848
Cash payments for insurance claims	(463,827)
Cash payments for other operating expenses	<u>(212,816)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>960,205</u>
<b>Net increase in cash and cash equivalents</b>	960,205
Cash and cash equivalents at beginning of the year	<u>531,637</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>\$ 1,491,842</u></u>
<b>Reconciliation of Operating Income to Net Cash used in Operating Activities:</b>	
Operating Income:	\$ 226,962
Effect of increases and decreases in current assets and liabilities:	
Decrease in due from other funds	766,100
Decrease in deferred expenditures	5
Increase in accounts payable	6,999
Increase in due to other funds	1,899
Decrease in accrued expenses	<u>(41,760)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 960,205</u></u>

LA PORTE INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2011

EXHIBIT E-1

<u>Data Control Code</u>	806	865
	<u>Trust Funds</u>	<u>Student Activity Fund</u>
<b>ASSETS</b>		
1110 Cash and cash equivalents	\$ 188,387	\$ 228,182
1260 Due from other funds	-	17,109
1290 Other receivables	-	-
<b>Total Assets</b>	<u>188,387</u>	<u>\$ 245,291</u>
<b>LIABILITIES</b>		
2110 Accounts payable	-	\$ 6,270
2170 Due to other funds	28,359	13,622
2190 Due to student groups	-	225,399
<b>Total Liabilities</b>	<u>28,359</u>	<u>\$ 245,291</u>
<b>NET ASSETS</b>		
Restricted	<u>\$ 160,028</u>	

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT E-2**

**806**

	<u>Trust Funds</u>
<b>Additions</b>	
Gifts and contributions	\$ 10,216
Earnings on investments	297
Transfers in	
<b>Total Additions</b>	<u>10,513</u>
<b>Deductions</b>	
Scholarships awarded	17,900
<b>Total Deductions</b>	<u>17,900</u>
Change in Net Assets	(7,387)
<b>Net assets beginning of year</b>	<u>167,415</u>
<b>Net assets end of year</b>	<u><u>\$ 160,028</u></u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

The La Porte Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide (FASRG)* and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies of the District.

**A. Reporting Entity**

The Board of Trustees (the Board) is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity* as amended by GASB 39, *Determining Whether Certain Organizations are Component Units*. There are no component units included within the reporting entity and the District is not included in any other governmental reporting entity.

**B. Government-Wide and Fund Financial Statements**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the La Porte Independent School District non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no business-type activities for the year ended June 30, 2011.

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



**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Government-Wide and Fund Financial Statements – Continued**

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund services provided and used are not eliminated in the process of consolidation.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

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

Measurement focus is the accounting convention, which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements (with the exception of agency funds which are custodial in nature thus do not have a measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amounts.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. Net assets are segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Fund Accounting**

The District's accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District reports the following major governmental funds:

The General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major program revenues include local property taxes, state funding under the foundation school program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

Debt Service Funds – The debt service fund is utilized to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Funds – The capital project fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from proceeds of general obligation bonds and interest earned on such monies and local sources designated for such purposes.

Additionally, the District reports the following non major fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or committed for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Fund Accounting – Continued**

Proprietary Funds:

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's internal service funds are a worker's compensation fund and a print shop fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. All other revenues and expenses are nonoperating items.

Fiduciary Funds:

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency funds are student activity funds and a scholarship fund.

**E. Budgets and Budgetary Accounting**

The District facilitates budgeting and budgetary control by preparing annual budgets for the General Fund, Food Service Fund, Debt Service Fund and Capital Project Fund and appropriately amending the budgets as circumstances dictate; the annual budgets as amended are an integral part of the accounting system, providing appropriate budgetary control over revenues, expenditures and transfers through comparison of actual data and encumbrances to budgetary data.

The Superintendent of Schools is designated as the budget officer of the District and is responsible for preparing, or causing to be prepared, a budget for the next succeeding fiscal year.

The Board of Trustees may approve amendments to the budget, which are required when a change is made to any one of the functional expenditure categories or revenue object accounts defined by the Texas Education Agency. Such amendments must be reflected in the official minutes of the Board, and may not, by law, occur after June 30. Therefore, the legal level of budgetary control is at the function level within each budgeted fund. Management may transfer appropriations between objects, sub-objects, organizations, programs, and projects without approval from the Board of Trustees, as long as appropriations are not increased at the function level.

The Texas Education Agency (TEA) requires the budgets to be filed with them through regular submissions to the Public Education Information Management System (PEIMS).

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**E. Budgets and Budgetary Accounting – Continued**

The budget should not be exceeded in any functional expenditure category under TEA requirements. The final amended versions of these budgets are used in this report.

Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year appropriations by an amount equal to outstanding encumbrances. Supplemental appropriations were not significant to the original adopted budget for the fiscal year ended June 30, 2011.

Budgets for the General Fund, Food Service Fund, Debt Service Fund, Capital Projects Fund and High School Allotment Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**F. Cash and Cash Equivalents**

The District's cash is comprised of demand accounts and imprest funds. All daily receipts are deposited to the demand accounts until the funds are invested under the terms of the District's depository contract. The District considers cash equivalents to be all highly liquid investments with initial maturities of ninety days or less from the date of purchase.

**G. Temporary Investments**

In accordance with GASB Statement No. 31, 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 the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

**H. Inventory**

Inventories on the balance sheet consist of materials and supplies and are recorded at first-in, first-out (FIFO) cost. The District follows the consumption method of accounting whereby supplies and materials are recorded as expenditures when utilized.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**I. Compensated Absences**

A permanent employee who was employed by the District prior to September 1, 1994, contributes to the Teacher Retirement System (TRS) through payroll deductions, was employed by the District for the past ten consecutive years, and who retires from the District under the provisions of TRS shall be paid for all unused state and local sick leave accrued while employed by the District. The total paid days cannot exceed 90 and will be based on the employee's then current rate during the 2003-2004 fiscal year.

In lieu of benefits provided in the preceding paragraph, an employee eligible for such benefits may opt to receive a lump sum equivalent to seventy percent of the eligible benefits made available by this policy in exchange for waiving all other benefit owned under this policy.

Twelve-month employees with less than ten years of service will accrue .834 days of vacation each month between July 1 and June 30. Twelve-month employees with greater than ten years of service will accrue 1.25 days of vacation each month between July 1 and June 30. Employees may accrue up to a maximum of 25 vacation days. Earned vacation time shall be paid to any terminating staff member.

The accrual for accumulated unpaid sick leave and vacation leave benefits has been recorded in the government-wide financial statements.

**J. Account Code Reporting**

In accordance with the Texas Education Code, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by the TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

**K. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of June 30, 2011 will change.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**L. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to 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 school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based upon historical experience in collecting property taxes. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District expects to receive all significant receivables within one year of June 30, 2011.

