

LA PORTE INDEPENDENT SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2010

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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, 2010 at a meeting of the Board of Trustees of such school district on the 16th day of November, 2010.

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, 2010, 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, 2010 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 12, 2010, 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Budgetary Comparison Schedule – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and other TEA required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 12, 2010

**La Porte Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2010**

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, 2010. 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 \$72,573,738 (*net assets*). Of this amount, \$15,439,706 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by \$1,338,607.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$62,328,979, a decrease of \$10,322,942 in comparison with the prior year. The decrease in governmental fund balances was primarily due to a decrease in the capital projects fund balance of \$19,268,386 and an increase of \$6,839,274 and \$1,453,631 in the non-major governmental funds and the debt service fund balance respectively.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$22,918,219, or 29.7 percent of total general fund expenditures.
- The District's total long-term debt increased by 12.0% percent or \$22,244,954 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-six 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, 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 \$72,573,738 at the close of the most recent fiscal year.

The largest portion of the District's net assets (\$47,802,639) 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>2010</u>	<u>2009</u>
Current and other assets	\$ 91,620	\$ 101,461
Capital and non-current assets	<u>216,146</u>	<u>176,414</u>
Total Assets	307,766	277,875
Current Liabilities	35,442	29,874
Long-term Liabilities	<u>199,750</u>	<u>176,766</u>
Total Liabilities	235,192	206,640
Net Assets:		
Invested in capital assets net of related debt	47,803	42,870
Restricted	9,332	9,292
Unrestricted	<u>15,439</u>	<u>19,073</u>
Total Net Assets	<u>\$ 72,574</u>	<u>\$ 71,235</u>

Net assets of \$9,331,393 are restricted primarily for debt service activities. The remaining balance of *unrestricted net assets* of \$15,439,706 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 increased \$1,338,607 during the current fiscal year. The district amended the general fund budget to a revenue neutral budget which was originally adopted at a \$2,742,467 deficit. This was accomplished through use of TEA Hurricane Ike Disaster Relief. These funds were available by House Bill 4102 of the 81st Legislative Session.

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

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Program Revenues			
Charges for services	\$ 1,997	\$ 2,024	-1%
Operating grants	21,773	10,262	112%
General Revenues			
Property taxes	78,227	79,998	-2%
Grants and contributions not restricted	6,255	14,737	-58%
Interest earnings	341	2,185	-84%
Special Item - Loss on the disposal of capital assets	-	(6,424)	0%
Other	2,668	2,734	-2%
Total Revenues	<u>111,261</u>	<u>105,516</u>	5%
Expenses			
Instruction	30,595	43,879	-30%
Instruction resources and media services	1,189	1,019	17%
Curriculum and staff development	659	582	13%
Instructional leadership	1,128	1,124	0%
School leadership	4,111	3,583	15%
Guidance, counseling, and evaluation services	2,712	2,473	10%
Social work services	162	145	12%
Health services	821	773	6%
Student transportation	3,246	2,922	11%
Food service	3,664	3,497	5%
Extracurricular activities	2,273	2,371	-4%
General administration	3,222	2,856	13%
Plant, maintenance and operations	2,879	9,410	-69%
Security and monitoring services	669	543	23%
Data processing services	218	1,983	-89%
Community services	62	53	17%
Interest on long-term debt	8,651	9,238	-6%
Facilities acquisition and construction	25,858	120	21448%
Incremental costs related to WADA	91	358	-77%
Contracted instructional services between schools	15,964	20,406	-22%
Payments related to shared services arrangements	19	-	100%
Payments to Tax Increment Fund	1,088	804	35%
Other intergovernmental charges	652	390	67%
Total Expenses	<u>109,933</u>	<u>108,529</u>	1%
Increase (Decrease) in Net Assets	1,338	(3,013)	-144%
Beginning net assets	71,235	74,248	-4%
Ending Net Assets	<u>\$ 72,573</u>	<u>\$ 71,235</u>	2%

Governmental Activities

Governmental activities increased the District's net assets by \$1,338,607. Key elements of this decrease are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$21,772,771) represent 19.6 percent of total revenues and property taxes of \$78,227,307 represent 70.3 percent of total revenues. The remaining \$11,261,496 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$30,595,268) which represents 32.6 percent of total expenses less contracted instructional services between schools of \$20,406,215. Facilities repair and maintenance (\$25,858,090) represents 27.5 percent and Debt Service (\$8,651,042) represents 9.2 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 increased 1% from the previous year and the increase to net assets increased 144%.

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 \$62,328,979, a decrease of \$10,322,942 in comparison with the prior year. The decrease in governmental fund balances was primarily due to a decrease in the capital projects fund balance of \$19,268,386. The general fund balance increased \$652,539 and the debt service fund balance increased by \$1,453,631.

At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$22,918,219, or 30 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$11,314,332, all of which is reserved for the payment of debt service. The net increase in the debt service fund balance during the current year of \$1,453,631 was primarily due to increased tax revenues.

The capital projects fund has a total fund balance of \$15,540,934, all of which is reserved for authorized construction, plant maintenance and technology projects/enhancements. The decrease in fund balance during the current year was due to the utilization of bond proceeds for authorized construction and renovation projects.

General Fund Budgetary Highlights

The primary difference between the original budget and the final amended budget of the general fund was a \$1,036,213 adjustment for additional cost for contracted instructional services. This increased due to additional tax collections from a large taxpayer that paid 2009 taxes late due to bankruptcy.

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 \$216,145,955 (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 \$39,731,629. A comparison of capital asset balances at current and prior fiscal year end follows:

Capital Assets (Amounts in 000's)

	Balance June 30, 2010	Balance June 30, 2009
Land	\$ 10,255	\$ 10,255
Buildings and improvements	222,859	156,175
Furniture and equipment	12,694	11,496
Construction in progress	19,839	43,467
	<u>265,647</u>	<u>221,393</u>
Less accumulated depreciation for:		
Buildings and improvements	(41,429)	(37,614)
Furniture and equipment	(8,072)	(7,365)
	<u>(49,501)</u>	<u>(44,979)</u>
Governmental Capital Assets	<u>\$ 216,146</u>	<u>\$ 176,414</u>

Major capital asset construction completed during the current fiscal year included construction of facilities for the Support Services Center, Instruction Technology Center, and for relocation and replacement of Bayshore Elementary School which was destroyed after natural disaster Hurricane Ike. In addition, projects completed included La Porte High School and Physical Education Center renovations, and Lomax Junior High School addition and renovations. Construction in progress included Reid Elementary renovations, Rizzuto Elementary renovations, College Park Elementary renovations, La Porte Junior High renovations, La Porte Elementary renovations, DeWalt Alternative School renovations and JROTC Building renovations. 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 completed in the 2010-2011 fiscal year.

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 \$207,274,732 in total debt outstanding, an increase of \$22,244,954 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)

	Balance June 30, 2010	Balance June 30, 2009
General obligation bonds	\$ 201,665	\$ 180,665
Accreted interest on premium compound interest bonds	-	318
Premium on bonds	3,920	2,507
Deferred loss on bond refundings	(596)	(274)
Accrued compensated absences	2,286	1,813
	<u>\$ 207,275</u>	<u>\$ 185,029</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 implemented new finance software during FY 2010. The software that was being used prior to FY 2010 was at its end of useful life. The new software has a broad impact on the finance function and helps drive change within finance. This change allows for streamlined processes, updated procedures, tighter internal controls and greater efficiencies.

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.

The District installed projectors and mimios in every classroom in the district as part of an instructional technology initiative in our 2005 bond authorization. A mimio makes a whiteboard interactive instantly. It allows teachers to access everything on their computers from the whiteboard or save everything on the whiteboard to their computers.

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. The iPod Touch initiative will continue in FY 2011 with 2 more classes receiving 25 each iPod Touches and a Power Syn Cart for the iPods.

