

LA PORTE INDEPENDENT SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2009

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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 were reviewed and

approved disapproved

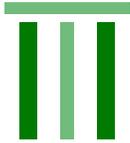
for the year ended June 30, 2009 at a meeting of the Board of Trustees of such school district on the 17th day of November, 2009.

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



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

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, 2009, 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, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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Board of Trustees
La Porte Independent School District

The management's discussion and analysis and Budgetary Comparison Schedule – General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Porte Independent School District's basic financial statements. The 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 basic 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 basic financial statements of the District. Such information, except for that portion marked as "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 6, 2009

**La Porte Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2009**

As 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, 2009. 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 \$71,235,131 (*net assets*). Of this amount, \$19,073,416 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets decreased by \$3,012,319.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$72,651,921, a decrease of \$51,307,028 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 \$52,007,599 and an increase of \$2,152,505 in the debt service fund balance.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$21,886,293, or 27 percent of total general fund expenditures.
- The District's total long-term debt decreased by 3.5% percent or \$6,639,648 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 12 and 13 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 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 twenty-seven 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 14 through 17 of this report.

Proprietary Fund

The District maintains one internal service fund and one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses an internal service fund to account for its self-funded workers' compensation insurance program. Because their service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18 through 20 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 21 and 22 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 23 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 47 through 64 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 \$71,235,131 at the close of the most recent fiscal year. The largest portion of the District's net assets (\$42,870,280) 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 000's)

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 101,461	\$ 146,540
Capital and non-current assets	176,414	137,813
Total Assets	<u>277,875</u>	<u>284,353</u>
Current Liabilities	29,874	17,882
Long-term Liabilities	176,766	192,223
Total Liabilities	<u>206,640</u>	<u>210,105</u>
Net Assets:		
Invested in capital assets net of related debt	42,870	36,872
Restricted	9,292	6,515
Unrestricted	19,073	30,861
Total Net Assets	<u>\$ 71,235</u>	<u>\$ 74,248</u>

Net assets of \$9,291,435 are restricted primarily for debt service activities. The remaining balance of *unrestricted net assets* of \$19,073,416 may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The District's net assets decreased \$3,012,319 during the current fiscal year.

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

	2009	2008	Percentage Change
Program Revenues			
Charges for services	\$ 2,024	\$ 2,739	-26%
Operating grants	10,262	8,078	27%
General Revenues			
Property taxes	79,998	72,620	10%
Grants and contributions not restricted	14,737	15,435	-5%
Interest earnings	2,185	2,489	-12%
Special Item - Loss on the disposal of capital assets	(6,424)	-	0%
Other	2,734	321	752%
Total Revenues	<u>105,516</u>	<u>101,682</u>	4%
Expenses			
Instruction	43,879	40,071	10%
Instrucitonal resources and media services	1,019	1,103	-8%
Curriculum and staff development	582	612	-5%
Instructional leadership	1,124	983	14%
School leadership	3,583	3,602	-1%
Guidance, counseling, and evaluation services	2,473	2,496	-1%
Social work services	145	150	-3%
Health services	773	682	13%
Student transportation	2,922	2,949	-1%
Food service	3,497	3,204	9%
Extracurricular activities	2,371	2,335	2%
General administration	2,856	2,922	-2%
Plant, maintenance and operations	9,410	9,440	0%
Security and monitoring services	543	506	7%
Data processing services	1,983	1,790	11%
Community services	53	54	-2%
Interest on long-term debt	9,238	4,520	104%
Facilities acquisition and construction	120	411	-71%
Incremental costs related to WADA	358	199	80%
Contracted instructional servcies between schools	20,406	17,682	15%
Payments related to shared services arrangements	-	90	-100%
Payments to Tax Increment Fund	804	56	1336%
Other intergovernmental charges	390	497	-22%
Total Expenses	<u>108,529</u>	<u>96,354</u>	13%
Increase (Decrease) in Net Assets	<u>(3,013)</u>	<u>5,328</u>	-157%
Beginning net assets	74,248	68,920	8%
Ending Net Assets	<u>\$ 71,235</u>	<u>\$ 74,248</u>	-4%

Governmental Activities

Governmental activities decreased the District's net assets by \$3,012,319. Key elements of this decrease are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$10,262,526) represent 10 percent of total revenues and property taxes of \$79,997,410 represent 76 percent of total revenues. The remaining \$15,256,747 is generated from charges for services, investment earnings, and miscellaneous revenues.

September 13, 2008 Hurricane Ike caused significant damage to the district. Bayshore Elementary flooded with as much as 18 inches of water in various parts. District-wide there was several million dollars worth of damage. After filing all appropriate papers with insurance and FEMA, the district hired a public adjuster to aid in insurance recovery and, after progress failed, has hired a law firm to facilitate the insurance claims. Most of the repairs done to date from the Hurricane damage were paid for out of bond funds and the reimbursements from insurance and FEMA reimburse the bond funds. The District incurred losses from capital assets of \$6,424,241 as a result of the disposal of Bayshore Elementary school. This elementary school is currently being reconstructed on newly acquired land approximately one mile away at the intersection of McCabe road and Highway 146 and slated to open January 4, 2009.

The primary functional expense of the District is instruction (\$43,878,909) which represents 50 percent of total expenses less contracted instructional services between schools of \$20,406,215. Plant maintenance and operations (\$9,409,774) represents 11 percent and Debt Service (\$9,237,907) represents 10 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. For the most part, increases in expenses are related to salary and related benefit costs and annual debt service interest and fees.

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 \$72,651,921, a decrease of \$51,307,028 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 \$52,007,599. The general fund balance decreased \$1,586,390 and the debt service fund balanced increased by \$2,152,505.

At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$21,886,293, or 27 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$9,860,701, 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 \$2,152,505 was primarily due to increased tax revenues.

The capital projects fund has a total fund balance of \$34,809,320, 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 \$631,537 adjustment for an increase in the Tax Increment Reinvestment Zone (TIRZ) payment of \$749,803. The 2008 total property value of TIRZ increased from 2007 amount of \$15,515,669 to \$72,963,653 approximately a 370% increase. The increase was primarily due to the new construction of the La Porte Crossing Commerce Center.

Capital Assets And Long-Term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2009, amounts to \$176,414,326 (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 \$38,601,813. A comparison of capital asset balances at current and prior fiscal year end follows:

Capital Assets (Amounts in 000's)

	Balance June 30, 2009	Balance June 30, 2008
Land	\$ 10,255	\$ 4,127
Buildings and improvements	156,175	159,645
Furniture and equipment	11,496	11,055
Construction in progress	43,467	7,098
	<u>221,393</u>	<u>181,925</u>
Less accumulated depreciation for:		
Buildings and improvements	(37,614)	(37,297)
Furniture and equipment	(7,365)	(6,815)
	<u>(44,979)</u>	<u>(44,112)</u>
Governmental Capital Assets	<u>\$ 176,414</u>	<u>\$ 137,813</u>

Major capital asset construction completed during the current fiscal year included renovations at Baker 6th Grade Campus and Lomax Elementary School. The District also acquired land for construction of facilities for an Agriculture/Operations Center (35+AC) and for relocation and replacement of Bayshore Elementary School (20+AC) which was destroyed after natural disaster Hurricane Ike. In addition, construction in progress included La Porte High School and Physical Education Center renovations, Lomax Junior High School addition and renovations, and new facilities for both Technology and Agriculture/Operations Center.