**M. Capital Assets**

Capital assets, which include land, buildings and furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-65
Furniture and equipment	5-30

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**N. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the 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.

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

**O. Interfund Transactions**

During the course of normal operations, it is necessary for the District to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- Reimbursements to a fund, which are generally reflected through the allocation of pooled cash accounts, for expenditures or expenses initially made from it, that are properly applicable to another fund.
- Transfers of equity balances from one fund to another.
- Transfers in and out, as appropriate, which are shown as other financing sources or uses in the fund financial statements.
- All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements.

**P. Fund Balances and Net Assets**

**Government-Wide Financial Statements**

Net assets on the Statement of Net Assets include the following:

Invested in capital assets, net of related debt -- the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.



**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**P. Fund Balances and Net Assets – Continued**

**Government-Wide Financial Statements – Continued**

Restricted for debt service -- the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by law.

Restricted for grant programs -- the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by the providers of the funds.

Unrestricted -- the difference between the assets and liabilities that is not reported in any of the classifications above.

**Governmental Fund Financial Statements**

During the year ended June 30, 2011 the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54). The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Non-spendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**P. Fund Balances and Net Assets – Continued**

**Governmental Fund Financial Statements – Continued**

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. This classification includes campus activity funds, local special revenue funds, self-insurance and compensated absences.

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Chief Financial Officer pursuant to the District's fund balance policy. At June 30, 2011 the District had no assigned fund balance classifications.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2. BONDED DEBT PAYABLE**

Bonded debt payable as of June 30, 2011 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2010	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2011
Unlimited Tax School House Bonds Series 2010B	3.52-4.64	\$ 18,880,000	\$ -	\$ 18,880,000	\$ -	\$ -	\$ 18,880,000
Unlimited Tax School House Bonds Series 2010A	2.00-4.00	7,780,000	-	7,780,000	-	150,000	7,630,000
Unlimited Tax School Refunding Bonds Series 2010	2.25-5.00	19,500,000	19,500,000	-	-	815,000	18,685,000
Unlimited Tax School House Bonds Series 2009	3.00-5.00	29,480,000	29,480,000	-	-	375,000	29,105,000
Unlimited Tax School House Bonds Series 2008A	3.00-5.00	20,895,000	20,615,000	-	-	660,000	19,955,000
Unlimited Tax School House Bonds Series 2008	3.00-5.00	65,000,000	63,365,000	-	-	990,000	62,375,000
Unlimited Tax School House and Refunding Bonds Series 2005A	3.50-5.00	63,700,000	58,460,000	-	-	1,940,000	56,520,000
Unlimited Tax Refunding Bonds Series 2005	3.25-5.00	10,755,000	9,745,000	-	-	2,110,000	7,635,000
Unlimited Tax School House Bonds Series 2001	4.82-4.82	2,500,000	500,000	-	-	250,000	250,000
Total bonded debt payable			<u>\$ 201,665,000</u>	<u>\$ 26,660,000</u>	<u>\$ -</u>	<u>\$ 7,290,000</u>	<u>\$ 221,035,000</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 2. BONDED DEBT PAYABLE – CONTINUED**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the bonds in an irrevocable trust for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2011, approximately \$24.4 million of the 1998, 1999, 2000, and 2002 series bond issues were outstanding but considered defeased.

The debt service requirements on the above bonds are as follows:

Due Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 7,725,000	\$ 9,862,654	\$ 17,587,654
2013	8,000,000	9,571,466	17,571,466
2014	8,255,000	9,312,079	17,567,079
2015	8,545,000	9,052,641	17,597,641
2016	8,860,000	8,738,379	17,598,379
2017-2021	50,100,000	38,165,856	88,265,856
2022-2026	63,040,000	25,683,947	88,723,947
2027-2031	66,510,000	9,806,407	76,316,407
	<u>\$ 221,035,000</u>	<u>\$ 120,193,429</u>	<u>\$ 341,228,429</u>

Bonded debt payable is collateralized by revenue from the District's tax collections.

**NOTE 3. ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Permanent employees hired by the District prior to September 1, 1994 and employed for at least 10 consecutive years will be paid for all unused state and local sick leave, up to a maximum of 90 days, at their rate in the 2003-04 school years. A summary of changes in the accumulated sick leave follows:

Balance, July 1, 2010	\$ 2,285,973
New entrants and salary increments	8,678
Payments to participants	<u>(1,314,279)</u>
Balance, June 30, 2011	<u>\$ 980,372</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 4. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds and notes payable					
General obligation bonds	\$201,665,000	\$26,660,000	\$7,290,000	\$221,035,000	\$ 7,725,000
Premium on bonds	3,919,949	437,855	460,313	3,897,491	463,878
Deferred loss on bond refundings	(596,190)	-	(184,244)	(411,946)	(67,549)
Compensated absences	<u>2,285,973</u>	<u>8,678</u>	<u>1,314,279</u>	<u>980,372</u>	<u>421,000</u>
<b>Total Governmental activities long-term liabilities</b>	<u>\$207,274,732</u>	<u>\$27,106,533</u>	<u>\$8,880,348</u>	<u>\$225,500,917</u>	<u>\$ 8,542,329</u>

**NOTE 5. CAPITAL ASSET ACTIVITY**

Capital asset activity for the district for the year ended June 30, 2011 was as follows:

Primary government:

	<u>Balance 7/01/10</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 6/30/11</u>
Capital assets, not being depreciated				
Land	\$ 10,254,937	\$ -	\$ -	\$ 10,254,937
Construction in progress	<u>19,838,661</u>	<u>9,594,413</u>	<u>-</u>	<u>29,433,074</u>
<b>Total capital assets, not being depreciated</b>	30,093,598	9,594,413	-	39,688,011
Capital assets, being depreciated				
Buildings and improvements	222,858,753	971,323	1,557,121	222,272,955
Furniture and equipment	<u>12,693,792</u>	<u>269,104</u>	<u>-</u>	<u>12,962,896</u>
<b>Total capital assets, being depreciated</b>	235,552,545	1,240,427	1,557,121	235,235,851
Less accumulated depreciation on:				
Buildings and improvements	41,428,662	4,715,013	1,026,803	45,116,872
Furniture and equipment	<u>8,071,526</u>	<u>800,563</u>	<u>-</u>	<u>8,872,089</u>
<b>Total accumulated depreciation</b>	<u>49,500,188</u>	<u>5,515,576</u>	<u>1,026,803</u>	<u>53,988,961</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 216,145,955</u>	<u>\$ 5,319,264</u>	<u>\$ 530,318</u>	<u>\$220,934,901</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 5. CAPITAL ASSET ACTIVITY – CONTINUED**