Economic Factors And Future Budgets And Tax Rates

- The District is a *Target Revenue Chapter 41* district with decreasing tax base coupled with a decreased student population.
- The District's enrollment and ADA (Average Daily Attendance) have not rebounded from the impact of Hurricane Ike. For fiscal year 2011 the district anticipates a peak enrollment of 7,730 students, which is no increase over the current (FY 2010) fiscal year. Pre Hurricane Ike Average Daily Attendance (ADA) was 7670 our FY 2010 current ADA is 7350 no increase in ADA is anticipated for FY 2011. 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.
- The District currently employs 1,140.5 faculty and staff, to include 76 employees in central administration departments, 516 teachers, librarians, counselors, and nurses plus 294 other school leadership and support staff, 110 maintenance employees, 75.5 cafeteria workers and 69 employees in transportation for the 2010-11 budget. FTE's were reduced for the 2010-2011 school year through attrition and assignment responsibilities were redistributed among remaining staff. This process is ongoing and will continue through the foreseeable fiscal years. To date no programs were eliminated as a result of the reductions.
- The staffing guidelines presented by the Southern Association of Colleges and Schools were used to develop a core staffing framework that was equitable for all campuses. In addition, multi-year staffing data was analyzed in the decision making process.
- The District is cognizant of, and extremely concerned about, the looming state revenue shortfall for the current biennium credibly estimated to be 3.5 billion dollars. Furthermore, it is widely held that a *Current Services* budget for the upcoming biennium will occasion a 20 to 25 billion dollar state deficit. Insofar as public education represents approximately 44% of all state general fund expenditures significant and deep cuts in state funding to public schools can be reasonably anticipated.
- In continued preparation for reduction in state aid management has for all intents and purposes instituted a hiring freeze for non-essential personnel. The District has also contracted for a detailed demographic study to be completed on or before February 2011 and is completing a personnel and staffing study with well respected and accepted methodology to be completed in the same time frame. These studies and recommendations are timely and will be readily available to management and the governing board for FY 2012 budget preparations in the spring of 2011.
- The District maintains 12 campuses for instruction. La Porte ISD is a Recognized District with five Exemplary campuses, five Recognized campuses, one Academically Acceptable campus, and one Alternative Campus that is AEA: Academically Acceptable.
- The 2010 (fiscal year 2010-11) Certified Taxable Property Value as reported by the Harris and Chambers County Appraisal Districts total \$5,717,160,491 which is approximately 2.7% lower than the 2009 taxable values. The budget was planned using the preliminary estimated Certified Taxable Property Value of \$5,735,650,555.

- The property tax rate for 2010-11 will remain the same as last year at \$1.325 per \$100 of assessed value.
- 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, High School Allotment, Pre-Kindergarten, Pregnancy and Parenting, Response to Intervention, and Special Education.
- The District has contracted 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.
- Supplemental funding sources that support student programs include: Title I ARRA, State Compensatory Education, Preschool Least Restrictive Environment, Reaching for Excellence Grant, School Health Advisory Competitive Grant, Title II Part A, Title I, ARRA Stimulus, Carl Perkins Grant, Beginning Teacher Induction & Mentoring, ARRA Title XIV State Fiscal Stabilization Funds.
- 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.
- The District principals and district level directors presented at the cabinet level their 2010-2011 budgets and staffing recommendations.

All of these factors were considered in preparing the District's budget for the 2011 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, 2010

EXHIBIT A-1

Data		<u>Governmental</u> <u>Activities</u>
Control	<u>ASSETS</u>	
Codes	Current assets:	
1110	Cash and cash equivalents	\$ 82,861,394
1220	Property taxes receivables	3,380,097
1230	Allowance for uncollectible property taxes	(1,179,200)
1240	Due from other governments	3,537,609
1260	Due from fiduciary funds	156
1310	Inventories	65,542
1410	Prepaid items	1,091,995
1420	Capital bond & other debt issuance costs	1,862,092
	Total current and other assets	<u>91,619,685</u>
	Capital assets:	
1510	Land	10,254,937
1520	Building and improvements	222,858,753
1530	Furniture and equipment	12,693,792
1580	Construction in progress	19,838,661
1560	Less accumulated depreciation	(49,500,188)
	Total capital assets (net)	<u>216,145,955</u>
1000	Total assets	<u>307,765,640</u>
	 <u>LIABILITIES</u>	
	Current liabilities:	
2110	Accounts payable	13,819,481
2140	Interest payable	3,391,688
2150	Payroll deductions and withholdings payable	961,623
2160	Accrued wages payable	1,301,828
2180	Due to other governments	8,171,950
2300	Unearned revenue	270,600
2501	Noncurrent liabilities due within one year	7,524,984
	Total current liabilities	<u>35,442,154</u>
	Noncurrent liabilities:	
2502	Noncurrent liabilities due in more than one year	199,749,748
	Total noncurrent liabilities	<u>199,749,748</u>
2000	Total liabilities	<u>235,191,902</u>
	 <u>NET ASSETS</u>	
3200	Invested in capital assets, net of related debt	47,802,639
	Restricted for:	
3840	Food services	997,711
3850	Debt service	8,333,682
3900	Unrestricted	15,439,706
	Total net assets	<u>\$ 72,573,738</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

EXHIBIT B-1

Data Control Codes	GOVERNMENTAL ACTIVITIES:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	
11	Instruction	\$ 30,595,268	\$ 26,398	\$ 7,127,051	\$ (23,441,819)
12	Instructional resources and media services	1,188,805	-	54,877	(1,133,928)
13	Curriculum and staff development	659,289	-	364,441	(294,848)
21	Instructional leadership	1,128,163	-	90,677	(1,037,486)
23	School leadership	4,095,558	-	337,810	(3,757,748)
31	Guidance and counseling	2,711,579	-	747,223	(1,964,356)
32	Social work services	161,929	-	5,017	(156,912)
33	Health services	820,900	-	50,973	(769,927)
34	Student (pupil) transportation	3,245,909	-	759,392	(2,486,517)
35	Food services	3,664,602	1,807,115	1,834,042	(23,445)
36	Cocurricular/extracurricular activities	2,272,727	131,114	531,770	(1,609,843)
41	General administration	3,221,504	-	114,631	(3,106,873)
51	Plant maintenance and operations	2,879,643	32,869	9,412,339	6,565,565
52	Security and monitoring services	668,566	-	21,351	(647,215)
53	Data processing services	233,706	-	48,869	(184,837)
61	Ancillary services	62,136	-	2,308	(59,828)
71	Debt service - interest and fees	8,651,042	-	-	(8,651,042)
81	Facilities repair and maintenance	25,858,090	-	-	(25,858,090)
91	Contracted instructional services	15,963,897	-	-	(15,963,897)
92	Incremental costs related to WADA	-	-	-	-
93	Payments to fiscal agent	80,739	-	80,739	-
95	Payments to juvenile justice alternative education program	18,900	-	-	(18,900)
97	Payments to tax increment fund	1,088,059	-	189,261	(898,798)
99	Other intergovernmental charges	651,956	-	-	(651,956)
	TOTAL PRIMARY GOVERNMENT:	<u>\$ 109,922,967</u>	<u>\$ 1,997,496</u>	<u>\$ 21,772,771</u>	<u>\$ (86,152,700)</u>

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	\$ 61,352,576
DT	Property taxes, levied for debt service	16,874,731
SF	State aid-grants and contributions not restricted to specific programs	6,255,294
IE	Investment earnings	341,475
FR	SHARS/MAC	674,840
MI	Miscellaneous	2,036,388
TR	Transfers out, net	(43,997)
TG	Total general revenues	<u>87,491,307</u>
CN	Change in net assets	1,338,607
NB	Net assets—beginning	71,235,131
NE	Net assets—ending	<u>\$ 72,573,738</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2010**

EXHIBIT C-1

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
1110 Cash and cash equivalents	\$ 35,668,884	\$ 11,398,105	\$ 27,299,227	\$ 7,963,541	\$ 82,329,757
Receivables					
1220 Property taxes - delinquent	2,790,459	589,638	-	-	3,380,097
1230 Allowance for uncollectible taxes	(1,000,600)	(178,600)	-	-	(1,179,200)
1240 Due from other governments	2,026,989	59,260	386,152	1,065,208	3,537,609
1260 Due from other funds	111,802	-	303,231	1,451,088	1,866,121
1310 Inventories, at cost	23,728	-	-	41,814	65,542
1410 Deferred expenditures	1,013,536	-	76,289	-	1,089,825
1000 Total Assets	<u>\$ 40,634,798</u>	<u>\$ 11,868,403</u>	<u>\$ 28,064,899</u>	<u>\$ 10,521,651</u>	<u>\$ 91,089,751</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
2110 Accounts payable	\$ 933,271	\$ -	\$ 12,230,320	\$ 52,029	\$ 13,215,620
2150 Payroll deductions and withholdings payable	961,623	-	-	-	961,623
2160 Accrued wages payable	1,075,734	-	-	226,094	1,301,828
2170 Due to other funds	1,181,835	111,734	-	1,344,685	2,638,254
2180 Due to other governments	7,836,866	31,299	293,645	10,140	8,171,950
2300 Deferred revenue	1,789,859	411,038	-	270,600	2,471,497
2000 Total Liabilities	<u>13,779,188</u>	<u>554,071</u>	<u>12,523,965</u>	<u>1,903,548</u>	<u>28,760,772</u>
FUND BALANCES					
Reserved for:					
3410 Investments in inventories	23,728	-	-	41,814	65,542
3420 Retirement of funded indebtedness	-	11,314,332	-	-	11,314,332
3430 Prepaid items	1,013,536	-	76,289	-	1,089,825
3450 Reserved for food service operations	-	-	-	997,711	997,711
3470 Reserved for capital acquisitions	-	-	15,464,645	-	15,464,645
Designated fund balance					
3520 Compensated absences	1,900,127	-	-	-	1,900,127
3540 Self insurance	1,000,000	-	-	-	1,000,000
3600 Unreserved, undesignated					
General fund	22,918,219	-	-	-	22,918,219
Special revenue funds	-	-	-	7,578,578	7,578,578
3000 Total Fund Balances	<u>26,855,610</u>	<u>11,314,332</u>	<u>15,540,934</u>	<u>8,618,103</u>	<u>62,328,979</u>
4000 Total Liabilities and Fund Balances	<u>\$ 40,634,798</u>	<u>\$ 11,868,403</u>	<u>\$ 28,064,899</u>	<u>\$ 10,521,651</u>	<u>\$ 91,089,751</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