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 \$185,029,777 in total debt outstanding, a decrease of \$6,639,648 as compared to the previous year. The underlying ratings of the bonds for general obligation debt are "AA" from Standard and Poor's and "Aa3" 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, 2009	Balance June 30, 2008
General obligation bonds	\$ 180,665	\$ 186,870
Accreted interest on premium		
compound interest bonds	318	277
Premium on bonds	2,507	2,876
Deferred loss on bond refundings	(274)	(336)
Accrued compensated absences	1,813	1,983
	<u>\$ 185,029</u>	<u>\$ 191,670</u>

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

Economic Factors And Next Year's Budgets And Tax Rates

- Peak enrollment is expected to total 8,052 students, which is approximately 2 percent higher than the current (FY 2009) fiscal year.
- District staff totals 1,223 employees, which primarily includes 76 employees in central administration departments, 531 teachers, librarians, counselors, and nurses plus 290 other school leadership and support staff, 108 maintenance employees, 114 cafeteria workers and 104 employees in transportation for the 2009-10 budget.
- The District maintains 12 campuses for instruction.
- The 2009 (fiscal year 2009-10) Certified Taxable Property Value as reported by the Harris and Chambers County Appraisal Districts total \$5,181,905,720 which is approximately 1.4% lower than the 2008 taxable values. The budget was planned using the preliminary estimated Certified Taxable Property Value of \$5,988,245,095.
- The property tax rate for 2009-10 will remain the same as last year at \$1.325 per \$100 of assessed value.
- The district accelerated the sell of bonds due to a favorable bond market. The sale shortened the overall weighted average maturity of the district bonds.

All of these factors were considered in preparing the District's budget for the 2010 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, 2009

EXHIBIT A-1

Data Control Codes	ASSETS	<u>Governmental Activities</u>
	Current assets:	
1110	Cash and cash equivalents	\$ 88,474,678
1220	Property taxes receivables	10,546,917
1230	Allowance for uncollectible	(2,190,300)
1240	Due from other governments	1,398,253
1250	Accrued interest	30,667
1290	Other receivables	84
1310	Inventories	65,923
1410	Prepaid items	1,636,326
1420	Capital bond & other debt issuance costs	1,498,638
	Total current and other assets	<u>101,461,186</u>
	Capital assets:	
1510	Land	10,254,937
1520	Building and improvements	156,174,726
1530	Furniture and equipment	11,495,888
1580	Construction in progress	43,467,192
1560	Less accumulated depreciation	<u>(44,978,417)</u>
	Total capital assets (net)	<u>176,414,326</u>
1000	Total assets	<u>277,875,512</u>
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	11,695,848
2140	Interest payable	3,114,507
2150	Payroll deductions and withholdings payable	352,133
2160	Accrued wages payable	3,194,386
2170	Due to fiduciary funds	3,680
2180	Due to other governments	3,182,120
2300	Unearned revenue	67,930
2501	Noncurrent liabilities due within one year	8,263,847
	Total current liabilities	<u>29,874,451</u>
	Noncurrent liabilities:	
2502	Noncurrent liabilities due in more than one year	<u>176,765,930</u>
	Total noncurrent liabilities	<u>176,765,930</u>
2000	Total liabilities	<u>206,640,381</u>
	NET ASSETS	
3200	Invested in capital assets, net of related debt	42,870,280
	Restricted for:	
3840	Food services	920,960
3850	Debt service	8,370,475
3900	Unrestricted	19,073,416
	Total net assets	<u>\$ 71,235,131</u>

See Notes to the Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

EXHIBIT B-1

Data Control Codes		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 43,878,909	\$ 51,431	\$ 5,134,537	\$ (38,692,941)
12	Instructional resources and media services	1,018,526	-	35,438	(983,088)
13	Curriculum and staff development	582,394	-	338,828	(243,566)
21	Instructional leadership	1,123,646	-	83,795	(1,039,851)
23	School leadership	3,583,093	-	266,956	(3,316,137)
31	Guidance and counseling	2,472,916	-	755,451	(1,717,465)
32	Social work services	145,073	-	4,271	(140,802)
33	Health services	773,131	-	41,199	(731,932)
34	Student (pupil) transportation	2,921,995	-	741,537	(2,180,458)
35	Food services	3,496,932	1,807,115	1,657,692	(32,125)
36	Cocurricular/extracurricular activities	2,370,621	130,730	653,969	(1,585,922)
41	General administration	2,855,781	-	93,190	(2,762,591)
51	Plant maintenance and operations	9,409,774	34,741	252,525	(9,122,508)
52	Security and monitoring services	543,100	-	8,543	(534,557)
53	Data processing services	1,982,639	-	66,262	(1,916,377)
61	Ancillary services	53,482	-	8,757	(44,725)
71	Debt service - interest and fees	9,237,907	-	-	(9,237,907)
81	Facilities repair and maintenance	120,134	-	-	(120,134)
91	Contracted instructional services	20,406,215	-	-	(20,406,215)
92	Incremental costs related to WADA	238,558	-	-	(238,558)
93	Payments to fiscal agent	119,576	-	119,576	-
97	Payments to tax increment fund	804,807	-	-	(804,807)
99	Other intergovernmental charges	389,793	-	-	(389,793)
	TOTAL PRIMARY GOVERNMENT:	<u>\$ 108,529,002</u>	<u>\$ 2,024,017</u>	<u>\$ 10,262,526</u>	<u>(96,242,459)</u>

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	62,801,676
DT	Property taxes, levied for debt service	17,195,734
SF	State aid-grants and contributions not restricted to specific programs	14,736,552
IE	Investment earnings	2,185,309
FR	SHARS/MAC	247,800
S1	Special item - loss on the disposal of capital assets	(6,424,241)
MI	Miscellaneous	2,487,310
TG	Total general revenues	<u>93,230,140</u>
CN	Change in net assets	(3,012,319)
NB	Net assets—beginning	74,247,450
NE	Net assets—ending	<u>\$ 71,235,131</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2009**

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	\$ 30,373,929	\$ 9,883,451	\$ 45,399,668	\$ 2,043,979	\$ 87,701,027
	Receivables					
1220	Property taxes - delinquent	8,603,436	1,943,481	-	-	10,546,917
1230	Allowance for uncollectible taxes	(1,871,100)	(319,200)	-	-	(2,190,300)
1240	Due from other governments	23,782	27,964	-	1,346,507	1,398,253
1250	Accrued interest	30,667	-	-	-	30,667
1260	Due from other funds	1,198,067	14,107	-	1,186	1,213,360
1290	Other receivables	63	-	-	21	84
1310	Inventories, at cost	7,392	-	-	58,531	65,923
1410	Prepaid items	1,575,264	-	-	61,062	1,636,326
1000	Total Assets	<u>\$ 39,941,500</u>	<u>\$ 11,549,803</u>	<u>\$ 45,399,668</u>	<u>\$ 3,511,286</u>	<u>\$ 100,402,257</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
2110	Accounts payable	\$ 974,256	\$ 64,821	\$ 10,220,514	\$ 120,519	\$ 11,380,110
2150	Payroll deductions and withholdings payable	352,133	-	-	-	352,133
2160	Accrued wages payable	2,847,807	-	-	346,579	3,194,386
2170	Due to other funds	18,860	-	751	1,197,429	1,217,040
2180	Due to other governments	2,813,037	-	369,083	-	3,182,120
2300	Deferred revenue	6,732,336	1,624,281	-	67,930	8,424,547
2000	Total Liabilities	<u>13,738,429</u>	<u>1,689,102</u>	<u>10,590,348</u>	<u>1,732,457</u>	<u>27,750,336</u>
FUND BALANCES						
	Reserved for:					
3410	Investments in inventories	7,392	-	-	58,531	65,923
3420	Retirement of funded indebtedness	-	9,860,701	-	-	9,860,701
3430	Prepaid items	1,575,264	-	-	-	1,575,264
3450	Reserved for food service operations	-	-	-	920,960	920,960
3470	Reserved for capital acquisitions	-	-	34,809,320	-	34,809,320
	Designated fund balance					
3520	Compensated absences	1,734,122	-	-	-	1,734,122
3540	Self insurance	1,000,000	-	-	-	1,000,000
3600	Unreserved, undesignated					
	General fund	21,886,293	-	-	-	21,886,293
	Special revenue funds	-	-	-	799,338	799,338
3000	Total Fund Balances	<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>
4000	Total Liabilities and Fund Balances	<u>\$ 39,941,500</u>	<u>\$ 11,549,803</u>	<u>\$ 45,399,668</u>	<u>\$ 3,511,286</u>	<u>\$ 100,402,257</u>