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

Instruction	\$ 3,954,904
Instructional resources and media services	1,424
School leadership	695
Student (pupil) transportation	269,650
Food services	76,694
Co-curricular/extracurricular activities	357,511
General administration	46,799
Plant maintenance and operations	436,337
Data processing services	366,389
Community service	5,173
	<hr/>
Total Depreciation Expense	<u><u>\$ 5,515,576</u></u>

The District has active construction projects as of June 30, 2011. The projects include the construction and equipment of school facilities. At year-end, the District had outstanding construction commitments as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
Project management and consulting fees	\$ 2,744,529	\$ 1,518,190	\$ 1,226,339
Reid Elementary School renovations	7,763,854	6,860,281	903,573
Rizzuto Elementary School renovations	8,408,221	7,806,429	601,792
College Park Elementary School renovations	3,267,667	2,626,083	641,584
La Porte Jr. High School renovations	8,346,693	7,306,733	1,039,960
La Porte Elementary School renovations	1,027,744	962,857	64,887
DeWalt Alternative School renovations	1,256,946	786,287	470,659
JROTC Building renovations	1,193,017	1,171,010	22,007
DeWalt Alternative School parking lot	220,130	220,071	59
Lomax Elementary parking lot	160,866	159,555	1,311
Street rebuild	448,567	15,578	432,989
	<u><u>\$ 34,838,234</u></u>	<u>29,433,074</u>	<u><u>\$ 5,405,160</u></u>
Less: transfers out for completed items		<hr/> -	
Net CIP additions		<u><u>\$ 29,433,074</u></u>	

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. DEPOSITS AND INVESTMENTS**

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

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes and the District's investment policy authorized the District to invest in the following investments as summarized in the table:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Investment in One Issuer
U.S. Treasury obligations	10 years	none	none
U.S. Agency obligations	10 years	none	none
Certificates of deposit	none	none	none
Repurchase agreements	90 days	none	none
Public funds investment pool	n/a	none	none

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 82,531,291
Proprietary funds	1,491,842
Fiduciary funds	<u>416,569</u>
	<u><u>\$ 84,439,702</u></u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED**

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	\$ 42,941,164
Investments	<u>41,498,538</u>
	<u>\$ 84,439,702</u>

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no formal policy related to interest rate risk.

As of June 30, 2011, the District had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2011</u>
TexPool	\$ 437,361	45 days	AAA	AAAm
Lone Star Investment Pool	39,099,242	60 days	AAA	AAA
Certificates of Deposit	1,664,355	N/A	N/A	Not rated
Texas CLASS	<u>297,580</u>	51 days	AAA	AAAm
	<u>\$ 41,498,538</u>			

As of June 30, 2011 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the Public Funds Investment Act, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.



**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED**

**Concentration of Credit Risk**

The investment policy of the District does not require the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of June 30, 2011, the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

- A. Depository: Wells Fargo
- B. Security pledged as of the date of the highest combined balance on deposit was \$80,525,565.
- C. Largest cash, savings and time deposit combined account balance amounted to \$69,100,235 and occurred during the month of February 2011.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investment in State Investment Pools**

The District is a voluntary participant in various investment pools. These pools included the following: TexPool, Lone Star Investment Pool and Texas CLASS.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act.

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. Texas CLASS carries a letter of credit that ensures the integrity of the fund, making it the only investment pool in Texas backed by a letter of credit. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 7. RETIREMENT PLAN**

*Plan Description.* The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010 and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances, the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period January 2010 through June 2011. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2011, 2010 and 2009 were approximately \$2.8 million, \$3.0 million and \$2.8 million, respectively. The District paid additional state contributions for the years ended June 30, 2011, 2010 and 2009 in the amount of approximately \$600,000, \$600,000, and \$600,000, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 8. SCHOOL DISTRICT RETIREE HEALTH PLAN**

*Plan Description.* The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2011, 2010, and 2009, the State's contributions to TRS-Care were approximately \$450,000, \$500,000 and \$450,000, respectively, the active member contributions were approximately \$300,000, \$300,000, and \$300,000, respectively, and the school district's contributions were approximately \$250,000, \$250,000, and \$250,000, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$106,595, \$118,385 and \$102,896, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

In addition, the District is a member of the Texas Association of School Boards Joint Account Self-Insurance Fund (Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for unemployment compensation coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its unemployment compensation coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts.

Effective in fiscal year 2008, the District established a self-insurance plan for workers' compensation benefits for employees. The Districts' retention of risk is \$500,000 per occurrence with an aggregate stop-loss limit of \$1,000,000. Claims incurred by the employees of the District are handled by a third party administrator who is responsible for estimating losses to be incurred by the District and ultimately paid to the claimant.

Settled claims have not exceeded the aggregate coverage in any year the plan has been in effect. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$562,102 as of June 30, 2011, includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims and claims incurred but not yet reported is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third party administrator. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Changes in the fund's claims liability amount for the year ended June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Liability, beginning of year	\$ 603,862	\$ 315,738
Current year claims and changes in estimates	380,307	875,398
Claim payments	<u>(422,067)</u>	<u>(587,274)</u>
Liability, end of year	<u>\$ 562,102</u>	<u>\$ 603,862</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 10. LITIGATION**

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

**NOTE 11. DUE FROM STATE AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2011, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Federal Grants	State Entitlements	Local Governments	Total
General	\$ -	\$ 4,355,195	\$ 62,774	\$ 4,417,969
Special revenue	702,024	40,093	-	742,117
Debt service	-	-	16,004	16,004
Capital projects	-	-	4,600	4,600
	<u>\$ 702,024</u>	<u>\$ 4,395,288</u>	<u>\$ 83,378</u>	<u>\$ 5,180,690</u>

**NOTE 12. DEFERRED REVENUE**

Deferred revenue at June 30, 2011 consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Net tax revenue	\$ 1,572,335	\$ 372,871	\$ -	\$ 1,945,206
Grant received in advance of expenditures	8,258,246	-	60,901	8,319,147
Total	<u>\$ 9,830,581</u>	<u>\$ 372,871</u>	<u>\$ 60,901</u>	<u>\$ 10,264,353</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 13. INTERFUND BALANCES AND ACTIVITIES**

Interfund balances at June 30, 2011 consisted of the following individual fund balances:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Nonmajor fund	\$ 783,014	Reclass of deficit cash
General fund	Debt service fund	130,456	Reclass of deficit cash
General fund	Internal service fund	20	Reimbursement of expenditures
General fund	Trust and agency fund	13,950	Reimbursement of scholarship checks
Nonmajor fund	General fund	27,032	Reimbursement of expenditures
Nonmajor fund	Nonmajor fund	1,507	Reclass of deficit cash
Nonmajor fund	Internal service fund	1,941	Transfer of funds for benefits
Nonmajor fund	Trust and agency fund	13,172	Reimbursement of expenditures
Internal service fund	General fund	5,212	Interfund services provided
Internal service fund	Nonmajor fund	977	Interfund services provided
Trust and agency fund	General fund	2,543	Contribution owed
Trust and agency fund	Trust and agency fund	14,459	Contribution owed
Trust and agency fund	Internal service fund	<u>107</u>	Reimbursement of expenditures
		<u>\$ 994,390</u>	

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

During the year ended June 30, 2011 transfers between funds occurred as described below:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Fund	\$ 1,525	Payment of receivable owed

**NOTE 14. OPERATING LEASES**

Commitments under operating leases (non-capitalized) for facilities and equipment are subject to fiscal funding clauses and are cancellable by the District. The District is therefore not obligated for minimum future rental payments as of June 30, 2011. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2011 amounted to \$334,764.