EXHIBIT C-2

Total fund balances--governmental funds \$ 62,328,979

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	\$ 265,646,143	
Accumulated depreciation	(49,500,188)	
Change due to Capital Assets	216,145,955	216,145,955

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. 2,200,898

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. 702,234

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. 1,862,092

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	(201,665,000)	
Deferred loss on refunding	596,190	
Premiums on issuance	(3,919,949)	
Compensated absences	(2,285,973)	
Accrued interest payable	(3,391,688)	
Change due to long-term liabilities	(210,666,420)	(210,666,420)

Total net assets--governmental activities **\$ 72,573,738**

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

EXHIBIT C-3

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES						
5700	Total local and intermediate sources	\$ 67,222,150	\$ 18,114,827	\$ 1,434,548	\$ 2,355,905	\$ 89,127,430
5800	State program revenues	9,553,737	-	150,372	10,161,722	19,865,831
5900	Federal program revenues	674,840	-	-	7,793,190	8,468,030
5020	Total Revenues	<u>77,450,727</u>	<u>18,114,827</u>	<u>1,584,920</u>	<u>20,310,817</u>	<u>117,461,291</u>
EXPENDITURES						
Current:						
0011	Instruction	34,778,125	-	1,981,745	5,357,195	42,117,065
0012	Instructional resources and media services	968,151	-	197,928	12,429	1,178,508
0013	Curriculum and instructional staff development	298,905	-	-	359,009	657,914
0021	Instructional administration	1,085,316	-	-	35,888	1,121,204
0023	School administration	3,941,527	-	-	127,042	4,068,569
0031	Guidance and counseling	2,047,331	-	-	650,250	2,697,581
0032	Social work services	160,900	-	-	389	161,289
0033	Health services	806,055	-	-	9,990	816,045
0034	Student (pupil) transportation	2,981,030	-	-	14,318	2,995,348
0035	Food services	-	-	-	3,641,157	3,641,157
0036	Cocurricular/extracurricular activities	1,407,131	-	-	514,428	1,921,559
0041	General administration	3,079,274	-	235,164	3,799	3,318,237
0051	Plant maintenance and operations	5,943,705	-	2,168,043	2,076,760	10,188,508
0052	Security and monitoring services	657,405	-	-	12,719	670,124
0053	Data processing services	1,392,020	-	1,126,182	2,973	2,521,175
0061	Ancillary services	54,654	-	-	2,308	56,962
0070	Debt service:					
0071	Principal	-	7,430,000	-	-	7,430,000
0072	Interest	-	8,772,064	-	-	8,772,064
0073	Bond issuance cost and fees	-	224,098	289,785	-	513,883
0081	Facilities acquisition and construction	-	-	44,840,376	-	44,840,376
0090	Intergovernmental:					
0091	Contracted instructional services	15,963,897	-	-	-	15,963,897
0093	Payments to fiscal agent	-	-	-	80,739	80,739
0095	Payments to juvenile justice alternative ed program	18,900	-	-	-	18,900
0097	Payments to tax increment fund	898,798	-	-	189,261	1,088,059
0099	Other intergovernmental charges	651,956	-	-	-	651,956
6030	Total Expenditures	<u>77,135,080</u>	<u>16,426,162</u>	<u>50,839,223</u>	<u>13,090,654</u>	<u>157,491,119</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>315,647</u>	<u>1,688,665</u>	<u>(49,254,303)</u>	<u>7,220,163</u>	<u>(40,029,828)</u>
OTHER FINANCING SOURCES AND (USES)						
7911	Refunding bonds issued	-	19,500,000	-	-	19,500,000
7911	Capital-related debt issuance	-	-	29,480,000	-	29,480,000
7916	Premium or discount on issuance of bonds	-	1,239,354	505,917	-	1,745,271
7915	Transfers in	336,892	-	-	-	336,892
8911	Transfers out	-	-	-	(380,889)	(380,889)
8949	Payment to bond refunding escrow agent	-	(20,974,388)	-	-	(20,974,388)
7080	Total Other Financing Sources and (Uses)	<u>336,892</u>	<u>(235,034)</u>	<u>29,985,917</u>	<u>(380,889)</u>	<u>29,706,886</u>
1200	Net Change in Fund Balances	652,539	1,453,631	(19,268,386)	6,839,274	(10,322,942)
0100	Fund Balance - July 1	<u>26,203,071</u>	<u>9,860,701</u>	<u>34,809,320</u>	<u>1,778,829</u>	<u>72,651,921</u>
3000	Fund Balance - June 30	<u>\$ 26,855,610</u>	<u>\$ 11,314,332</u>	<u>\$ 15,540,934</u>	<u>\$ 8,618,103</u>	<u>\$ 62,328,979</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, 2010**

EXHIBIT C-4

Net change in fund balances—total governmental funds \$ (10,322,942)

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: 44,362,436

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: (4,630,807)

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: (6,155,719)

Current year amortization of deferred loss on refunding bonds is not recorded in the governmental funds. (101,708)

Current year amortization of bond issuance costs is not recorded in the governmental funds. (150,429)

Current year amortization of premium on bonds payable is not recorded in the governmental funds. 332,055

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. (48,980,000)

Current year payments to bond refunding escrow agent are shown as other uses in the fund financial statements but are shown as reductions in long term debt and as a deferred loss on bond refunding in the government-wide financial statements. 20,974,388

Bond issuance costs are expenses 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. 513,883

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. (1,745,271)

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: 7,430,000

Current year change in accreted interest on capital appreciation bonds totals: 318,285

The change in the interest expense accrual amount was: (277,181)

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. 244,320

Change in compensated absences to accrual basis. (472,703)

Change in net assets of governmental activities \$ 1,338,607

LA PORTE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

EXHIBIT D-1

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
	ASSETS	
	Current Assets:	
1110	Cash and cash equivalents	\$ 531,637
1260	Due from other funds	772,289
1410	Deferred expenditures	2,170
	Total current assets	<u>1,306,096</u>
1000	Total Assets	<u><u>\$ 1,306,096</u></u>
	 LIABILITIES	
	Current Liabilities:	
2170	Due to other funds	\$ -
2200	Accrued expenses	603,862
	Total current liabilities	<u>603,862</u>
2000	Total Liabilities	<u>603,862</u>
	 NET ASSETS	
3300	Unrestricted net assets	<u>702,234</u>
3000	Total Net Assets	<u>702,234</u>
4000	Total Liabilities and Fund Equity	<u><u>\$ 1,306,096</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, 2010

EXHIBIT D-2

<u>Codes</u>		<u>Internal Service Fund</u>
	OPERATING REVENUES	
5700	Charges for services	\$ 974,773
5020	Total operating revenues	<u>974,773</u>
	OPERATING EXPENSES	
6200	Purchased and contracted services	<u>730,452</u>
6030	Total operating expenses	<u>730,452</u>
	Operating income	<u>244,321</u>
1300	Change in Net Assets	<u>244,321</u>
0100	Net Assets - July 1 (Beginning)	<u>457,913</u>
3300	Net Assets - June 30 (Ending)	<u><u>\$ 702,234</u></u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

EXHIBIT D-3

	<u>Internal Service Fund</u>
Cash Flows From Operating Activities:	
Cash received from charges for services	\$ 202,484
Cash payments for insurance claims	(299,150)
Cash payments for other operating expenses	(145,348)
Net Cash Used in Operating Activities	<u>(242,014)</u>
Net decrease in cash and cash equivalents	(242,014)
Cash and cash equivalents at beginning of the year	<u>773,651</u>
Cash and cash equivalents at the end of the year	<u>\$ 531,637</u>
Reconciliation of Operating Income to Net Cash used in Operating Activities:	
Operating Income:	\$ 244,321
Effect of increases and decreases in current assets and liabilities:	
Increase in deferred expenditures	(2,170)
Increase in due from other funds	(772,289)
Increase in accrued expenses	288,124
Net Cash Used in Operating Activities	<u>\$ (242,014)</u>