See Notes to the Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

EXHIBIT C-2

Total fund balances--governmental funds \$ 72,651,921

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	221,392,743	
Accumulated depreciation	(44,978,417)	
Change due to Capital Assets	<u>176,414,326</u>	176,414,326

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. 8,356,617

Internal service funds are used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included in the governmental wide statement of net assets. 457,913

Bond issuance costs are not financial resources and therefore are not reported as assets in governmental funds. These cost are to be amortized over the life of the bonds. 1,498,638

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	(180,665,000)	
Deferred loss on refunding	273,510	
Premiums on issuance	(2,506,732)	
Compensated absences	(1,813,270)	
Accreted interest on capital appreciation bonds	(318,285)	
Accrued interest payable	<u>(3,114,507)</u>	
Change due to long-term liabilities	<u>(188,144,284)</u>	(188,144,284)

Total net assets--governmental activities \$ 71,235,131

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

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	\$ 62,539,359	\$ 16,327,704	\$ 1,581,033	\$ 2,504,956	\$ 82,953,052
5800	State program revenues	17,818,793	-	52,799	1,481,350	19,352,942
5900	Federal program revenues	247,800	-	-	5,023,460	5,271,260
5020	Total Revenues	<u>80,605,952</u>	<u>16,327,704</u>	<u>1,633,832</u>	<u>9,009,766</u>	<u>107,577,254</u>
EXPENDITURES						
Current:						
0011	Instruction	35,995,578	-	2,230,362	3,375,086	41,601,026
0012	Instructional resources & media services	876,269	-	141,832	515	1,018,616
0013	Curriculum & instructional staff development	260,309	-	-	323,269	583,578
0021	Instructional administration	1,097,651	-	-	31,394	1,129,045
0023	School administration	3,507,597	-	-	97,119	3,604,716
0031	Guidance and counseling	1,818,857	-	-	668,960	2,487,817
0032	Social work services	145,915	-	-	-	145,915
0033	Health services	776,971	-	-	1,050	778,021
0034	Student (pupil) transportation	2,617,242	-	2,889	-	2,620,131
0035	Food services	-	-	-	3,464,807	3,464,807
0036	Cocurricular/extracurricular activities	1,391,381	-	-	639,028	2,030,409
0041	General administration	2,837,852	-	255,020	-	3,092,872
0051	Plant maintenance and operations	6,897,945	-	2,410,553	145,749	9,454,247
0052	Security and monitoring services	544,731	-	-	-	544,731
0053	Data processing services	1,533,874	-	598,441	-	2,132,315
0061	Ancillary services	50,797	-	8,336	8,757	67,890
0070	Debt service:					
0071	Principal	-	6,205,000	-	-	6,205,000
0072	Interest	-	7,965,740	-	-	7,965,740
0073	Bond issuance cost and fees	-	4,459	-	-	4,459
0081	Facilities acquisition and construction	-	-	47,993,998	-	47,993,998
0090	Intergovernmental:					
0091	Contracted instructional services	20,406,215	-	-	-	20,406,215
0092	Incremental costs related to WADA	238,558	-	-	-	238,558
0093	Payments to fiscal agent	-	-	-	119,576	119,576
0097	Payments to tax increment fund	804,807	-	-	-	804,807
0099	Other intergovernmental charges	389,793	-	-	-	389,793
6030	Total Expenditures	<u>82,192,342</u>	<u>14,175,199</u>	<u>53,641,431</u>	<u>8,875,310</u>	<u>158,884,282</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>(1,586,390)</u>	<u>2,152,505</u>	<u>(52,007,599)</u>	<u>134,456</u>	<u>(51,307,028)</u>
OTHER FINANCING SOURCES AND (USES)						
7911	Capital-related debt issuance	-	-	-	-	-
7916	Premium or discount on issuance of bonds	-	-	-	-	-
7915	Transfers in	-	-	-	-	-
8911	Transfers out	-	-	-	-	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net Change in Fund Balances	(1,586,390)	2,152,505	(52,007,599)	134,456	(51,307,028)
0100	Fund Balance - July 1	27,789,461	7,708,196	86,816,919	1,644,373	123,958,949
3000	Fund Balance - June 30	<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>

See Notes to the 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, 2009**

EXHIBIT C-4

Net change in fund balances—total governmental funds	\$ (51,307,028)
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 was:	48,647,090
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:	(3,621,033)
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:	4,363,670
Current year amortization of deferred loss on Refunding bonds is not recorded in the governmental funds.	(62,667)
Current year amortization of bond issuance costs is not recorded in the governmental funds.	(153,473)
Current year amortization of premium on bonds payable is not recorded in the governmental funds.	369,344
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 net of issuance cost and amortization and adjustment for interest expense was:	6,205,000
Current year accreted interest on capital appreciation bonds totals:	(41,287)
The change in the interest expense accrual amount was:	(1,379,625)
Internal service funds are used by management to charge the costs of workers compensation to the governmental funds. Accordingly, the income in the internal service funds is allocated back to the governmental activities.	222,676
The loss on the disposal of fixed assets is not recorded in the governmental funds.	(6,424,244)
Change in compensated absences to accrual basis.	169,258
Change in net assets of governmental activities	<u>\$ (3,012,319)</u>

LA PORTE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

EXHIBIT D-1

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
	ASSETS	
	Current Assets:	
1110	Cash and cash equivalents	\$ 773,651
	Total current assets	<u>773,651</u>
1000	Total Assets	<u><u>\$ 773,651</u></u>
	 LIABILITIES	
	Current Liabilities:	
2200	Accrued expenses	\$ 315,738
	Total current liabilities	<u>315,738</u>
2000	Total Liabilities	<u><u>\$ 315,738</u></u>
	 NET ASSETS	
3300	Unrestricted net assets	<u>457,913</u>
3000	Total Net Assets	<u>457,913</u>
4000	Total Liabilities and Fund Equity	<u><u>\$ 773,651</u></u>

LA PORTE INDEPENDENT SCHOOL DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2009

EXHIBIT D-2

<u>Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
	Premium contributions:
5700	Employer
	\$ 594,596
5020	Total operating revenues
	<u>594,596</u>
OPERATING EXPENSES	
6200	Purchased and contracted services
	371,920
6030	Total operating expenses
	<u>371,920</u>
	Operating gain
	<u>222,676</u>
1300	Change in Net Assets
	<u>222,676</u>
0100	Net Assets - July 1 (Beginning)
	<u>235,237</u>
3300	Net Assets - June 30 (Ending)
	<u>\$ 457,913</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 STATEMENTS OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2009**

EXHIBIT D-3

	Internal Service Fund
	<u> </u>
Cash Flows From Operating Activities:	
Cash received from charges for services	\$ 594,596
Cash payments for insurance claims	(273,578)
Net Cash Provided by Operating Activities	<u>321,018</u>
Net increase in cash and cash equivalents	321,018
Cash and cash equivalents at beginning of the year	<u>452,633</u>
Cash and cash equivalents at the end of the year	<u>\$ 773,651</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	\$ 222,676
Effect of increases and decreases in current assets and liabilities:	
Increase in accrued expenses	98,342
Net Cash Provided by Operating Activities	<u>\$ 321,018</u>

LA PORTE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2009

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	\$ 134,398	\$ 173,824
1260	Due from other funds	-	4,076
1290	Other receivables	-	21
	Total Assets	<u>\$ 134,398</u>	<u>\$ 177,921</u>
LIABILITIES			
2110	Accounts payable	\$ -	\$ 5,399
2170	Due to other funds	-	393
2190	Due to student groups	-	172,129
	Total Liabilities	<u>\$ -</u>	<u>\$ 177,921</u>
NET ASSETS			
	Restricted	<u>\$ 134,398</u>	

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

EXHIBIT E-2

806

	<u>Trust Funds</u>
Additions	
Gifts and contributions	\$ 10,634
Earnings on investments	2,028
Total Additions	<u>12,662</u>
Deductions	
Scholarships awarded	<u>13,500</u>
Total Deductions	<u>13,500</u>
Change in Net Assets	(838)
Net assets beginning of year	<u>135,236</u>
Net assets end of year	<u>\$ 134,398</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 it 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, 2009.