**REQUIRED SUPPLEMENTARY INFORMATION**



**LA PORTE INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT G-1**

		General Fund			
		2011			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 60,870,267	\$ 61,589,467	\$ 61,419,251	\$ (170,216)
5800	State program revenues	11,954,637	13,289,237	10,733,691	(2,555,546)
5900	Federal program revenues	145,000	746,000	770,963	24,963
	<b>Total Revenues</b>	<u>72,969,904</u>	<u>75,624,704</u>	<u>72,923,905</u>	<u>(2,700,799)</u>
<b>EXPENDITURES</b>					
0011	Instruction	34,959,681	36,690,009	35,766,678	923,331
0012	Instruction resources and media services	897,203	920,956	801,806	119,150
0013	Curriculum and instructional staff development	382,899	391,716	290,570	101,146
0021	Instructional administration	1,153,801	1,056,679	1,013,600	43,079
0023	School administration	3,854,482	3,956,129	3,826,018	130,111
0031	Guidance and counseling services	2,117,084	2,128,385	1,983,502	144,883
0032	Social work service	155,814	189,514	184,084	5,430
0033	Health services	806,435	847,382	833,817	13,565
0034	Student (pupil) transportation	2,462,218	3,107,118	2,978,589	128,529
0036	Co-curricular/extracurricular activities	1,457,438	1,555,638	1,445,235	110,403
0041	General administration	3,050,256	3,136,526	3,032,676	103,850
0051	Plant maintenance and operations	6,447,407	5,471,807	4,783,405	688,402
0052	Security and monitoring services	594,616	657,416	615,219	42,197
0053	Data processing services	1,223,780	1,241,124	1,140,741	100,383
0061	Community services	79,825	86,410	69,447	16,963
<b>Intergovernmental:</b>					
0091	Contracted instructional services	14,717,396	15,507,398	15,406,248	101,150
0093	Payments to fiscal agent	20,000	18,043	18,043	-
0095	Payments to juvenile justice alt. ed. prgm.	-	20,790	20,790	-
0097	Payments to tax incremental fund	943,739	1,110,739	1,110,264	475
0099	Other intergovernmental charges	645,828	644,828	644,788	40
6030	<b>Total Expenditures</b>	<u>75,969,902</u>	<u>78,738,607</u>	<u>75,965,520</u>	<u>2,773,087</u>
1100	<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(2,999,998)</u>	<u>(3,113,903)</u>	<u>(3,041,615)</u>	<u>72,288</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	(1,525)	(1,525)
7080	<b>Total Other Financing Sources and (Uses)</b>	<u>-</u>	<u>-</u>	<u>(1,525)</u>	<u>(1,525)</u>
1200	<b>Net Change in Fund Balance</b>	(2,999,998)	(3,113,903)	(3,043,140)	70,763
0100	<b>FUND BALANCE - JULY 1</b>	26,855,610	26,855,610	26,855,610	-
3000	<b>FUND BALANCE - JUNE 30</b>	<u>\$ 23,855,612</u>	<u>\$ 23,741,707</u>	<u>\$ 23,812,470</u>	<u>\$ 70,763</u>

See notes to required supplementary information.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011**

**NOTE 1. BUDGETARY DATA**

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

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

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

The official school budget was prepared for adoption for budgeted governmental fund types by July 1, 2010. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end.

## **COMBINING STATEMENTS AND SCHEDULES**

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 TOTAL NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011**

<b>Data Control Codes</b>	<b>204 ESEA Title IV SDFSC</b>	<b>211 ESEA Title I Part A</b>	<b>224 IDEA Part B Formula</b>	<b>225 IDEA Part B Preschool</b>	
<b>ASSETS:</b>					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Receivables:					
1240	Due from other governments	-	92,844	105,804	13,014
1260	Due from other funds	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 92,844</u>	<u>\$ 105,804</u>	<u>\$ 13,014</u>
<b>LIABILITIES:</b>					
Current liabilities:					
2110	Accounts payable	\$ -	\$ 5,914	\$ 129	\$ -
2160	Accrued wages payable	-	17,176	33,542	878
2170	Due to other funds	-	69,754	72,133	12,136
2300	Deferred revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>92,844</u>	<u>105,804</u>	<u>13,014</u>
<b>FUND BALANCE:</b>					
3410	Non-spendable - inventories	-	-	-	-
3450	Restricted for grant funds	-	-	-	-
3545	Committed for local special revenue funds	-	-	-	-
3000	<b>Total Fund Equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Equity</b>	<u>\$ -</u>	<u>\$ 92,844</u>	<u>\$ 105,804</u>	<u>\$ 13,014</u>

**EXHIBIT H-1**

**Page 1 of 3**

<b>240</b>	<b>244</b>	<b>255</b>	<b>262</b>	<b>263</b>	<b>266</b>
<b>Child</b>	<b>Voc. Ed.</b>	<b>ESEA</b>	<b>ESEA Title II,</b>	<b>Title III,</b>	<b>Title</b>
<b>Nutrition</b>	<b>Basic</b>	<b>Title II</b>	<b>Part D</b>	<b>Part A</b>	<b>XIV</b>
	<b>Grant</b>	<b>Part A, TPTR</b>	<b>Technology</b>	<b>LEP &amp; Immigrant</b>	<b>SFSF</b>
\$ 1,255,018	\$ 5,000	\$ -	\$ -	\$ -	\$ 36,994
33,675	49,804	26,516	-	9,153	235,089
30,195	-	-	-	-	-
54,749	-	-	-	-	-
<u>\$ 1,373,637</u>	<u>\$ 54,804</u>	<u>\$ 26,516</u>	<u>\$ -</u>	<u>\$ 9,153</u>	<u>\$ 272,083</u>
\$ 5,719	\$ 13,284	\$ 3,565	\$ -	\$ -	\$ -
54,418	-	466	-	1,015	79,215
13,610	41,520	22,485	-	8,138	192,868
26,497	-	-	-	-	-
<u>100,244</u>	<u>54,804</u>	<u>26,516</u>	<u>-</u>	<u>9,153</u>	<u>272,083</u>
54,749	-	-	-	-	-
1,218,644	-	-	-	-	-
-	-	-	-	-	-
<u>1,273,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,373,637</u>	<u>\$ 54,804</u>	<u>\$ 26,516</u>	<u>\$ -</u>	<u>\$ 9,153</u>	<u>\$ 272,083</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 TOTAL NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011**