LA PORTE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2010

EXHIBIT E-1

<u>Data Control Code</u>		806	865
		<u>Trust Funds</u>	<u>Student Activity Fund</u>
ASSETS			
1110	Cash and cash equivalents	\$ 169,415	\$ 224,717
1260	Due from other funds	-	-
1290	Other receivables	-	-
	Total Assets	<u>169,415</u>	<u>224,717</u>
LIABILITIES			
2110	Accounts payable	2,000	\$ 36,429
2170	Due to other funds	-	156
2190	Due to student groups	-	188,132
	Total Liabilities	<u>2,000</u>	<u>\$ 224,717</u>
NET ASSETS			
	Restricted	<u>\$ 167,415</u>	

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

EXHIBIT E-2

806

	<u>Trust Funds</u>
Additions	
Gifts and contributions	\$ 13,744
Earnings on investments	276
Transfers in	43,997
Total Additions	<u>58,017</u>
Deductions	
Scholarships awarded	<u>25,000</u>
Total Deductions	<u>25,000</u>
Change in Net Assets	33,017
Net assets beginning of year	<u>134,398</u>
Net assets end of year	<u><u>\$ 167,415</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, 2010.

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 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 designated 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). 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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Budgets and Budgetary Accounting – Continued

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, 2010.

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.

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, 2010 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, 2010.

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	3-30

**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. Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

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

NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2010 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2009	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2010
Unlimited Tax School Refunding Bonds Series 2010	2.25-5.00	\$ 19,500,000	\$ -	\$ 19,500,000	\$ -	\$ -	\$ 19,500,000
Unlimited Tax School House Bonds Series 2009	3.00-5.00	29,480,000	-	29,480,000	-	-	29,480,000
Unlimited Tax School House Bonds Series 2008A	3.00-5.00	20,895,000	20,795,000	-	-	180,000	20,615,000
Unlimited Tax School House Bonds Series 2008	3.00-5.00	65,000,000	65,000,000	-	-	1,635,000	63,365,000
Unlimited Tax School House and Refunding Bonds Series 2005A	3.50-5.00	63,700,000	60,310,000	-	-	1,850,000	58,460,000
Unlimited Tax Refunding Bonds Series 2005	3.25-5.00	10,755,000	10,640,000	-	-	895,000	9,745,000
Unlimited Tax School House and Refunding Bonds Series 2002	2.00-5.00	19,515,000	6,820,000	-	5,550,000	1,270,000	-
Unlimited Tax School House Bonds Series 2001	4.82-4.82	2,500,000	750,000	-	-	250,000	500,000
Unlimited Tax School House Bonds Series 2000	4.45-6.38	14,000,000	1,750,000	-	1,400,000	350,000	-
Unlimited Tax School House Bonds Series 1999	4.25-6.25	17,800,000	10,000,000	-	9,000,000	1,000,000	-
Unlimited Tax School House Bonds Series 1998	4.00-6.00	23,000,000	4,600,000	-	4,600,000	-	-
Total bonded debt payable			<u>\$ 180,665,000</u>	<u>\$ 48,980,000</u>	<u>\$ 20,550,000</u>	<u>\$ 7,430,000</u>	<u>\$ 201,665,000</u>

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

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

On December 17, 2009 the District issued \$19,500,000 in unlimited tax refunding bonds with interest rates between 2.25% and 5.00% to advance refund \$20,550,000 of series 1998, 1999, 2000 and 2002 bonds with original maturities between 2011 and 2021 and interest rates between 2% and 6%. The refunding was undertaken to reduce the District's total debt service over the life of the bonds by approximately \$1,424,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,353,000.

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, 2010, approximately \$7.4 million of the 1995 and 2000 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
2011	\$ 7,140,000	\$ 9,094,749	\$ 16,234,749
2012	7,215,000	8,818,474	16,033,474
2013	7,350,000	8,537,486	15,887,486
2014	7,595,000	8,291,099	15,886,099
2015	7,870,000	8,044,861	15,914,861
2016-2020	42,915,000	35,471,135	78,386,135
2021-2025	47,200,000	25,529,988	72,729,988
2026-2030	60,410,000	12,626,744	73,036,744
2031-2035	13,970,000	687,350	14,657,350
	<u>\$ 201,665,000</u>	<u>\$ 117,101,886</u>	<u>\$ 318,766,886</u>

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

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

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, 2009	\$	1,813,270
New entrants and salary increments		627,340
Payments to participants		<u>(154,637)</u>
 Balance, June 30, 2010	 \$	 <u><u>2,285,973</u></u>

NOTE 4. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and notes payable					
General obligation bonds	\$180,665,000	\$48,980,000	\$ 27,980,000	\$201,665,000	\$ 7,140,000
Accreted interest	318,285	26,715	345,000	-	-
Premium on bonds	2,506,733	1,745,271	332,055	3,919,949	332,055
Deferred loss on bond refundings	(273,510)	(424,388)	(101,708)	(596,190)	(101,708)
Compensated absences	<u>1,813,270</u>	<u>627,340</u>	<u>154,637</u>	<u>2,285,973</u>	<u>154,637</u>
 Total Governmental activities long-term liabilities	 <u>\$185,029,778</u>	 <u>\$50,954,938</u>	 <u>\$28,709,984</u>	 <u>\$207,274,732</u>	 <u>\$ 7,524,984</u>

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

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2010 was as follows:

Primary government:

	<u>Balance 7/01/09</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 6/30/10</u>
Capital assets, not being depreciated				
Land	\$ 10,254,937	\$ -	\$ -	\$ 10,254,937
Construction in progress	<u>43,467,192</u>	<u>18,982,820</u>	<u>42,611,351</u>	<u>19,838,661</u>
Total capital assets, not being depreciated	<u>53,722,129</u>	<u>18,982,820</u>	<u>42,611,351</u>	<u>30,093,598</u>
Capital assets, being depreciated				
Buildings and improvements	156,174,726	66,684,027	-	222,858,753
Furniture and equipment	<u>11,495,888</u>	<u>1,197,904</u>	<u>-</u>	<u>12,693,792</u>
Total capital assets, being depreciated	<u>167,670,614</u>	<u>67,881,931</u>	<u>-</u>	<u>235,552,545</u>
Less accumulated depreciation on:				
Buildings and improvements	37,613,707	3,814,955	-	41,428,662
Furniture and equipment	<u>7,364,710</u>	<u>815,852</u>	<u>109,036</u>	<u>8,071,526</u>
Total accumulated depreciation	<u>44,978,417</u>	<u>4,630,807</u>	<u>109,036</u>	<u>49,500,188</u>
Governmental activities capital assets, net	<u>\$ 176,414,326</u>	<u>\$ 82,233,944</u>	<u>\$ 42,502,315</u>	<u>\$216,145,955</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	\$ 3,281,569
Instructional resources and media services	5,363
School leadership	695
Student (pupil) transportation	294,247
Food services	66,438
Co-curricular/extracurricular activities	345,076
General administration	68,758
Plant maintenance and operations	260,465
Data processing services	303,023
Community service	5,173
	\$ 4,630,807
Total Depreciation Expense	\$ 4,630,807

The District has active construction projects as of June 30, 2010. The projects include the construction and equipment of school facilities. At year-end, the District had outstanding construction commitments as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Project management and consulting fees	\$ 3,173,007	\$ 1,327,890	\$ 1,845,117
Reid Elementary School renovations	5,508,717	4,686,922	821,795
Rizzuto Elementary School renovations	6,315,380	5,339,691	975,689
College Park Elementary School renovations	3,267,677	1,875,880	1,391,797
La Porte Jr. High School renovations	8,846,693	5,533,139	3,313,554
La Porte Elementary School renovations	678,995	470,380	208,615
DeWalt Alternative School renovations	1,256,946	566,355	690,591
JROTC Building renovations	813,735	38,404	775,331
	\$ 29,861,150	19,838,661	\$ 10,022,489
Less: transfers out for completed items		(855,841)	
Net CIP additions		\$ 18,982,820	

**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

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

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, 2010 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 82,329,757
Proprietary funds	531,637
Fiduciary funds	<u>394,132</u>
	<u>\$ 83,255,526</u>

Cash and investments as of June 30, 2010 consist of the following:

Deposits with financial institutions	\$ 12,935,368
Investments	<u>70,320,158</u>
	<u>\$ 83,255,526</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.