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 Fund is a Worker's Compensation fund.

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, Capital Project Fund and High School Allotment 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 and reserves fund balance in a like amount. Supplemental appropriations were not significant to the original adopted budget for the fiscal year ended June 30, 2009.

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.

The accrual for accumulated unpaid sick 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 becomes 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, 2009 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, 2009.

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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. Capital Assets – Continued

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

N. Long-Term Debt

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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2009 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2008	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2009
Unlimited Tax School House Bonds Series 2008A	3.00-5.00	\$ 20,895,000	\$ 20,895,000	\$ -	\$ -	\$ 100,000	\$ 20,795,000
Unlimited Tax School House Bonds Series 2008	3.00-5.00	65,000,000	65,000,000	-	-	-	65,000,000
Unlimited Tax School House and Refunding Bonds Series 2005A	3.50-5.00	63,700,000	62,075,000	-	-	1,765,000	60,310,000
Unlimited Tax Refunding Bonds Series 2005	3.25-5.00	10,755,000	10,755,000	-	-	115,000	10,640,000
Unlimited Tax School House and Refunding Bonds Series 2002	2.00-5.00	19,515,000	8,295,000	-	-	1,475,000	6,820,000
Unlimited Tax School House Bonds Series 2001	4.82-4.82	2,500,000	1,000,000	-	-	250,000	750,000
Unlimited Tax School House Bonds Series 2000	4.45-6.38	14,000,000	2,100,000	-	-	350,000	1,750,000
Unlimited Tax School House Bonds Series 1999	4.25-6.25	17,800,000	11,000,000	-	-	1,000,000	10,000,000
Unlimited Tax School House Bonds Series 1998	4.00-6.00	23,000,000	5,750,000	-	-	1,150,000	4,600,000
Total bonded debt payable			\$ 186,870,000	\$ -	\$ -	\$ 6,205,000	\$ 180,665,000

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

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the bonds in an irrevocable trust for all future debt service payment 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, 2009, approximately \$3.1 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
2010	\$ 7,430,000	\$ 8,696,493	\$ 16,126,493
2011	7,315,000	8,091,743	15,406,743
2012	7,210,000	7,788,953	14,998,953
2013	6,380,000	7,489,310	13,869,310
2014	6,630,000	7,246,983	13,876,983
2015-2019	37,155,000	31,966,705	69,121,705
2020-2024	37,470,000	23,629,338	61,099,338
2025-2029	48,170,000	13,196,360	61,366,360
2030-2034	22,905,000	1,732,250	24,637,250
	<u>\$ 180,665,000</u>	<u>\$ 109,838,135</u>	<u>\$ 290,503,135</u>

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

NOTE 3. ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

Balance, July 1, 2008	\$ 1,982,528
New entrants and salary increments	38,597
Payments to participants	<u>(207,855)</u>
Balance, June 30, 2009	<u>\$ 1,813,270</u>

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

NOTE 4. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2009 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	\$186,870,000	\$ -	\$ 6,205,000	\$180,665,000	\$ 7,430,000
Accreted interest	276,998	41,287	-	318,285	318,285
Premium on bonds	2,876,076	-	369,344	2,506,732	369,344
Deferred loss on bond refundings	(336,177)	-	(62,667)	(273,510)	(62,667)
Compensated absences	<u>1,982,528</u>	<u>38,597</u>	<u>207,855</u>	<u>1,813,270</u>	<u>207,885</u>
 Total Governmental activities long-term liabilities	 <u>\$191,669,425</u>	 <u>\$ 79,884</u>	 <u>\$ 6,719,532</u>	 <u>\$185,029,777</u>	 <u>\$ 8,263,847</u>

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2009 was as follows:

Primary government:

	<u>Balance 7/01/08</u>	<u>Additions (Transfers)</u>	<u>Deletions</u>	<u>Balance 6/30/09</u>
Capital assets, not being depreciated				
Land	\$ 4,126,868	\$ 6,128,069	\$ -	\$ 10,254,937
Construction in progress	<u>7,098,298</u>	<u>36,368,894</u>	<u>-</u>	<u>43,467,192</u>
Total capital assets, not being depreciated	<u>11,225,166</u>	<u>42,496,963</u>	<u>-</u>	<u>53,722,129</u>
Capital assets, being depreciated				
Buildings and improvements	159,644,548	5,593,626	9,063,448	156,174,726
Furniture and equipment	<u>11,054,666</u>	<u>556,501</u>	<u>115,279</u>	<u>11,495,888</u>
Total capital assets, being depreciated	<u>170,699,214</u>	<u>6,150,127</u>	<u>9,178,727</u>	<u>167,670,614</u>
Less accumulated depreciation on:				
Buildings and improvements	37,297,246	2,981,397	2,664,936	37,613,707
Furniture and equipment	<u>6,814,621</u>	<u>639,636</u>	<u>89,547</u>	<u>7,364,710</u>
Total accumulated depreciation	<u>44,111,867</u>	<u>3,621,033</u>	<u>2,754,483</u>	<u>44,978,417</u>
Governmental activities capital assets, net	<u>\$ 137,812,513</u>	<u>\$ 45,026,057</u>	<u>\$6,424,244</u>	<u>\$176,414,326</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	\$ 2,634,008
Instructional resources & media services	5,407
School leadership	695
Student (pupil) transportation	321,532
Food services	63,033
Co-curricular/extracurricular activities	345,076
General administration	26,050
Plant maintenance and operations	81,218
Data processing services	141,426
Community service	<u>2,588</u>
Total Depreciation Expense	<u><u>\$ 3,621,033</u></u>

The District has active construction projects as of June 30, 2009. 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
LPHS PE Center Total	\$ 6,639,292	\$ 5,842,328	\$ 796,964
Lomax JH Renovations	996,975	923,179	73,796
Lomax JH Addition & Renovations	10,571,646	5,902,930	4,668,716
Technology Center	6,631,629	3,564,358	3,067,271
LPHS Pkg 2, Phase I	5,876,919	2,160,988	3,715,931
LPHS Pkg 2, Phase 2	4,535,675	3,083,455	1,452,220
Agricultural Science Center	16,990,623	7,462,163	9,528,460
Project Mgmt & Consulting Fees	1,313,500	742,117	571,383
Bayshore Elementary McCabe Rd	11,315,409	8,643,094	2,672,315
Business/Finance Software System	500,000	236,211	263,789
	<u>\$ 65,371,668</u>	<u>\$ 38,560,823</u>	<u>\$ 26,810,845</u>
Less: transfers out		<u>(2,191,929)</u>	
Net CIP Additions		<u><u>\$ 36,368,894</u></u>	

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

NOTE 6. DEPOSITS AND INVESTMENTS

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

The Public Funds Investment Act (Government Code Chapter 2256) 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	Maximum Investment in One Issuer
U.S. Treasury obligations	10 years	none	none
U.S. Agency obligations	10 years	none	none
Collateralized mortgage obligations	10 years	none	none
Certificates of deposit	none	none	none
Repurchase agreements	90 days	none	none
Securities lending program	1 year	none	none
Banker's acceptance	270 days	none	none
Commercial paper	270 days	none	none
No-load mutual funds	2 years	15%	none
Guaranteed investment contracts	5 years	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, 2009 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 87,701,027
Proprietary funds	773,651
Fiduciary funds	<u>308,222</u>
	<u>\$ 88,782,900</u>

Cash and investments as of June 30, 2009 consist of the following:

Deposits with financial institutions	\$ 3,768,477
Investments	<u>85,014,423</u>
	<u>\$ 88,782,900</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

As of June 30, 2009, 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, 2009</u>
TexPool	\$ 33,386,372	47 days	AAA	AAAm
Lone Star Investment Pool	22,939,713	51 days	AAA	AAAm
Certificates of Deposit	21,041,392	N/A	N/A	Not rated
MBIA	5,986,779	23 days	AAA	AAAm
FNMA	1,660,167	199 days	N/A	Not rated
	<u>\$ 85,014,423</u>			

As of June 30, 2009 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, 2009 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: Amegy Bank
- B. Security pledged as of the date of the highest combined balance on deposit was \$20,338,419.
- C. Largest cash, savings and time deposit combined account balance amounted to \$19,502,641 and occurred during the month of February 2009.
- 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 and Lone Star Investment Pool.