<b>Data Control Codes</b>	<b>272 Medicaid Administrative Claiming Program</b>	<b>276 Title I SIP</b>	<b>279 Title II Technology</b>	<b>280 Student Drug Testing</b>
<b>ASSETS:</b>				
1110	Cash and temporary investments	\$ 8,096	\$ -	\$ -
Receivables:				
1240	Due from other governments	14,136	-	543
1260	Due from other funds	-	-	-
1300	Inventories, at cost	-	-	-
1000	<b>Total Assets</b>	<b>\$ 22,232</b>	<b>\$ -</b>	<b>\$ 543</b>
<b>LIABILITIES:</b>				
Current liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	22,232	-	543
2300	Deferred revenues	-	-	-
2000	<b>Total Liabilities</b>	<b>22,232</b>	<b>-</b>	<b>543</b>
<b>FUND BALANCE:</b>				
3410	Non-spendable - inventories	-	-	-
3450	Restricted for grant funds	-	-	-
3545	Committed for local special revenue funds	-	-	-
3000	<b>Total Fund Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>Total Liabilities and Fund Equity</b>	<b>\$ 22,232</b>	<b>\$ -</b>	<b>\$ 543</b>

283 IDEA Part B Formula - ARRA	284 IDEA Part B Preschool - ARRA	285 Title I Part A SIP - ARRA	289 Summer School LEP	394 Pregnancy, Education & Parenting	397 AP/IB Incentive Program	401 Optional Extended Year Program
\$ -	\$ -	\$ 10,528	\$ 2,764	\$ 1	\$ 22,449	\$ -
89,068	2,399	29,979	-	3,145	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 89,068</u>	<u>\$ 2,399</u>	<u>\$ 40,507</u>	<u>\$ 2,764</u>	<u>\$ 3,146</u>	<u>\$ 22,449</u>	<u>\$ -</u>
\$ 1,092	\$ -	\$ 2,158	\$ -	\$ -	\$ -	\$ -
5,942	-	3,122	-	579	-	-
74,661	2,399	35,227	-	2,567	-	-
7,373	-	-	2,764	-	22,449	-
89,068	2,399	40,507	2,764	3,146	22,449	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 89,068</u>	<u>\$ 2,399</u>	<u>\$ 40,507</u>	<u>\$ 2,764</u>	<u>\$ 3,146</u>	<u>\$ 22,449</u>	<u>\$ -</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 TOTAL NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011**

<b>Data Control Codes</b>	<b>404 Accelerated Reading/Math</b>	<b>411 Technology Allotment</b>	<b>415 Kinder - garten &amp; Pre-K Grants</b>	<b>425 Texas Fitness Now</b>	
<b>ASSETS:</b>					
1110	Cash and temporary investments	\$ -	\$ 165,369	\$ 18,828	\$ -
Receivables:					
1241	Due from other governments	6,148	-	28,039	2,699
1260	Due from other funds	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 6,148</u>	<u>\$ 165,369</u>	<u>\$ 46,867</u>	<u>\$ 2,699</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	6,757	7,888	-
2170	Due to other funds	6,148	158,612	38,979	2,699
2300	Deferred revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>6,148</u>	<u>165,369</u>	<u>46,867</u>	<u>2,699</u>
<b>FUND BALANCE:</b>					
3410	Non-spendable - inventories	-	-	-	-
3450	Restricted for grant funds	-	-	-	-
3450	Committed for local special revenue funds	-	-	-	-
3000	<b>Total Fund Equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Equity</b>	<u>\$ 6,148</u>	<u>\$ 165,369</u>	<u>\$ 46,867</u>	<u>\$ 2,699</u>



429 TEA Disaster Relief and License Plate Program	461 Campus Activity Funds	480 Student Drug Testing	481 La Porte Education Foundation	482 SCORE	483 Local Grants & Donations	Total June 30, 2011
\$ 4,633,677	\$ 438,234	\$ 1,125	\$ 6,743	\$ 1,459	\$ 4,945	\$ 6,611,230
62	-	-	-	-	-	742,117
-	13,457	-	-	-	-	43,652
-	-	-	-	-	-	54,749
<u>\$ 4,633,739</u>	<u>\$ 451,691</u>	<u>\$ 1,125</u>	<u>\$ 6,743</u>	<u>\$ 1,459</u>	<u>\$ 4,945</u>	<u>\$ 7,451,748</u>
\$ -	\$ 25,405	\$ -	\$ 6,624	\$ -	\$ -	\$ 63,890
-	8,538	-	-	-	-	219,536
-	1,061	-	-	306	-	778,078
189	-	1,125	-	504	-	60,901
189	35,004	1,125	6,624	810	-	1,122,405
-	-	-	-	-	-	54,749
-	-	-	-	-	-	1,218,644
4,633,550	416,687	-	119	649	4,945	5,055,950
4,633,550	416,687	-	119	649	4,945	6,329,343
<u>\$ 4,633,739</u>	<u>\$ 451,691</u>	<u>\$ 1,125</u>	<u>\$ 6,743</u>	<u>\$ 1,459</u>	<u>\$ 4,945</u>	<u>\$ 7,451,748</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Data Control Codes</b>	<b>204 ESEA Title IV SDFSC</b>	<b>211 ESEA Title I Part A</b>	<b>224 IDEA Part B Formula</b>	<b>225 IDEA Part B Preschool</b>
<b>REVENUES:</b>				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-
5900 Federal program revenues	2,767	709,764	1,001,648	40,341
5020 Total revenues	<u>2,767</u>	<u>709,764</u>	<u>1,001,648</u>	<u>40,341</u>
<b>EXPENDITURES:</b>				
0011 Instruction	-	676,091	713,577	39,187
0012 Instructional resources and media services	-	611	-	-
0013 Curriculum and instructional staff development	-	22,855	12,784	79
0021 Instructional administration	-	-	29,110	281
0023 School administration	-	-	-	-
0031 Guidance and counseling services	2,767	-	246,177	794
0033 Health services	-	-	-	-
0034 Student transportation	-	-	-	-
0035 Food service	-	-	-	-
0036 Co-curricular/extracurricular activities	-	-	-	-
0051 Plant maintenance and operations	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0061 Ancillary services	-	10,207	-	-
0093 Payments to fiscal agent	-	-	-	-
6030 Total Expenditures	<u>2,767</u>	<u>709,764</u>	<u>1,001,648</u>	<u>40,341</u>
1100 Excess (Deficiency) Revenues Over Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES AND (USES)</b>				
7915 Transfers in	-	-	-	-
Total Other Financial Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