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk – Continued

As of June 30, 2010, 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, 2010</u>
TexPool	\$ 10,879,263	36 days	AAA	AAAm
Lone Star Investment Pool	28,452,360	41 days	AAA	AAAm
Certificates of Deposit	11,152,514	N/A	N/A	Not rated
Texas CLASS	<u>19,836,021</u>	40 days	AAA	AAAm
	<u>\$ 70,320,158</u>			

As of June 30, 2010 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.

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.

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

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, 2010, 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 \$17,066,586.
- C. Largest cash, savings and time deposit combined account balance amounted to \$15,719,431 and occurred during the month of June 2010.
- 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 Rule2a7 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701-2698, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

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 year 2010, 2009 and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. 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 of January through June 2010. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2010, 2009 and 2008 were approximately \$3.0 million, \$2.8 million and \$2.3 million, respectively. The District paid additional state contributions for the years ended June 30, 2010, 2009, and 2008 in the amount of approximately \$600,000, \$600,000, and \$500,000, 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 Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

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 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2010, 2009, and 2008, the State's contributions to TRS-Care were approximately \$500,000, \$450,000, and \$400,000, 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 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, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$118,385, \$102,896, and \$100,968, 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 \$603,862 as of June 30, 2010, 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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Liability, beginning of year	\$ 315,738	\$ 217,396
Current year claims and changes in estimates	875,398	470,262
Claim payments	<u>(587,274)</u>	<u>(371,920)</u>
Liability, end of year	<u>\$ 603,862</u>	<u>\$ 315,738</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, 2010, 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	State Entitlements	Federal Grants	Total
General	\$ 1,807,256	\$ -	\$ 1,807,256
Special revenue	233,619	831,589	1,065,208
	<u>\$ 2,040,875</u>	<u>\$ 831,589</u>	<u>\$ 2,872,464</u>

NOTE 12. DEFERRED REVENUE

Deferred revenue at June 30, 2010 consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Net tax revenue	\$ 1,789,859	\$ 411,038	\$ -	\$ 2,200,897
Grant received in advance of expenditures	-	-	270,600	270,600
Total	<u>\$ 1,789,859</u>	<u>\$ 411,038</u>	<u>\$ 270,600</u>	<u>\$ 2,471,497</u>

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

NOTE 13. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2010 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	Debt Service Fund	\$ 111,734	Reclass of deficit cash
General Fund	Trust and Agency Fund	68	Reimbursement of expenditures
Nonmajor Fund	General Fund	1,441,877	Reclass of deficit cash
Nonmajor Fund	Nonmajor Fund	9,055	Reclass of deficit cash
Nonmajor Fund	Trust and Agency Fund	156	Reimbursement of expenditures
Capital Projects Fund	General Fund	303,231	Reclass of deficit cash
Proprietary Fund	General Fund	771,680	Transfer of funds for benefits
Proprietary Fund	Nonmajor Fund	<u>609</u>	Reimbursement of expenditures
		<u>\$ 2,638,410</u>	

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

During the year ended June 30, 2010 transfers between funds occurred as described below:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor fund	General Fund	\$ 336,892	Payment of receivable owed
Nonmajor fund	Trust and Agency Fund	<u>43,997</u>	Contribution to scholarship fund
		<u>\$ 380,889</u>	

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, 2010. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2010 amounted to \$261,011.

REQUIRED SUPPLEMENTARY INFORMATION

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

EXHIBIT G-1

		General Fund			
		2010			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 60,448,284	\$ 68,430,519	\$ 67,222,150	\$ (1,208,369)
5800	State program revenues	14,810,551	8,034,072	9,553,737	1,519,665
5900	Federal program revenues	170,000	670,500	674,840	4,340
	Total Revenues	<u>75,428,835</u>	<u>77,135,091</u>	<u>77,450,727</u>	<u>315,636</u>
EXPENDITURES					
0011	Instruction	37,651,754	35,511,477	34,778,125	733,352
0012	Instruction resources and media services	896,188	1,004,188	968,151	36,037
0013	Curriculum and instructional staff development	343,461	393,124	298,905	94,219
0021	Instructional administration	1,148,621	1,155,798	1,085,316	70,482
0023	School administration	3,715,128	3,941,527	3,941,527	-
0031	Guidance and counseling services	1,873,575	2,047,083	2,047,331	(248)
0032	Social work service	166,017	161,911	160,900	1,011
0033	Health services	768,987	806,055	806,055	-
0034	Student (pupil) transportation	2,908,800	2,987,800	2,981,030	6,770
0036	Co-curricular/extracurricular activities	1,431,124	1,440,055	1,407,131	32,924
0041	General administration	2,928,331	3,098,968	3,079,274	19,694
0051	Plant maintenance and operations	7,290,444	4,629,587	5,943,705	(1,314,118)
0052	Security and monitoring services	618,304	657,405	657,405	-
0053	Data processing services	1,538,418	1,538,418	1,392,020	146,398
0061	Community services	88,009	92,037	54,654	37,383
Intergovernmental:					
0091	Contracted instructional services	13,299,141	16,100,000	15,963,897	136,103
0092	Incremental costs related to WADA	250,000	-	-	-
0095	Payments to juvenile justice alt. ed. prgm.	-	18,900	18,900	-
0097	Payments to tax incremental fund	850,000	898,798	898,798	-
0099	Other intergovernmental charges	405,000	651,956	651,956	-
6030	Total Expenditures	<u>78,171,302</u>	<u>77,135,087</u>	<u>77,135,080</u>	<u>7</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>(2,742,467)</u>	<u>4</u>	<u>315,647</u>	<u>315,643</u>
OTHER FINANCING SOURCES AND (USES)					
7915	Transfers in	-	-	336,892	336,892
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>336,892</u>	<u>336,892</u>
1200	Net Change in Fund Balance	<u>(2,742,467)</u>	<u>4</u>	<u>652,539</u>	<u>652,535</u>
0100	FUND BALANCE - JULY 1	<u>26,203,071</u>	<u>26,203,071</u>	<u>26,203,071</u>	<u>-</u>
3000	FUND BALANCE - JUNE 30	<u>\$ 23,460,604</u>	<u>\$ 26,203,075</u>	<u>\$ 26,855,610</u>	<u>\$ 652,535</u>

See notes to required supplementary information.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

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, 2009. 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, 2010**

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool
ASSETS:				
1110	\$ -	\$ -	\$ -	\$ -
Receivables:				
1240	5,190	100,192	122,983	9,752
1260	-	65,429	4,745	3,797
1290	-	-	-	-
1300	-	-	-	-
1400	-	-	-	-
1000	<u>\$ 5,190</u>	<u>\$ 165,621</u>	<u>\$ 127,728</u>	<u>\$ 13,549</u>
LIABILITIES:				
Current liabilities:				
2110	\$ -	\$ -	\$ 650	\$ 1,390
2160	-	24,986	33,628	655
2170	5,190	139,853	92,782	11,504
2180	-	-	-	-
2300	-	782	668	-
2000	<u>5,190</u>	<u>165,621</u>	<u>127,728</u>	<u>13,549</u>
FUND BALANCE:				
Invested reserves:				
3410	-	-	-	-
3450	-	-	-	-
3590	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 5,190</u>	<u>\$ 165,621</u>	<u>\$ 127,728</u>	<u>\$ 13,549</u>

EXHIBIT H-1

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226 IDEA B - High Cost Risk Pool	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
\$ 1,104	\$ 1,126,548	\$ -	\$ 926	\$ -	\$ -	\$ -
-	42,058	34,327	19,933	555	17,993	262,716
-	1,543	14,971	48,541	-	4,964	119,744
-	-	-	-	-	-	-
-	41,814	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,104</u>	<u>\$ 1,211,963</u>	<u>\$ 49,298</u>	<u>\$ 69,400</u>	<u>\$ 555</u>	<u>\$ 22,957</u>	<u>\$ 382,460</u>
\$ -	\$ 8,457	\$ -	\$ 1,654	\$ -	\$ 606	\$ -
-	38,606	-	3,339	-	2,181	88,254
1,104	621	49,298	63,331	555	20,170	294,206
-	-	-	-	-	-	-
-	124,754	-	1,076	-	-	-
<u>1,104</u>	<u>172,438</u>	<u>49,298</u>	<u>69,400</u>	<u>555</u>	<u>22,957</u>	<u>382,460</u>
-	41,814	-	-	-	-	-
-	997,711	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>1,039,525</u>	-	-	-	-	-
<u>\$ 1,104</u>	<u>\$ 1,211,963</u>	<u>\$ 49,298</u>	<u>\$ 69,400</u>	<u>\$ 555</u>	<u>\$ 22,957</u>	<u>\$ 382,460</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 TOTAL NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010**