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

Lone Star Investment Pool is governed by a 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.

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.

LA PORTE INDEPENDENT SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN – CONTINUED

Funding Policy. State law provides a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. State law further provides a member contribution rate of 6.4% for fiscal years 2009, 2008, and 2007. In certain instances, the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal year 2009 and 2008 and 6.0% for fiscal year 2007. 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 the 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 2009, 2008 and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.00% for fiscal year 2007. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.00% for fiscal year 2007. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2009, 2008 and 2007 were approximately \$3.0 million, \$2.5 million, and \$2.0 million, respectively. The District paid additional state contributions for the years ended June 30, 2009, 2008, and 2007 in the amount of approximately \$1.0 million, \$900,000, and \$600,000, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

NOTE 8. 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 general liability coverage workers compensation and unemployment compensations coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its general and educators' liability 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.

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

NOTE 8. RISK MANAGEMENT – CONTINUED

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 \$315,738 as of June 30, 2009, 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, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Liability, beginning of year	\$ 217,396	\$ -
Current year claims and changes in estimates	470,262	489,701
Claim payments	<u>(371,920)</u>	<u>(272,305)</u>
Liability, end of year	<u>\$ 315,738</u>	<u>\$ 217,396</u>

NOTE 9. 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 10. 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, 2009, 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.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 23,782	\$ -	\$ 23,782
Special revenue	429,033	927,974	1,357,007
Debt service	<u>27,964</u>	<u>-</u>	<u>27,964</u>
Total	<u>\$ 480,779</u>	<u>\$ 927,974</u>	<u>\$ 1,408,753</u>

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

NOTE 11. DEFERRED REVENUE

Deferred revenue at June 30, 2009 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Net tax revenue	\$ 6,732,336	\$ 1,624,281	\$ -	\$ 8,356,617
Grant received in advance of expenditures	-	-	67,930	67,930
Total	<u>\$ 6,732,336</u>	<u>\$ 1,624,281</u>	<u>\$ 67,930</u>	<u>\$ 8,424,547</u>

NOTE 12. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2009 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	Special Revenue	\$1,196,921	Reclass of deficit cash
General Fund	Capital Projects Fund	753	Reimbursement of expenditures
General Fund	Trust and Agency Fund	393	Reimbursement of expenditures
Nonmajor Fund	General Fund	677	Reclass of deficit cash
Nonmajor Fund	Capital Projects Fund	509	Reimbursement of expenditures
Trust and Agency Fund	General Fund	4,076	Reimbursement of expenditures
Debt Service	General Fund	<u>14,107</u>	Reimbursement of expenditures
		<u>\$ 1,217,436</u>	

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

NOTE 13. OPERATING LEASES

Commitments under operating leases (non-capitalized) agreements 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, 2009. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2009 amounted to \$373,174.

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

NOTE 14. COMMITMENTS AND CONTINGENCIES

The La Porte Medicaid Administrative Claims Consortium (“the Consortium”) was audited for the State Year 1999-2000 by the United States Department of Health and Human Services (“HHS”), and HHS found reimbursements it alleges were not justified. HHS claims that the amount should be returned from the Consortium to the State and then to HHS.

The District disputes these findings and presented a response regarding the accuracy of the findings to the Department Appeals Board of HHS. Management is unable to determine that an outcome unfavorable to the District of Consortium is either probable or remote.

REQUIRED SUPPLEMENTARY INFORMATION

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

EXHIBIT G-1

Data Control Codes		General Fund			
		2009			
		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 61,056,872	\$ 61,769,155	\$ 62,539,359	\$ 770,204
5800	State program revenues	18,307,334	17,819,145	17,818,793	(352)
5900	Federal program revenues	220,000	176,926	247,800	70,874
	Total Revenues	<u>79,584,206</u>	<u>79,765,226</u>	<u>80,605,952</u>	<u>840,726</u>
EXPENDITURES					
0011	Instruction	35,341,584	36,011,139	35,995,578	15,561
0012	Instruction resources and media services	855,541	876,681	876,269	412
0013	Curriculum and instructional staff development	412,479	299,627	260,309	39,318
0021	Instructional administration	1,105,057	1,120,719	1,097,651	23,068
0023	School administration	3,661,816	3,647,104	3,507,597	139,507
0031	Guidance and counseling services	1,928,130	1,841,878	1,818,857	23,021
0032	Social work service	168,197	148,197	145,915	2,282
0033	Health services	715,913	796,613	776,971	19,642
0034	Student (pupil) transportation	3,086,214	2,786,214	2,617,242	168,972
0036	Co-curricular/extracurricular activities	1,438,531	1,423,104	1,391,381	31,723
0041	General administration	2,773,023	3,045,205	2,837,852	207,353
0051	Plant maintenance and operations	6,926,045	6,976,181	6,897,945	78,236
0052	Security and monitoring services	552,082	562,854	544,731	18,123
0053	Data processing services	1,413,190	1,563,190	1,533,874	29,316
0061	Community services	92,159	80,658	50,797	29,861
Intergovernmental:					
0091	Contracted instructional services	20,914,998	20,414,998	20,406,215	17,682,435
0092	Incremental costs related to WADA	250,000	238,558	238,558	199,282
0097	Payments to juvenile justice alt. ed. prgm.	55,000	804,803	804,807	55,709
0099	Other intergovernmental charges	525,000	389,793	389,793	497,231
6030	Total Expenditures	<u>82,214,959</u>	<u>83,027,516</u>	<u>82,192,342</u>	<u>835,174</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>(2,630,753)</u>	<u>(3,262,290)</u>	<u>(1,586,390)</u>	<u>1,675,900</u>
	Net Change in Fund Balance	(2,630,753)	(3,262,290)	(1,586,390)	1,675,900
	FUND BALANCE - JULY 1	27,789,461	27,789,461	27,789,461	-
	FUND BALANCE - JUNE 30	<u>\$ 25,158,708</u>	<u>\$ 24,527,171</u>	<u>\$ 26,203,071</u>	<u>\$ 1,675,900</u>

See notes to required supplementary information.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009**

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 June 24, 2008. 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, 2009**

<u>Data Control Codes</u>	204 ESEA Title IV SDFSC	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	
ASSETS:					
1110	Cash and temporary investments	\$ -	\$ 61,628	\$ 3,689	\$ 3,734
Receivables:					
1240	Due from other governments	14,114	315,288	93,748	11,491
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1400	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 14,114</u>	<u>\$ 376,916</u>	<u>\$ 97,437</u>	<u>\$ 15,225</u>
LIABILITIES:					
Current liabilities:					
2110	Accounts payable	\$ -	\$ 1,634	\$ 1,124	\$ -
2160	Accrued wages payable	-	60,445	2,565	3,734
2170	Due to other funds	14,114	314,837	93,748	11,491
2300	Deferred revenues	-	-	-	-
2000	Total Liabilities	<u>14,114</u>	<u>376,916</u>	<u>97,437</u>	<u>15,225</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>\$ 14,114</u>	<u>\$ 376,916</u>	<u>\$ 97,437</u>	<u>\$ 15,225</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
\$ -	\$ 962,378	\$ 14,844	\$ 48,391	\$ -	\$ 4,964
8,806	40,401	72,228	78,138	7,054	19,211
-	1,017	-	-	-	-
-	21	-	-	-	-
-	58,531	-	-	-	-
-	61,062	-	-	-	-
<u>\$ 8,806</u>	<u>\$ 1,123,410</u>	<u>\$ 87,072</u>	<u>\$ 126,529</u>	<u>\$ 7,054</u>	<u>\$ 24,175</u>
\$ -	\$ 23,934	\$ 14,844	\$ 35,259	\$ -	\$ 2,635
-	80,077	-	13,131	-	2,329
8,806	547	72,228	78,139	7,054	19,211
-	-	-	-	-	-
<u>8,806</u>	<u>104,558</u>	<u>87,072</u>	<u>126,529</u>	<u>7,054</u>	<u>24,175</u>
-	58,531	-	-	-	-
-	920,960	-	-	-	-
-	39,361	-	-	-	-
	<u>1,018,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 8,806</u>	<u>\$ 1,123,410</u>	<u>\$ 87,072</u>	<u>\$ 126,529</u>	<u>\$ 7,054</u>	<u>\$ 24,175</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 TOTAL NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009**