Page 1 of 3

240 Child Nutrition	244 Voc. Ed. Basic Grant	255 ESEA Title II Part A, TPTR	262 ESEA Title II, Part D Technology	263 Title III, Part A LEP & Immigrant	266 Title XIV SFSF
\$ 1,849,713	\$ -	\$ -	\$ -	\$ -	\$ -
23,477	-	-	-	-	-
2,247,364	73,442	267,394	3,289	64,020	2,161,530
4,120,554	73,442	267,394	3,289	64,020	2,161,530
-	73,442	71,683	2,781	32,020	2,160,040
-	-	-	-	-	-
-	-	189,344	508	32,000	1,490
-	-	2,450	-	-	-
-	-	3,917	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,824,108	-	-	-	-	-
-	-	-	-	-	-
62,578	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,886,686	73,442	267,394	3,289	64,020	2,161,530
233,868	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
233,868	-	-	-	-	-
1,039,525	-	-	-	-	-
<u>\$ 1,273,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011**

Data Control Codes	272 Medicaid Administrative Claiming Program	276 Title I SIP	279 Title II Technology	280 Student Drug Testing
<b>REVENUES:</b>				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-
5900 Federal program revenues	22,232	13,493	7,617	2,296
5020 <b>Total revenues</b>	<u>22,232</u>	<u>13,493</u>	<u>7,617</u>	<u>2,296</u>
<b>EXPENDITURES:</b>				
0011 Instruction	22,232	3,082	5,901	-
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	-	10,411	1,716	-
0021 Instructional administration	-	-	-	-
0023 School administration	-	-	-	-
0031 Guidance and counseling services	-	-	-	2,296
0033 Health services	-	-	-	-
0034 Student transportation	-	-	-	-
0035 Food service	-	-	-	-
0036 Co-curricular/extracurricular activities	-	-	-	-
0051 Plant maintenance and operations	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0061 Ancillary services	-	-	-	-
0093 Payments to fiscal agent	-	-	-	-
6030 <b>Total Expenditures</b>	<u>22,232</u>	<u>13,493</u>	<u>7,617</u>	<u>2,296</u>
1100 <b>Excess (Deficiency) Revenues Over Expenditures</b>	-	-	-	-
7915 Transfers in	-	-	-	-
<b>Total Other Financial Sources and (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 <b>Net Change in Fund Balance</b>	-	-	-	-
0100 <b>Fund Balance - July 1 (Beginning)</b>	-	-	-	-
3000 <b>Fund Balance - June 30 (Ending)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

283 IDEA Part B Formula - ARRA	284 IDEA Part B Preschool - ARRA	285 Title I Part A SIP - ARRA	289 Summer School LEP	394 Pregnancy, Education & Parenting	397 AP/IB Incentive Program	401 Optional Extended Year Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	19,265	8,212	9,856
540,881	7,355	230,454	1,533	-	-	-
540,881	7,355	230,454	1,533	19,265	8,212	9,856
206,520	6,558	211,332	1,533	19,265	2,782	9,856
-	-	730	-	-	-	-
5,989	-	17,280	-	-	5,430	-
4,383	-	-	-	-	-	-
1,425	-	721	-	-	-	-
250,814	797	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	391	-	-	-	-
71,750	-	-	-	-	-	-
540,881	7,355	230,454	1,533	19,265	8,212	9,856
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Data Control Codes</b>	<b>404 Accelerated Reading/Math</b>	<b>411 Technology Allotment</b>	<b>415 Kinder - garten &amp; Pre-K Grants</b>	<b>425 Texas Fitness Now</b>
<b>REVENUES:</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	80,525	324,692	219,100
5900	Federal program revenues	-	-	-
5020	<b>Total revenues</b>	<u>80,525</u>	<u>324,692</u>	<u>219,100</u>
<b>EXPENDITURES:</b>				
0011	Instruction	80,525	267,154	219,100
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	57,538	-
0021	Instructional administration	-	-	-
0023	School administration	-	-	-
0031	Guidance and counseling services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0036	Co-curricular/extracurricular activities	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Ancillary services	-	-	-
0081	Payments to fiscal agent	-	-	-
6030	<b>Total Expenditures</b>	<u>80,525</u>	<u>324,692</u>	<u>219,100</u>
1100	<b>Excess (Deficiency) Revenues Over Expenditures</b>	-	-	-
7915	Transfers in	-	-	-
	<b>Total Other Financial Sources and (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
1200	<b>Net Change in Fund Balance</b>	-	-	-
0100	<b>Fund Balance - July 1 (Beginning)</b>	-	-	-
3000	<b>Fund Balance - June 30 (Ending)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

Page 3 of 3

429 TEA Disaster Relief and License Plate Program	461 Campus Activity Funds	480 Student Drug Testing	481 La Porte Education Foundation	482 SCORE	483 Local Grants & Donations	Total June 30, 2010
\$ 11,479	\$ 652,925	\$ -	\$ 72,021	\$ 4,708	\$ 20,000	\$ 2,610,846
84	-	-	-	1,200	-	717,295
-	-	-	-	-	-	7,397,420
<u>11,563</u>	<u>652,925</u>	<u>-</u>	<u>72,021</u>	<u>5,908</u>	<u>20,000</u>	<u>10,725,561</u>
-	73,772	-	72,562	4,440	10,937	4,986,372
-	31,027	-	-	-	5,988	38,356
-	1,339	-	-	-	-	389,647
-	-	-	-	-	-	36,224
-	7,342	-	-	-	-	13,405
-	-	-	-	-	-	503,645
-	-	-	-	503	1,349	1,852
-	2,676	-	-	-	-	2,676
-	-	-	-	-	-	3,824,108
-	474,920	-	-	260	-	475,180
2,598,630	127	-	-	-	-	2,661,335
-	549	-	-	-	-	549
-	93	-	-	-	-	93
-	-	-	-	56	-	10,654
-	-	-	-	-	-	71,750
<u>2,598,630</u>	<u>591,845</u>	<u>-</u>	<u>72,562</u>	<u>5,259</u>	<u>18,274</u>	<u>13,015,846</u>
(2,587,067)	61,080	-	(541)	649	1,726	(2,290,285)
-	-	-	-	-	1,525	1,525
-	-	-	-	-	1,525	1,525
(2,587,067)	61,080	-	(541)	649	3,251	(2,288,760)
7,220,617	355,607	-	660	-	1,694	8,618,103
<u>\$ 4,633,550</u>	<u>\$ 416,687</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ 649</u>	<u>\$ 4,945</u>	<u>\$ 6,329,343</u>