Data Control Codes	272 Medicaid Administrative Claiming Program	276 Title I SIP	279 Title II Technology	280 Student Drug Testing	
ASSETS:					
1110	Cash and temporary investments	\$ 32,972	\$ -	\$ -	\$ 10,140
Receivables:					
1240	Due from other governments	7,005	27,321	1,800	15,507
1260	Due from other funds	15,100	229	-	5,343
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1400	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 55,077</u>	<u>\$ 27,550</u>	<u>\$ 1,800</u>	<u>\$ 30,990</u>
LIABILITIES:					
Current liabilities:					
2110	Accounts payable	\$ -	\$ 5,286	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	55,077	22,264	1,800	20,850
2180	Due to other governments	-	-	-	10,140
2300	Deferred revenues	-	-	-	-
2000	Total Liabilities	<u>55,077</u>	<u>27,550</u>	<u>1,800</u>	<u>30,990</u>
FUND BALANCE:					
Invested reserves:					
3410	Investments in inventory	-	-	-	-
3450	Food service operations	-	-	-	-
3590	Undesignated fund balance	-	-	-	-
3000	Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Equity	<u>\$ 55,077</u>	<u>\$ 27,550</u>	<u>\$ 1,800</u>	<u>\$ 30,990</u>

EXHIBIT H-1

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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
\$ 550	\$ -	\$ -	\$ 2,650	\$ 772	\$ 13,444	\$ -
104,255	5,377	54,625	-	2,264	4,416	10,014
94,175	-	-	2,985	1,429	12,254	15,166
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 198,980</u>	<u>\$ 5,377</u>	<u>\$ 54,625</u>	<u>\$ 5,635</u>	<u>\$ 4,465</u>	<u>\$ 30,114</u>	<u>\$ 25,180</u>
\$ 12,424	\$ -	\$ 2,734	\$ -	\$ -	\$ -	\$ -
5,506	-	7,861	-	745	-	-
173,127	5,377	44,030	5,635	3,720	5,753	25,180
-	-	-	-	-	-	-
7,923	-	-	-	-	24,361	-
<u>198,980</u>	<u>5,377</u>	<u>54,625</u>	<u>5,635</u>	<u>4,465</u>	<u>30,114</u>	<u>25,180</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 198,980</u>	<u>\$ 5,377</u>	<u>\$ 54,625</u>	<u>\$ 5,635</u>	<u>\$ 4,465</u>	<u>\$ 30,114</u>	<u>\$ 25,180</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 TOTAL NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010**

Data Control Codes	404 Accelerated Reading/Math	411 Technology Allotment	415 Kinder - garten & Pre-K Grants	425 Texas Fitness Now	428 High School Allotment	
ASSETS:						
1110	Cash and temporary investments	\$ 17,402	\$ 126,719	\$ -	\$ 21,542	\$ -
Receivables:						
1241	Due from other governments	2,295	-	16,759	-	-
1260	Due from other funds	917	65,180	151,669	-	-
1290	Other receivables	-	-	-	-	-
1300	Inventories, at cost	-	-	-	-	-
1400	Prepaid items	-	-	-	-	-
1000	Total Assets	<u>\$ 20,614</u>	<u>\$ 191,899</u>	<u>\$ 168,428</u>	<u>\$ 21,542</u>	<u>\$ -</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	6,304	8,977	-	-
2170	Due to other funds	20,614	76,378	159,451	21,542	-
2180	Due to other governments	-	-	-	-	-
2300	Deferred revenues	-	109,217	-	-	-
2000	Total Liabilities	<u>20,614</u>	<u>191,899</u>	<u>168,428</u>	<u>21,542</u>	<u>-</u>
FUND BALANCE:						
Invested reserves:						
3410	Investments in inventory	-	-	-	-	-
3450	Food service operations	-	-	-	-	-
3590	Undesignated fund balance	-	-	-	-	-
3000	Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Equity	<u>\$ 20,614</u>	<u>\$ 191,899</u>	<u>\$ 168,428</u>	<u>\$ 21,542</u>	<u>\$ -</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, 2010
\$ 6,203,154	\$ 398,677	\$ -	\$ 5,247	\$ -	\$ 1,694	\$ 7,963,541
197,871	-	-	-	-	-	1,065,208
819,782	-	1,125	-	2,000	-	1,451,088
-	-	-	-	-	-	-
-	-	-	-	-	-	41,814
-	-	-	-	-	-	-
<u>\$ 7,220,807</u>	<u>\$ 398,677</u>	<u>\$ 1,125</u>	<u>\$ 5,247</u>	<u>\$ 2,000</u>	<u>\$ 1,694</u>	<u>\$ 10,521,651</u>
\$ -	\$ 14,241	\$ -	\$ 4,587	\$ -	\$ -	\$ 52,029
-	5,052	-	-	-	-	226,094
-	23,777	-	-	1,496	-	1,344,685
-	-	-	-	-	-	10,140
190	-	1,125	-	504	-	270,600
<u>190</u>	<u>43,070</u>	<u>1,125</u>	<u>4,587</u>	<u>2,000</u>	<u>-</u>	<u>1,903,548</u>
-	-	-	-	-	-	41,814
-	-	-	-	-	-	997,711
<u>7,220,617</u>	<u>355,607</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>1,694</u>	<u>7,578,578</u>
<u>7,220,617</u>	<u>355,607</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>1,694</u>	<u>8,618,103</u>
<u>\$ 7,220,807</u>	<u>\$ 398,677</u>	<u>\$ 1,125</u>	<u>\$ 5,247</u>	<u>\$ 2,000</u>	<u>\$ 1,694</u>	<u>\$ 10,521,651</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, 2010**

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool
REVENUES:				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-
5900 Federal program revenues	16,041	810,688	999,592	45,313
5020 Total revenues	<u>16,041</u>	<u>810,688</u>	<u>999,592</u>	<u>45,313</u>
EXPENDITURES:				
0011 Instruction	52	810,272	677,483	41,503
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	-	-	11,212	2,661
0021 Instructional administration	-	-	26,108	552
0023 School administration	-	-	2,522	-
0031 Guidance and counseling services	15,989	-	282,267	597
0032 Social work services	-	-	-	-
0033 Health services	-	-	-	-
0034 Student transportation	-	-	-	-
0035 Food service	-	-	-	-
0036 Co-curricular/extracurricular activities	-	-	-	-
0041 General administration	-	-	-	-
0051 Plant maintenance and operations	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0061 Ancillary services	-	416	-	-
0093 Payments to fiscal agent	-	-	-	-
0097 Payment to tax increment fund	-	-	-	-
6030 Total Expenditures	<u>16,041</u>	<u>810,688</u>	<u>999,592</u>	<u>45,313</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES AND (USES)				
8911 Transfers out	-	-	-	-
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>

226 IDEA -B Preschool Grant	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
\$ -	\$ 1,669,882	\$ -	\$ -	\$ -	\$ -	\$ -
-	22,902	-	-	-	-	-
1,104	2,030,667	74,042	270,206	2,348	51,009	2,279,771
1,104	3,723,451	74,042	270,206	2,348	51,009	2,279,771
1,104	-	74,042	127,311	2,348	19,949	2,276,762
-	-	-	-	-	-	-
-	-	-	130,583	-	28,814	3,009
-	-	-	4,717	-	-	-
-	-	-	7,061	-	774	-
-	-	-	534	-	1,472	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,641,157	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	61,621	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,104	3,702,778	74,042	270,206	2,348	51,009	2,279,771
-	20,673	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	20,673	-	-	-	-	-
-	1,018,852	-	-	-	-	-
\$ -	\$ 1,039,525	\$ -	\$ -	\$ -	\$ -	\$ -