Data Control Codes	272 Medicaid Administrative Claiming Program	276 Title I SIP	280 Student Drug Testing	283 IDEA Part B Formula - ARRA	
ASSETS:					
1110	Cash and temporary investments	\$ 15,100	\$ 229	\$ 5,343	\$ 94,174
Receivables:					
1240	Due from other governments	-	2,504	19,374	235,117
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1400	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 15,100</u>	<u>\$ 2,733</u>	<u>\$ 24,717</u>	<u>\$ 329,291</u>
LIABILITIES:					
Current liabilities:					
2110	Accounts payable	\$ -	\$ 229	\$ -	\$ -
2160	Accrued wages payable	14,957	-	5,343	94,175
2170	Due to other funds	-	2,504	19,374	235,116
2300	Deferred revenues	143	-	-	-
2000	Total Liabilities	<u>15,100</u>	<u>2,733</u>	<u>24,717</u>	<u>329,291</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>\$ 15,100</u>	<u>\$ 2,733</u>	<u>\$ 24,717</u>	<u>\$ 329,291</u>

EXHIBIT H-1

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289	394	397	404	411	415
Summer School LEP	Pregnancy, Education & Parenting	AP/IB Incentive Program	Accelerated Reading/Math	Technology Allotment	Kinder - garten & Pre-K Grants
\$ 2,985	\$ 1,429	\$ 12,254	\$ 917	\$ 65,180	\$ 19,450
-	5,195	-	139,694	-	67,655
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,985</u>	<u>\$ 6,624</u>	<u>\$ 12,254</u>	<u>\$ 140,611</u>	<u>\$ 65,180</u>	<u>\$ 87,105</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,429	-	917	15,288	24,382
409	5,195	250	139,694	-	62,723
<u>2,576</u>	<u>-</u>	<u>12,004</u>	<u>-</u>	<u>49,892</u>	<u>-</u>
<u>2,985</u>	<u>6,624</u>	<u>12,254</u>	<u>140,611</u>	<u>65,180</u>	<u>87,105</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,985</u>	<u>\$ 6,624</u>	<u>\$ 12,254</u>	<u>\$ 140,611</u>	<u>\$ 65,180</u>	<u>\$ 87,105</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
TOTAL NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

Data Control Codes	425 Texas Fitness Now	426 Texas Educator Excellence Award Grant Program	428 High School Allotment	429 Read to Succeed and Teacher Educ. Excellence	
ASSETS:					
1110	Cash and temporary investments	\$ -	\$ -	\$ 277,515	\$ 190
Receivables:					
1241	Due from other governments	7,444	90,000	119,045	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1400	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 7,444</u>	<u>\$ 90,000</u>	<u>\$ 396,560</u>	<u>\$ 190</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ 31,829	\$ -
2160	Accrued wages payable	-	-	27,807	-
2170	Due to other funds	7,444	90,000	35	-
2300	Deferred revenues	-	-	-	190
2000	Total Liabilities	<u>7,444</u>	<u>90,000</u>	<u>59,671</u>	<u>190</u>
FUND BALANCE:					
Invested reserves:					
3410	Investments in inventory	-	-	-	-
3450	Food service operations	-	-	-	-
3590	Undesignated fund balance	-	-	336,889	-
3000	Total Fund Equity	<u>-</u>	<u>-</u>	<u>336,889</u>	<u>-</u>
4000	Total Liabilities and Fund Equity	<u>\$ 7,444</u>	<u>\$ 90,000</u>	<u>\$ 396,560</u>	<u>\$ 190</u>

461 Campus Activity Funds	480 Student Drug Testing	482 Score	Total June 30, 2009
\$ 446,460	\$ 1,125	\$ 2,000	\$ 2,043,979
-	-	-	1,346,507
169	-	-	1,186
-	-	-	21
-	-	-	58,531
-	-	-	61,062
<u>\$ 446,629</u>	<u>\$ 1,125</u>	<u>\$ 2,000</u>	<u>\$ 3,511,286</u>
\$ 9,031	\$ -	\$ -	\$ 120,519
-	-	-	346,579
14,510	-	-	1,197,429
-	1,125	2,000	67,930
<u>23,541</u>	<u>1,125</u>	<u>2,000</u>	<u>1,732,457</u>
-	-	-	58,531
-	-	-	920,960
<u>423,088</u>	<u>-</u>	<u>-</u>	<u>799,338</u>
<u>423,088</u>	<u>-</u>	<u>-</u>	<u>1,778,829</u>
<u>\$ 446,629</u>	<u>\$ 1,125</u>	<u>\$ 2,000</u>	<u>\$ 3,511,286</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, 2009**

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	17,296	888,754	1,425,133	69,764
5020 Total revenues	<u>17,296</u>	<u>888,754</u>	<u>1,425,133</u>	<u>69,764</u>
EXPENDITURES:				
0011 Instruction	-	881,904	787,314	66,878
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	-	4,523	14,866	1,332
0021 Instructional administration	-	-	21,092	1,398
0023 School administration	-	-	76,771	-
0031 Guidance and counseling services	17,296	-	405,514	155
0032 Social work services	-	-	-	-
0033 Health services	-	-	-	-
0034 Student transportation	-	-	-	-
0035 Food service	-	-	-	-
0036 Co-curricular/extracurricular activities	-	2,328	-	-
0041 General administration	-	-	-	-
0051 Plant maintenance and operations	-	-	-	-
0052 Security and monitoring services	-	-	-	-
0053 Data processing services	-	-	-	-
0061 Ancillary services	-	-	-	-
0081 Facilities acquisition and construction	-	-	-	-
0093 Payments to fiscal agent	-	-	119,576	-
6030 Total Expenditures	<u>17,296</u>	<u>888,755</u>	<u>1,425,133</u>	<u>69,763</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
1200 Net Change in Fund Balance	-	(1)	-	1
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>1</u>	<u>-</u>	<u>(1)</u>
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
\$	\$ 1,818,798	\$ -	\$ -	\$ -	\$ -
	22,997	-	-	-	-
8,806	1,806,352	77,762	284,730	6,821	60,577
8,806	3,648,147	77,762	284,730	6,821	60,577
8,806	-	77,504	135,114	6,821	23,913
-	-	-	-	-	-
-	-	258	145,635	-	36,664
-	-	-	3,891	-	-
-	-	-	90	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,463,672	-	-	-	-
-	-	-	-	-	-
-	145,114	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,806	3,608,786	77,762	284,730	6,821	60,577
-	39,361	-	-	-	-
-	39,361	-	-	-	-
-	979,491	-	-	-	-
\$ -	\$ 1,018,852	\$ -	\$ -	\$ -	\$ -

**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, 2009**

Data Control Codes	272 Medicaid Administrative Claiming Program	276 Title I SIP	280 Student Drug Testing	283 IDEA Part B Formula - ARRA
REVENUES:				
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	-
5900 Federal program revenues	49,267	2,504	87,905	235,116
5020 Total revenues	<u>49,267</u>	<u>2,504</u>	<u>87,905</u>	<u>235,116</u>
EXPENDITURES:				
0011 Instruction	49,267	-	-	119,059
0012 Instructional resources and media services	-	-	-	-
0013 Curriculum and instructional staff development	-	1,613	-	3,219
0021 Instructional administration	-	-	-	3,437
0023 School administration	-	801	-	17,473
0031 Guidance and counseling services	-	90	87,808	91,928
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	-	-	97	-
0081 Facilities acquisition and construction	-	-	-	-
0093 Payments to fiscal agent	-	-	-	-
6030 Total Expenditures	<u>49,267</u>	<u>2,504</u>	<u>87,905</u>	<u>235,116</u>
1100 Excess (Deficiency) Revenues Over Expenditures	-	-	-	-
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>