## **REQUIRED TEA SCHEDULES**



**LA PORTE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Year Ended June 30</u>	<u>Tax Rates</u>		<u>Assessed Value</u>	<u>Beginning Balance 7/1/2010</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2001 and prior	various	various	various	\$ 420,170
2002	1.4500	0.18	4,485,924,178	85,287
2003	1.5000	0.18	4,058,870,000	114,149
2004	1.5000	0.18	4,290,228,220	144,567
2005	1.5000	0.2335	4,448,428,710	197,636
2006	1.5000	0.2335	4,530,862,526	191,270
2007	1.3700	0.265	4,936,217,370	283,951
2008	1.0400	0.265	5,518,631,433	212,378
2009	1.0400	0.285	6,015,684,028	550,448
2010	1.0400	0.285	5,966,362,279	1,180,241
2011	1.0400	0.285	5,789,629,020	-
				<u>\$ 3,380,097</u>

**EXHIBIT J-1**

<b>Current Year Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 6/30/2011</b>
\$ -	\$ 19,245	\$ 1,918	\$ (157,733)	\$ 241,274
-	2,362	293	(1,126)	81,506
-	2,273	273	(973)	110,630
-	4,245	509	(528)	139,285
-	13,363	2,080	(1,685)	180,508
-	22,832	3,554	1,073	165,957
-	71,596	13,849	1,380	199,886
-	52,793	13,452	(2,042)	144,091
-	139,747	38,296	(41,823)	330,582
-	602,890	165,215	(16,011)	396,125
<u>76,443,809</u>	<u>59,499,774</u>	<u>16,305,194</u>	<u>378,420</u>	<u>1,017,261</u>
<u>\$ 76,443,809</u>	<u>\$ 60,431,120</u>	<u>\$ 16,544,633</u>	<u>\$ 158,952</u>	<u>\$ 3,007,105</u>

Taxes receivable per exhibit C-1 \$ 3,007,105

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT  
COSTS FOR 2011-2012 – GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT J-2**

Account Number		(1)	(2)	(3)	(4)	(5)	(6)	(7)
		701	702	703	720	750	(other)	Total
		Supt's Office	School Board	Tax Collection	Direct Cost	Indirect Cost	Misc.	
6100	Payroll costs	\$ 399,257	\$ -	\$ -	\$ -	\$ 1,761,801	\$ -	\$ 2,161,058
6211	Legal services	264,578	-	-	-	-	-	264,578
6212	Audit services	-	-	-	-	67,500	-	67,500
6213	Tax appraisal / collection	-	-	741,980	-	-	-	741,980
621X	Other professional services	-	1,960	-	-	2,611	-	4,571
6230	Education service centers	-	-	-	-	8,987	-	8,987
6240	Maintenance and repairs	-	-	-	17,989	-	-	17,989
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	57,154	-	57,154
6290	Miscellaneous Contracts	-	1,791	-	-	111,242	-	113,033
63XX	Other supplies	4,327	1,580	-	-	46,763	-	52,670
6410	Travel, subsistence and stipends	8,930	11,596	-	-	22,484	-	43,010
6420	Insurance and bonding	-	-	-	-	22,726	-	22,726
6430	Election expense	-	145	-	-	-	-	145
6490	Miscellaneous operating	23,053	30,173	-	-	68,832	-	122,058
6600	Capital outlay	-	-	-	-	-	-	-
<b>Total</b>		<b>\$ 700,145</b>	<b>\$ 47,245</b>	<b>\$ 741,980</b>	<b>\$ 17,989</b>	<b>\$ 2,170,100</b>	<b>\$ -</b>	<b>\$ 3,677,459</b>

**Other Information:**

Total expenditures for general and special revenue funds (Exhibit C-3) (9) \$ 88,981,366

LESS: Deductions of unallowable costs:

FISCAL YEAR

Total capital outlay (6600)	(10)	\$ 120,047
Total debt & lease (6500)	(11)	-
Plant maintenance (Function 51, 6100-6400)	(12)	7,444,740
Food (Function 35, 6341 and 6499)	(13)	1,537,655
Stipends (6413)	(14)	-
Column 5 above - total indirect cost		<u>2,170,100</u>

**Subtotal**

11,272,542

**Net Allowable Direct Cost**

\$ 77,708,824

**Cumulative**

Total cost of buildings before depreciation (1520)	(15)	\$ 222,272,955
Historical cost of buildings over 50 years old	(16)	\$ -
Amount of federal money in building cost (Net of #16)	(17)	\$ -
Total cost of furniture & equipment before depreciation (1530&1540)	(18)	\$ 12,692,896
Historical cost of furniture & equipment over 16 years old	(19)	\$ 1,717,873
Amount of federal money in furniture & equipment (Net of #19)	(20)	\$ 249,076

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT J-3**

		Child Nutrition			
		2011			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 1,556,500	\$ 1,646,500	\$ 1,849,713	\$ 203,213
5800	State program revenues	22,900	22,900	23,477	577
5900	Federal program revenues	1,763,413	2,148,413	2,247,364	98,951
	<b>Total Revenues</b>	<u>3,342,813</u>	<u>3,817,813</u>	<u>4,120,554</u>	<u>302,741</u>
<b>EXPENDITURES</b>					
<b>Support Services - Student (Pupil)</b>					
0035	Food service	3,557,809	4,054,408	3,824,108	230,300
0051	Plant maintenance and operations	46,100	66,100	62,578	3,522
	Total support services - student (pupil)	<u>3,603,909</u>	<u>4,120,508</u>	<u>3,886,686</u>	<u>233,822</u>
6030	<b>Total Expenditures</b>	<u>3,603,909</u>	<u>4,120,508</u>	<u>3,886,686</u>	<u>233,822</u>
1200	<b>Net Change in Fund Balance</b>	(261,096)	(302,695)	233,868	536,563
0100	<b>FUND BALANCE - JULY 1</b>	1,039,525	1,039,525	1,039,525	-
3000	<b>FUND BALANCE - JUNE 30</b>	<u>\$ 778,429</u>	<u>\$ 736,830</u>	<u>\$ 1,273,393</u>	<u>\$ 536,563</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT J-4**