**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, 2010**

Data Control Codes	272 Medicaid Administrative Claiming Program	276 Title I SIP	279 Title II Technology	280 Student Drug Testing
REVENUES:				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-
5900 Federal program revenues	40,900	96,545	5,450	92,429
5020 Total revenues	<u>40,900</u>	<u>96,545</u>	<u>5,450</u>	<u>92,429</u>
EXPENDITURES:				
0011 Instruction	40,900	2,333	5,450	-
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	-	92,051	-	-
0021 Instructional administration	-	-	-	-
0023 School administration	-	2,161	-	-
0031 Guidance and counseling services	-	-	-	92,301
0032 Social work services	-	-	-	-
0033 Health services	-	-	-	-
0034 Student transportation	-	-	-	-
0035 Food service	-	-	-	-
0036 Co-curricular/extracurricular activities	-	-	-	-
0041 General administration	-	-	-	-
0051 Plant maintenance and operations	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0061 Ancillary services	-	-	-	128
0093 Payments to fiscal agent	-	-	-	-
0097 Payment to tax increment fund	-	-	-	-
6030 Total Expenditures	<u>40,900</u>	<u>96,545</u>	<u>5,450</u>	<u>92,429</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8911 Transfers out	-	-	-	-
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>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	17,839	5,753	18,092
681,199	31,797	258,374	5,715	-	-	-
681,199	31,797	258,374	5,715	17,839	5,753	18,092
339,463	30,203	221,476	5,715	17,839	2,730	18,092
-	-	-	-	-	-	-
4,890	1,594	33,820	-	-	3,023	-
2,495	-	-	-	-	-	-
2,224	-	1,816	-	-	-	-
251,388	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,262	-	-	-	-
80,739	-	-	-	-	-	-
-	-	-	-	-	-	-
681,199	31,797	258,374	5,715	17,839	5,753	18,092
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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, 2010**

Data Control Codes	404 Accelerated Reading/Math	411 Technology Allotment	415 Kinder - garten & Pre-K Grants	425 Texas Fitness Now	428 High School Allotment
REVENUES:					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	18,909	172,869	231,122	45,081
5900	Federal program revenues	-	-	-	-
5020	Total revenues	<u>18,909</u>	<u>172,869</u>	<u>231,122</u>	<u>45,081</u>
EXPENDITURES:					
0011	Instruction	18,909	172,869	231,122	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	45,081
0021	Instructional administration	-	-	-	-
0023	School administration	-	-	-	-
0031	Guidance and counseling services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Co-curricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Ancillary services	-	-	-	-
0081	Payments to fiscal agent	-	-	-	-
0093	Payment to tax increment fund	-	-	-	-
6030	Total Expenditures	<u>18,909</u>	<u>172,869</u>	<u>231,122</u>	<u>45,081</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8911	Transfers out	-	-	-	(336,889)
	Total Other Financial Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(336,889)</u>
1200	Net Change in Fund Balance	-	-	-	(336,889)
0100	Fund Balance - July 1 (Beginning)	-	-	-	336,889
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2010
\$ 49,956	\$ 545,241	\$ -	\$ 64,202	\$ -	\$ 26,624	\$ 2,355,905
9,627,659	-	-	-	1,496	-	10,161,722
-	-	-	-	-	-	7,793,190
<u>9,677,615</u>	<u>545,241</u>	<u>-</u>	<u>64,202</u>	<u>1,496</u>	<u>26,624</u>	<u>20,310,817</u>
93,839	57,512	-	63,542	-	4,375	5,357,195
2,651	8,787	-	-	-	991	12,429
427	1,844	-	-	-	-	359,009
2,016	-	-	-	-	-	35,888
105,492	4,992	-	-	-	-	127,042
5,702	-	-	-	-	-	650,250
389	-	-	-	-	-	389
8,494	-	-	-	1,496	-	9,990
13,328	990	-	-	-	-	14,318
-	-	-	-	-	-	3,641,157
1,373	493,491	-	-	-	19,564	514,428
3,799	-	-	-	-	-	3,799
2,015,001	138	-	-	-	-	2,076,760
12,383	336	-	-	-	-	12,719
2,843	130	-	-	-	-	2,973
-	502	-	-	-	-	2,308
-	-	-	-	-	-	80,739
<u>189,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,261</u>
<u>2,456,998</u>	<u>568,722</u>	<u>-</u>	<u>63,542</u>	<u>1,496</u>	<u>24,930</u>	<u>13,090,654</u>
<u>7,220,617</u>	<u>(23,481)</u>	<u>-</u>	<u>660</u>	<u>-</u>	<u>1,694</u>	<u>7,220,163</u>
<u>-</u>	<u>(44,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(380,889)</u>
<u>-</u>	<u>(44,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(380,889)</u>
7,220,617	(67,481)	-	660	-	1,694	6,839,274
-	423,088	-	-	-	-	1,778,829
<u>\$ 7,220,617</u>	<u>\$ 355,607</u>	<u>\$ -</u>	<u>\$ 660</u>	<u>\$ -</u>	<u>\$ 1,694</u>	<u>\$ 8,618,103</u>

REQUIRED TEA SCHEDULES

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Year Ended June 30</u>	<u>Tax Rates</u>		<u>Assessed Value</u>	<u>Beginning Balance 7/1/2009</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2001 and prior	various	various	various	\$ 471,120
2002	1.4500	0.18	4,485,924,178	87,353
2003	1.5000	0.18	4,058,870,000	119,648
2004	1.5000	0.18	4,290,228,220	154,514
2005	1.5000	0.2335	4,448,428,710	223,156
2006	1.5000	0.2335	4,530,862,526	223,845
2007	1.3700	0.265	4,936,217,370	768,651
2008	1.0400	0.265	5,518,631,433	627,783
2009	1.0400	0.285	6,015,684,028	5,321,662
2010	1.0400	0.285	5,966,362,279	-
				<u>\$ 7,997,732</u>

EXHIBIT J-1

Current Year Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2010
\$ -	\$ 5,934	\$ 615	\$ (44,401)	\$ 420,170
-	30,020	3,727	31,681	85,287
-	32,458	3,895	30,854	114,149
-	8,101	972	(874)	144,567
-	26,455	4,118	5,053	197,636
-	40,501	6,305	14,231	191,270
-	403,646	78,078	(2,976)	283,951
-	365,412	93,110	43,117	212,378
-	3,819,647	1,046,728	95,161	550,448
<u>78,794,784</u>	<u>61,107,881</u>	<u>16,745,876</u>	<u>239,214</u>	<u>1,180,241</u>
<u>\$ 78,794,784</u>	<u>\$ 65,840,055</u>	<u>\$ 17,983,424</u>	<u>\$ 411,060</u>	<u>\$ 3,380,097</u>

Taxes receivable per exhibit C-1 \$ 3,380,097

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT
COSTS FOR 2010-2011 – GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

EXHIBIT J-2

Account Number	(1) 701	(2) 702	(3) 703	(4) 720	(5) 750	(6) (other)	(7) Total
	Supt's Office	School Board	Tax Collection	Direct Cost	Indirect Cost	Misc.	
6100 Payroll costs	\$ 349,685	\$ 1,010	\$ -	\$ -	\$ 1,864,129	\$ -	\$ 2,214,824
6211 Legal services	299,309	-	-	-	5,682	-	304,991
6212 Audit services	-	-	-	-	65,000	-	65,000
6213 Tax appraisal / collection	-	-	749,161	-	-	-	749,161
621X Other professional services	-	6,155	-	-	32,062	-	38,217
6230 Education service centers	-	-	-	-	4,256	-	4,256
6240 Maintenance and repairs	-	-	-	7,468	-	-	7,468
6250 Utilities	-	-	-	-	-	-	-
6260 Rentals	-	-	-	-	72,727	-	72,727
6290 Miscellaneous Contracts	-	760	-	-	93,297	-	94,057
63XX Other supplies	663	649	-	-	79,879	-	81,191
6410 Travel, subsistence and stipends	6,574	11,701	-	-	34,329	-	52,604
6420 Insurance and bonding	-	-	-	-	24,065	-	24,065
6430 Election expense	-	12,703	-	-	-	-	12,703
6490 Miscellaneous operating	13,895	27,943	-	-	85,759	-	127,597
6600 Capital outlay	-	-	-	-	-	-	-
Total	\$ 670,126	\$ 60,921	\$ 749,161	\$ 7,468	\$ 2,361,185	\$ -	\$ 3,848,861

Other Information:

Total expenditures for general and special revenue funds (Exhibit C-3) (9) \$ 90,225,734

LESS: Deductions of unallowable costs:

FISCAL YEAR

Total capital outlay (6600) (10) \$ 100,778

Total debt & lease (6500) (11) -

Plant maintenance (Function 51, 6100-6400) (12) 8,020,467

Food (Function 35, 6341 and 6499) (13) 1,446,477

Stipends (6413) (14) -

Column 5 above - total indirect cost 2,361,185

Subtotal 11,928,907

Net Allowable Direct Cost \$ 78,296,827

Cumulative

Total cost of buildings before depreciation (1520) (15) \$ 222,858,753

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) \$ 12,693,791

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
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
 GENERAL FUND
 AS OF JUNE 30, 2010**

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total general fund balance, June 30, 2010	<u>\$ 26,855,610</u>
2	Total general fund reserved fund balances	
	Inventory	23,728
	Prepaid items	1,013,536
	Total reserved fund balance	<u>1,037,264</u>
3	Total general fund designated fund balances	<u>2,900,127</u>
4	Estimated amount needed to cover fall (9/1/10 - 1/31/11) cash flow deficits in the general fund (net of borrowed funds and funds representing deferred revenues)	<u>15,313,127</u>
5	Estimate average monthly general fund cash disbursements for period 9/1/10 - 5/31/11	<u>5,104,375</u>
6	Estimate of delayed payments from state sources including August payment delays	<u>-</u>
7	Estimate of delayed payments from state sources equal to variance between Legislative payment estimate and District payment or District's calculated earned state aid amount.	<u>-</u>
8	Estimate of delayed payments from federal sources	<u>-</u>
9	Estimate of expenditures to be reimbursed to general fund from capital projects fund (uses of general fund cash after bond referendum and prior to issuance of bonds)	<u>-</u>
10	General fund Optimum Fund Balance	<u>24,354,893</u>
11	Excess (Deficit) Net Undesignated Unreserved General Fund Balance	<u><u>\$ 2,500,717</u></u>

The District's administration will continue to monitor the General Fund balance in the following budgetary cycle to maintain a fund balance level within District policy and state guidelines.