**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, 2009**

Data Control Codes		425 Texas Fitness Now	426 Texas Educator Excellence Award Grant Program	428 High School Allotment
	REVENUES:			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	73,042	90,000	594,632
5900	Federal program revenues	-	-	-
5020	Total revenues	<u>73,042</u>	<u>90,000</u>	<u>594,632</u>
	EXPENDITURES:			
0011	Instruction	-	83,556	421,586
0012	Instructional resources and media services	-	515	-
0013	Curriculum and instructional staff development	73,042	-	38,677
0021	Instructional administration	-	-	1,576
0023	School administration	-	2,059	(75)
0031	Guidance and counseling services	-	1,050	65,119
0032	Social work services	-	-	-
0033	Health services	-	1,050	-
0034	Student transportation	-	-	-
0035	Food service	-	1,135	-
0036	Co-curricular/extracurricular activities	-	-	3,468
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	635	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Ancillary services	-	-	-
0081	Facilities acquisition and construction	-	-	-
0093	Payments to fiscal agent	-	-	-
6030	Total Expenditures	<u>73,042</u>	<u>90,000</u>	<u>530,351</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>64,281</u>
1200	Net Change in Fund Balance	-	-	64,281
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>272,608</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,889</u>

429 Read to Succeed and Teacher Educ. Excellence	461 Campus Activity Funds	480 Student Drug Testing	482 Score	Total June 30, 2009
\$ -	\$ 686,158	\$ -	\$ -	\$ 2,504,956
-	-	-	-	1,481,350
-	-	-	-	5,023,460
-	<u>686,158</u>	-	-	<u>9,009,766</u>
-	13,453	-	-	3,375,086
-	-	-	-	515
-	-	-	-	323,269
-	-	-	-	31,394
-	-	-	-	97,119
-	-	-	-	668,960
-	-	-	-	-
-	-	-	-	1,050
-	-	-	-	-
-	-	-	-	3,464,807
-	633,232	-	-	639,028
-	-	-	-	-
-	-	-	-	145,749
-	-	-	-	-
-	-	-	-	-
-	8,660	-	-	8,757
-	-	-	-	-
-	-	-	-	119,576
-	<u>655,345</u>	-	-	<u>8,875,310</u>
-	<u>30,813</u>	-	-	<u>134,456</u>
-	30,813	-	-	134,456
-	<u>392,275</u>	-	-	<u>1,644,373</u>
<u>\$ -</u>	<u>\$ 423,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,778,829</u>

REQUIRED TEA SCHEDULES

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Year Ended June 30</u>	<u>Tax Rates</u>		<u>Assessed Value</u>	<u>Beginning Balance 7/1/2008</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2000 and prior	various	various	various	\$ 417,026
2001	1.4500	0.15	4,457,926,500	73,344
2002	1.4500	0.18	4,485,924,178	101,951
2003	1.5000	0.18	4,058,870,000	167,427
2004	1.5000	0.18	4,290,228,220	203,035
2005	1.5000	0.2335	4,448,428,710	277,524
2006	1.5000	0.2335	4,530,862,526	314,140
2007	1.3700	0.265	4,936,217,370	934,417
2008	1.0400	0.265	5,518,631,433	1,765,941
2009	1.04	0.285	6,015,684,028	-
				<u>\$ 4,254,805</u>

EXHIBIT J-1

Current Year Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2009
\$ -	\$ 14,818	\$ 1,446	\$ (402)	\$ 400,360
-	2,199	273	(109)	70,763
-	16,244	2,017	3,663	87,353
-	40,587	4,870	(2,322)	119,648
-	55,609	6,673	13,761	154,514
-	65,216	10,152	21,000	223,156
-	95,828	14,917	20,450	223,845
-	(71,464)	(13,823)	(251,053)	768,651
-	517,366	131,829	(488,963)	627,783
<u>79,707,814</u>	<u>58,154,604</u>	<u>15,936,566</u>	<u>(294,982)</u>	<u>5,321,662</u>
<u>\$ 79,707,814</u>	<u>\$ 58,891,007</u>	<u>\$ 16,094,920</u>	<u>\$ (978,957)</u>	7,997,735
				<u>2,549,182</u>
				<u>\$ 10,546,917</u>

Add penalties and interest receivable at June 30, 2009

Taxes receivable per exhibit C-1

**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, 2009**

EXHIBIT J-2

Account Number	(1) 701 Supt's Office	(2) 702 School Board	(3) 703 Tax Collection	(4) 720 Direct Cost	(5) 750 Indirect Cost	(6) (other) Misc.	(7) Total
6100 Payroll costs	\$ 323,769	\$ -	\$ -	\$ -	\$ 1,823,406	\$ -	\$ 2,147,175
6211 Legal services	317,443	-	-	-	-	-	317,443
6212 Audit services	-	-	-	-	59,500	-	59,500
6213 Tax appraisal / collection	-	-	484,797	-	-	-	484,797
621X Other professional services	1,697	13,171	-	-	74,577	-	89,444
6230 Education service centers	-	-	-	-	-	-	-
6240 Maintenance and repairs	-	-	-	7,846	-	-	7,846
6250 Utilities	-	-	-	150	-	-	150
6260 Rentals	-	-	-	-	150,207	-	150,207
6290 Miscellaneous Contracts	-	-	-	-	1,685	-	1,685
63XX Other supplies	6,669	3,376	-	-	121,105	-	131,149
6410 Travel, subsistence and stipends	7,937	14,191	-	-	26,491	-	48,619
6420 Insurance and bonding	-	-	-	-	24,303	-	24,303
6430 Election expense	-	8,340	-	-	-	-	8,340
6490 Miscellaneous operating	21,661	16,442	-	-	74,498	-	112,601
6600 Capital outlay	-	-	-	-	-	-	-
Total	\$ 679,175	\$ 55,520	\$ 484,797	\$ 7,996	\$ 2,355,771	\$ -	\$ 3,583,259

Other Information:

Total expenditures for general and special revenue funds (Exhibit C-3)	(9)	\$ 91,067,652
LESS: Deductions of unallowable costs:		
FISCAL YEAR		
Total capital outlay (6600)	(10)	\$ 67,182
Total debt & lease (6500)	(11)	
Plant maintenance (Function 51, 6100-6400)	(12)	7,021,707
Food (Function 35, 6341 and 6499)	(13)	1,436,144
Stipends (6413)	(14)	
Column 5 above - total indirect cost		<u>2,355,771</u>
Subtotal		<u>10,880,803</u>
Net Allowable Direct Cost		<u>\$ 80,186,849</u>

Cumulative

Total cost of buildings before depreciation (1520)	(15)	\$ 156,174,726
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)	\$ 11,495,888
Historical cost of furniture & equipment over 16 years old	(19)	\$ 1,575,201
Amount of federal money in furniture & equipment (Net of #19)	(20)	\$ 241,056

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
 GENERAL FUND
 AS OF JUNE 30, 2009**

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total general fund balance, August 31, 2009	<u>\$ 26,203,071</u>
2	Total general fund reserved fund balances	
	Inventory	7,392
	Prepaid items	<u>1,575,264</u>
	Total reserved fund balance	<u>1,582,656</u>
3	Total general fund designated fund balances	<u>2,734,122</u>
4	Estimated amount needed to cover fall (9/1/07 - 1/31/08) cash flow deficits in the general fund (net of borrowed funds and funds representing deferred revenues)	<u>16,218,040</u>
5	Estimate average monthly general fund cash disbursements for period 9/1/08 - 5/31/09	<u>5,406,013</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>25,940,832</u>
11	Excess (Deficit) Net Undesignated Unreserved General Fund Balance	<u><u>\$ 262,239</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, 2009