		<u>Debt Service Fund</u>			
		<u>2011</u>			
<u>Data</u>		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>Control</u>		<u>Budget</u>	<u>Amended</u>	<u>Amounts</u>	<u>Positive</u>
<u>Codes</u>		<u>Budget</u>	<u>Budget</u>	<u>(Budgetary</u>	<u>Negative)</u>
		<u>Basis)</u>			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 16,641,604	\$ 16,641,604	\$ 16,500,633	\$ (140,971)
	<b>Total Revenues</b>	16,641,604	16,641,604	16,500,633	(140,971)
<b>EXPENDITURES</b>					
0070	<b>Debt Service</b>				
0071	Principal	7,143,000	7,290,000	7,290,000	-
0071	Interest	9,148,749	9,565,232	9,565,232	-
0073	Bond issuance cost and fees	50,000	50,000	3,300	46,700
6030	Total debt service	16,341,749	16,905,232	16,858,532	46,700
1100	<b>Excess of Revenues Over (Under) Expenditures</b>	299,855	(263,628)	(357,899)	(94,271)
<b>OTHER FINANCING SOURCES AND (USES)</b>					
7911	Refunding bonds issued	-	-	-	-
7916	Premium or discount on issuance of bonds	-	-	-	-
8949	Payment to bond refunding escrow agent	-	-	-	-
7080	<b>Total Other Financing Sources and (Uses)</b>	-	-	-	-
1200	<b>Net Change in Fund Balance</b>	299,855	(263,628)	(357,899)	(94,271)
0100	<b>FUND BALANCE - JULY 1</b>	11,314,332	11,314,332	11,314,332	-
3000	<b>FUND BALANCE - JUNE 30</b>	\$ 11,614,187	\$ 11,050,704	\$ 10,956,433	\$ (94,271)

## **FEDERAL AWARDS SECTION**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
La Porte Independent School District  
La Porte, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2011. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

To the Board of Trustees  
La Porte Independent School District

**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*.

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 7, 2011





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of  
La Porte Independent School District  
La Porte, Texas

**Compliance**

We have audited the La Porte Independent School District's (the District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Board of Trustees  
La Porte Independent School District

### **Internal Control Over Compliance**

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

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 7, 2011

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  No
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None reported

An unqualified opinion was issued on compliance for major programs.

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

Identification of major programs:

84.010A	Title I, Part A
84.389A	Title I, Part A, Recovery Act
84.010A	Title I, Part A, School Improvement Program
84.389A	Title I, Part A, SIP Recovery Act
84.027A	IDEA – Part B, Formula
84.027A	IDEA – Part B, High Risk Cost Pool
84.173A	IDEA – Part B, Preschool
84.391	IDEA – Part B, Formula, Recovery Act
84.392	IDEA – Part B, Preschool, Recovery Act
84.394	SFSF – Education State Grants, Recovery Act

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS – CONTINUED**

**Federal Awards - continued**

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

Auditee qualified as low-risk auditee?  X  Yes   No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

<b><u>Finding Number</u></b>	<b><u>Summary</u></b>	<b><u>Status</u></b>
10-01	Function 51 (plant maintenance and operations) expenditures in the General fund exceeded budget by more than 10%.	Resolved

**SECTION V – CORRECTIVE ACTION PLAN**

**N/A**

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

**EXHIBIT K-1**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures and Indirect Costs
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
National School Lunch Program (240.00.5922)	10.555	71301101	\$ 1,529,926
School Breakfast Program (240.00.5921)	10.553	71401101	529,050
Direct Program:			
USDA Donation Commodities	10.555	101916	188,390
<b>Total U.S. Department of Agriculture</b>			2,247,366
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
ESEA, Title IV, Safe & Drug Free Schools and Community (204)	84.186A	10691001101916	2,767
ESEA Title I Part A (211)	84.010A	10610101101916	84,332
	84.010A	11610101101916	625,432
ESEA Title 1 School Improvement Program	84.010A	10610104101916041	-
IDEA - Part B, Formula (224)	84.027A	106600011019166600	168,298
	84.027A	116600011019166600	833,350
IDEA - Part B, Preschool (225)	84.173A	106610011019166610	2,824
	84.173A	116610011019166610	21,806
IDEA - Part B, Preschool (225)- Pass through Reg.IV	84.173A	106610011019166610	-
	84.173A	116610011019166610	15,712
Career and Technology Education - Carl D. Perkins (244)	84.048A	11420006101916	73,442
ESEA Title II, Part A (255)	84.367A	10694501101916	27,993
	84.367A	11694501101916	239,401
ESEA Title II, Part D (262)	84.318X	10630001101916	3,289
ESEA Title III, LEP (263)	84.365A	10671001101916	20,430
	84.365A	11671001101916	43,591
ARRA Title XIV, SFSF (266)	84.394A	11557001101916	2,161,530
ESEA Title 1 SIP Academy Grant (276)	84.377A	1061070110916041	13,493
ARRA Title II, Part D Technology Grant (279)	84.386A	10553001101916	7,617
ARRA IDEA - Formula ( 283)	84.391A	10554001101916	540,881
ARRA IDEA B - Preschool (284)	84.392A	10555001101916	7,355
ARRA Title I Part A (2852)	84.389A	10551001101916	227,519
ARRA Title I Part A SIP (285)	84.389A	10551004101916041	2,935
Title VI - LEP Summer School (289)	84.369A	99550502	1,533
Direct from USDE:			
Safe and Drug-free Schools and Communities (280)	84.184D	Q184D070025	2,296
<b>Total U.S. Department of Education</b>			5,127,826
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Medicaid Administrative Claims (272)	93.778	N/A	22,232
<b>Total U.S. Department of Health and Human Services</b>			22,232
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
JROTC (199.00.5949)	12.401	N/A	66,125
<b>Total U.S. Department of DEFENSE</b>			66,125
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 7,463,549

See Notes to the Schedule  
of Expenditures of Federal Awards.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1. BASIS OF PRESENTATION**

La Porte Independent School District (the District) utilizes the fund types specified in the Texas Education Agency's Financial Accounting System Resource Guide.

Special Revenue Funds – 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 must be returned to the grantor at the close of specified project periods.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become measurable and available. Expenditures are recorded in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

**NOTE 2. PERIOD OF AVAILABILITY**

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 extended 30 days beyond the federal project period ending date, in accordance with the provisions of *OMB Circular A-133 Compliance Supplement*.

**LA PORTE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 3. BASIS OF FUNDING**

Federal funding for Food Services under child nutrition programs is primarily based upon the number and type of meals served and in user charges as reported to the US Department of Agriculture. Federal funding received related to various grant programs is based upon periodic reports detailing reimbursable expenditures made in compliance with the program guidelines to the grantor agencies. The programs are governed by various rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's management, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the basic financial statements for such contingences.

**NOTE 4. RECONCILIATION TO BASIC FINANCIAL STATEMENTS**

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

Total expenditures of federal awards per exhibit K-1	\$ 7,463,549
SHARS payments	<u>704,834</u>
Reconciled balance	<u>\$ 8,168,383</u>
Related expenditures on Exhibit C-3	
General fund	\$ 770,963
Non-major funds	<u>7,397,420</u>
	<u>\$ 8,168,383</u>