LA PORTE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2010

EXHIBIT J-4

		Child Nutrition			
		2010			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 1,945,720	\$ 1,945,720	\$ 1,669,882	\$ (275,838)
5800	State program revenues	22,997	22,997	22,902	(95)
5900	Federal program revenues	1,731,192	1,731,192	2,030,667	299,475
	Total Revenues	<u>3,699,909</u>	<u>3,699,909</u>	<u>3,723,451</u>	<u>23,542</u>
EXPENDITURES					
Support Services - Student (Pupil)					
0035	Food service	3,610,717	3,747,799	3,641,157	106,642
0051	Plant maintenance and operations	135,917	144,599	61,621	82,978
	Total support services - student (pupil)	<u>3,746,634</u>	<u>3,892,398</u>	<u>3,702,778</u>	<u>189,620</u>
6030	Total Expenditures	<u>3,746,634</u>	<u>3,892,398</u>	<u>3,702,778</u>	<u>189,620</u>
1200	Net Change in Fund Balance	(46,725)	(192,489)	20,673	213,162
0100	FUND BALANCE - JULY 1	1,018,852	1,018,852	1,018,852	-
3000	FUND BALANCE - JUNE 30	<u>\$ 972,127</u>	<u>\$ 826,363</u>	<u>\$ 1,039,525</u>	<u>\$ 213,162</u>

LA PORTE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2010

EXHIBIT J-5

		Debt Service Fund			
		2010			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 16,269,876	\$ 16,679,300	\$ 18,114,827	\$ 1,435,527
	Total Revenues	<u>16,269,876</u>	<u>16,679,300</u>	<u>18,114,827</u>	<u>1,435,527</u>
EXPENDITURES					
0070	Debt Service				
0071	Principal	6,205,000	7,430,000	7,430,000	-
0071	Interest	8,053,024	8,772,064	8,772,064	-
0073	Bond issuance cost and fees	50,000	196,098	224,098	(28,000)
6030	Total debt service	<u>14,308,024</u>	<u>16,398,162</u>	<u>16,426,162</u>	<u>(28,000)</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>1,961,852</u>	<u>281,138</u>	<u>1,688,665</u>	<u>1,407,527</u>
OTHER FINANCING SOURCES AND (USES)					
7911	Refunding bonds issued	-	19,500,000	19,500,000	-
7916	Premium or discount on issuance of bonds	-	1,239,354	1,239,354	-
8949	Payment to bond refunding escrow agent	-	(20,974,388)	(20,974,388)	-
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>(235,034)</u>	<u>(235,034)</u>	<u>-</u>
1200	Net Change in Fund Balance	1,961,852	46,104	1,453,631	1,407,527
0100	FUND BALANCE - JULY 1	<u>9,860,701</u>	<u>9,860,701</u>	<u>9,860,701</u>	<u>-</u>
3000	FUND BALANCE - JUNE 30	<u>\$ 11,822,553</u>	<u>\$ 9,906,805</u>	<u>\$ 11,314,332</u>	<u>\$ 1,407,527</u>

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2010. 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 significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented, or detected 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: Finding 10-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged by governance.

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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 12, 2010.

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 12, 2010



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 compliance of La Porte Independent School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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, 2010.

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 12, 2010

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

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 10-01
- 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, 2010**

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

Significant deficiencies

Finding 10-01

Condition – Function 51 (Plant and Maintenance) expenditures in the General Fund exceeded budget by more than 10%.

Criteria – The District is required to amend the adopted budget before exceeding a functional expenditure category in the budget. Monitoring of budget to actual expenditures on a regular basis helps to ensure control over spending and that only authorized expenditures are made.

Cause – During the year ended June 30, 2010, the District received TEA disaster relief proceeds related to Hurricane Ike. The District’s intent was to have a revenue neutral budget in the General Fund using these funds. The estimated revenues in the general fund exceeded the budgeted amounts and fewer funds were required to be moved to the TEA Disaster Relief fund. As a result, function 51 exceeded the budget by more than 10%.

Effect – By not closely monitoring and controlling expenditures, the District can fail to prevent excess or unauthorized spending.

Recommendation – Budget to actual reports should be generated and reviewed on a regular basis, and the budget should be amended as needed in order to ensure that budgeted amounts are not exceeded at the legal level of control.

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, 2010**

SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

<u>Finding Number</u>	<u>Corrective Action Taken</u>
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NONE

SECTION V – CORRECTIVE ACTION PLAN

Finding 10-01: Budget

Response: The budget overage in function 51 was due to costs that were to be included in the TEA disaster relief fund. These funds were designated to deliver a revenue neutral budget and less was required to be moved than anticipated. The District will ensure that all planned expenditures are captured in revised budgets in the future.

Contact Person: Rhonda Cumbie, Chief Financial Officer

Estimated Completion Date: June 30, 2011

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

EXHIBIT K-1

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures and Indirect Costs
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program (240.00.5922)	10.555	71300901	\$ 1,423,286
School Breakfast Program (240.00.5921)	10.553	71400901	443,502
Direct Program:			
USDA Donated Commodities	10.555	101916	163,879
Total U.S. Department of Agriculture			2,030,667
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
ESEA, Title IV, Safe & Drug Free Schools and Community (204)	84.186A	10691001101916	16,041
ESEA Title I Part A (211)	84.010A	10610101101916	747,871
ESEA Title 1 School Improvement Program (211)	84.010A	10610104101916041	62,820
IDEA - Part B, Formula (224)	84.027A	106600011019166600	999,590
IDEA - Part B, Preschool (225)	84.173A	106610011019166610	21,918
IDEA - Part B, Preschool (225)- Pass through Reg.IV	84.173A	106610011019166610	23,395
IDEA - Part B, High Cost Risk Pool (226)	84.027A	106610011019166000	1,104
Career and Technology Education - Carl D. Perkins (244)	84.048	10420006101916	74,041
ESEA Title II, Part A (255)	84.367A	10694501101916	270,206
ESEA Title II, Part D (262)	84.318	10630001101916	2,348
ESEA Title III, LEP (263)	84.365A	10671001101916	51,010
ARRA Title XIV, SFSF (266)	84.394	10557001101916	2,279,771
ESEA Title 1 SIP Academy Grant (276)	84.377A	1061070110916041	96,546
ARRA Title II, Part D Technology Grant (279)	84.386	10553001101916	5,449
ARRA IDEA - Formula (283)	84.391	10554001101916	681,198
ARRA IDEA B - Preschool (284)	84.392	10555001101916	31,797
ARRA Title I Part A (2852)	84.389	10551004101916	216,527
ARRA Title I Part A SIP (285)	84.389	10551004101916041	41,850
ESEA, Title VI, Part A LEP summer school (289)	84.369A	99550502	5,715
Direct from USDE:			
Safe and Drug-free Schools and Communities (280)	84.387	N/A	92,428
Total U.S. Department of Education			5,721,625
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Medicaid Administrative Claims (272)	93.778	N/A	40,899
Total U.S. Department of Health and Human Services			40,899
<u>U.S. DEPARTMENT OF DEFENSE</u>			
JROTC (199.00.5949)	12.401	N/A	54,548
Total U.S. Department of DEFENSE			54,548
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,847,739

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 revenue 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	\$ 7,847,739
JROTC payments	3,993
SHARS payments	<u>616,298</u>
Reconciled balance	<u>\$ 8,468,030</u>
Related expenditures on Exhibit C-3	
General fund	\$ 674,840
Non-major funds	<u>7,793,190</u>
	<u>\$ 8,468,030</u>