EXHIBIT J-4

		Child Nutrition			
		2009			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 2,023,000	\$ 1,823,000	\$ 1,818,798	\$ (4,202)
5800	State program revenues	20,000	20,000	22,997	2,997
5900	Federal program revenues	1,454,000	1,654,000	1,806,352	152,352
	Total Revenues	<u>3,497,000</u>	<u>3,497,000</u>	<u>3,648,147</u>	<u>151,147</u>
EXPENDITURES					
Support Services - Student (Pupil)					
0035	Food service	3,444,250	3,761,652	3,463,672	297,980
0051	Plant maintenance and operations	144,297	148,000	145,114	2,886
	Total support services - student (pupil)	<u>3,588,547</u>	<u>3,909,652</u>	<u>3,608,786</u>	<u>300,866</u>
6030	Total Expenditures	<u>3,588,547</u>	<u>3,909,652</u>	<u>3,608,786</u>	<u>300,866</u>
1200	Net Change in Fund Balance	(91,547)	(412,652)	39,361	452,013
0100	FUND BALANCE - JULY 1	979,491	979,491	979,491	-
3000	FUND BALANCE - JUNE 30	<u>\$ 887,944</u>	<u>\$ 566,839</u>	<u>\$ 1,018,852</u>	<u>\$ 452,013</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2009**

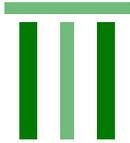
EXHIBIT J-5

Debt Service Fund

2009

Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 16,269,876	\$ 16,269,876	\$ 16,327,704	\$ 57,828
5800	State program revenues	-	-	-	-
	Total Revenues	<u>16,269,876</u>	<u>16,269,876</u>	<u>16,327,704</u>	<u>57,828</u>
EXPENDITURES					
0070	Debt Service				
0071	Principal	6,205,000	6,205,000	6,205,000	-
0071	Interest	8,053,024	8,053,024	7,965,740	87,284
0073	Bond issuance cost and fees	50,000	50,000	4,459	45,541
6030	Total debt service	<u>14,308,024</u>	<u>14,308,024</u>	<u>14,175,199</u>	<u>132,825</u>
1100	Excess of Revenues Over (Under) Expenditures	<u>1,961,852</u>	<u>1,961,852</u>	<u>2,152,505</u>	<u>190,653</u>
OTHER FINANCING SOURCES AND (USES)					
7911	Refunding bonds issued	-	-	-	-
	Capital related debt issued	-	-	-	-
7916	Premium or discount on issuance of bonds	-	-	-	-
7915	Transfers in	-	-	-	-
	Transfers out	-	-	-	-
8949	Payment to bond refunding escrow agent	-	-	-	-
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	1,961,852	1,961,852	2,152,505	190,653
0100	FUND BALANCE - JULY 1	7,708,196	7,708,196	7,708,196	-
3000	FUND BALANCE - JUNE 30	<u>\$ 9,670,048</u>	<u>\$ 9,670,048</u>	<u>\$ 9,860,701</u>	<u>\$ 190,653</u>

FEDERAL AWARDS SECTION



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

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 basic 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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HOUSTON

Board of Trustees
La Porte Independent School District

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

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 6, 2009.

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 6, 2009



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

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 are applicable to each of its major federal programs for the year ended June 30, 2009. 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, 2009.

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

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Board of Trustees
La Porte Independent School District

purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we 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 6, 2009

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

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 None reported
- 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:

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	USDA Donated Commodities
84.027	IDEA – Part B, Formula
84.027	IDEA – Part B, High Risk Cost Pool
84.173	IDEA – Part B, Preschool
84.391	IDEA – Part B, Recovery Act

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

Auditee qualified as low-risk auditee? Yes No

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding Number

Corrective Action Taken

08-01

Finding - Bids handled by the Construction Manager at Risk (CMAR) are not properly monitored by the district.

Corrective Action Taken - This finding was self reported by new District management. The District is now receiving complete copies of all bids prepared by the District's Project Management. The District is also currently performing additional testing and review of bid information from the construction manager for compliance with District policies and State regulations. The District hired a new Purchasing Manager who uses a comprehensive checklist to ensure all items are properly bid and all bid files and documentation are maintained in accordance with the District's record retention policy.

07-01

Finding – Comprehensive standard operating procedures have not been formally documented in significant areas such as the Business Office and the Personnel Department.

Corrective Action Taken - The District has developed a formal written Business Operating Procedures Manual. The District will conduct risk assessments of critical areas along with a comprehensive review and evaluation of the procedures manual on an annual basis to monitor the effectiveness of operational controls. Improvements, updates and staff training related to standard operating procedures will be implemented and scheduled as needed.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009**

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

07-02

Finding – There is a substantial lack of integration among the District’s business office software and other District computer systems which creates a significant number of general journal entries within the general ledger. This condition makes it difficult for management to properly review general journal entries as they are being recorded.

Corrective Action Taken - The District has converted to a new Integrated Business Finance Software System to account for and record its business transactions. Our new software contains features for automating our data entry which will help to streamline the process for recording business transactions. The District was recording cash receipts as journal entries. The District has now implemented new procedures for recording cash receipts through the cash receipts ledger instead of journal entries which will considerably decrease the volume of journal entries being recorded.

07-03

Finding – The control procedure designed to monitor and control changes made to employee master files in the computer system is not working as intended.

Corrective Action Taken - The district has converted to new business software and developed a business procedures manual to document the process for making changes to employee master files. Both of these significant changes will help to define the payroll process, document the responsibilities of various departmental personnel and ensure proper segregation of duties. In addition the District will monitor the entire payroll process and make changes and/or improvements as we continue to implement new features available with our new software.

08-02

Finding – Financial data reported to Texas Education Agency (“TEA”) via the Public Information Management System (“PEIMS”) did not agree to audited financial statements.

Corrective Action Taken - Financial data reported is reconciled to audited financial statements prior to submission.

08-03

Finding – Proper procedures are not always followed with regards to bid procedures.

Corrective Action Taken - This finding was self reported by new District management. The District hired a new Purchasing Manager who uses a comprehensive checklist to ensure all items are properly bid and managed in accordance with local policy and state regulations.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION V – CORRECTIVE ACTION PLAN

N/A

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

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	\$ 1,249,847
School Breakfast Program (240.00.5921)	10.553	71400901	377,584
Direct Program:			
USDA Donated Commodities	10.555	101916	156,909
Total U.S. Department of Agriculture			1,784,340
<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	09691001101916	17,620
ESEA Title I Part A (211)	84.010A	09610101101916	847,513
ESEA Title 1 School Improvement Program	84.010A	09610104101916041	41,240
IDEA - Part B, Formula (224)	84.027A	096600011019166600	1,461,833
IDEA - Part B, Preschool (225)	84.173A	096610011019166610	46,494
IDEA - Part B, Preschool (225)- Pass through Reg.IV	84.027A	09660006101916	24,289
IDEA - Part B, High Cost Risk Pool (226)	84.027A	09660006101916	8,806
Career and Technology Education - Carl D. Perkins (244)	84.048A	09420006101916	79,593
ESEA Title II, Part A (255)	84.367A	09694501101916	293,323
ESEA Title II, Part D (262)	84.318X	09630001101916	7,054
ESEA Title III, LEP (263)	84.365A	09671001101916	62,554
ESEA Title 1 SIP Academy Grant (276)	84.010A	09610701101916041	2,504
ARRA IDEA - Formula (283)	84.391	10554001101916	235,117
ESEA, Title VI, Part A LEP summer school (289)	84.369A	99550502	2,673
Direct from USDE:			
Safe and Drug-free Schools and Communities (280)	84.184D	N/A	87,905
Total U.S. Department of Education			3,218,519
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Medicaid Administrative Claims (272)	93.778	N/A	49,267
Total U.S. Department of Health and Human Services			49,267
<u>U.S. DEPARTMENT OF DEFENSE</u>			
JROTC (199.00.5949)	12.401	N/A	50,440
Total U.S. Department of DEFENSE			50,440
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,102,566

**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	\$ 5,102,566
JROTC payments	2,823
SHARS payments	122,522
DPS payments	<u>43,349</u>
Reconciled Balance	<u>\$ 5,271,260</u>
 Related Expenditures on Exhibit C-3	
General Fund	\$ 247,800
Special Revenue Fund	<u>5,023,460</u>
	<u>\$ 5,271,260</u>