

**LA PORTE  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL  
AND COMPLIANCE REPORT**

**For The Year Ended June 30, 2008**



11 Greenway Plaza | Suite 1515 | Houston, TX 77046 | (P) 713.621.1515 | (F) 713.621.1570  
[www.null-lairson.com](http://www.null-lairson.com)



**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<u>Page</u>	<u>Exhibit</u>
<b>Certificate Of The Board</b>	i	
<b>Financial Section</b>		
Independent Auditors' Report	1	
Management Discussion and Analysis	5	
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements		
Statement of Net Assets	14	A-1
Statement of Activities	15	A-2
Fund Financial Statements		
Balance Sheet- Governmental Funds	16	A-3
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Assets	17	A-4
Statement of Revenues, Expenditures, and Changes In Fund Balance - Governmental Funds	18	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds to the Statement of Activities	19	A-6
Proprietary Fund Financial Statements		
Statement of Net Assets	20	A-7
Statement of Activities	21	A-8
Statement of Cash Flows	22	A-9
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets	23	A-10
Statement of Changes In Fiduciary Net Assets	24	A-11
Notes To Financial Statements	25	
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule - General Fund	45	B-1
Notes to Required Supplementary Information	46	B-2
<b>Other Supplementary Information</b>		
Combining Fund Statements:		
Non-major Governmental Funds		
Combining Balance Sheet	48	C-1
Combining Statement of Revenues, Expenditures, and Changes In Fund Balance	54	C-2
Schedule of Delinquent Taxes Receivable	60	D-1
Schedule of Expenditures For Computation of Indirect Costs For 2008-2009	62	D-2
Fund Balance and Cash Flow Calculation Schedule (Unaudited)- General Fund	63	D-3
Budgetary Comparison Schedule - Child Nutrition and Debt Service Funds	64	D-4

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

	<b>Page</b>	<b>Exhibit</b>
<b>Federal Awards Section</b>		
Independent Auditors' Report on Internal Control Over Financial Reporting And On Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	69	
Independent Auditors' Report on Compliance With Requirements Applicable To Each Major Program and On Internal Control Over Compliance In Accordance With <i>OMB Circular A-133</i>	71	
Schedule of Findings and Questioned Costs	73	
Schedule of Expenditures of Federal Awards	80	E-1
Notes to Schedule of Expenditures of Federal Awards	81	

**CERTIFICATE OF BOARD**

La Porte Independent School District  
Name of School District

Harris  
County

101-916  
Co.- Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended June 30, 2008, at a meeting of the board of trustees of such school district on November 11, 2008.



\_\_\_\_\_  
President of the Board



\_\_\_\_\_  
Secretary of the Board

*(This page intentionally left blank.)*

## **Financial Section**

*(This page intentionally left blank.)*



## Independent Auditors' Report

To the 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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 to 13 and pages 45 to 46, respectively, 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund statements and other schedules listed in the table of contents are presented for the purpose 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 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 "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mull & Laism, P.C." in a cursive, flowing script.

Houston, Texas  
November 11, 2008

*Management's Discussion and Analysis*

*(This page intentionally left blank.)*

# LA PORTE INDEPENDENT SCHOOL DISTRICT

## *Management's Discussion and Analysis*

The La Porte Independent School District has a new Superintendent as of March 1, 2008 and a new Chief Financial Officer as of June 9, 2008. As management of the La Porte Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2008.

Effective with the 2006-07 fiscal year, the District implemented a change in its fiscal year-end from August 31 to June 30. Comparative information in the management's discussion and analysis represents the ten month reporting period from September 1, 2006 to June 30, 2007.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$74,247,450 (*net assets*). Of this amount, \$30,861,085 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by \$5,327,276.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$123,958,949, an increase of \$64,323,555 in comparison with the prior year. The increase in governmental fund balances was primarily due to an increase in the capital projects fund balance of \$61,196,398 and an increase of \$3,003,866 in the debt service fund balance.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$24,646,178, or 32 percent of total general fund expenditures.
- The District's total long-term debt increased by 70 percent or \$79,415,738 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,

# LA PORTE INDEPENDENT SCHOOL DISTRICT

## *Management's Discussion and Analysis*

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, Facilities Acquisition and Construction, and Payments to Juvenile Justice Alternative Education Programs.

The government-wide financial statements can be found on pages 14 and 15 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 twenty-five 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-two 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 16 through 19 of this report.

**Proprietary Fund** The District maintains one internal service fund, one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses an internal service fund to account for its self-funded workers' compensation insurance program. Because their service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

# LA PORTE INDEPENDENT SCHOOL DISTRICT

## *Management's Discussion and Analysis*

### **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 operation.

The basic fiduciary fund financial statements can be found on pages 23 and 24 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 25 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 46 through 57 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 \$74,247,450 at the close of the most recent fiscal year.

The largest portion of the District's net assets (\$36,871,644) reflects its investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment, 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

## Management's Discussion and Analysis

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

	<u>2008</u>	<u>2007 (1)</u>
Current and other assets	\$ 146,540	\$ 82,422
Capital and non current assets	<u>137,813</u>	<u>119,132</u>
<b>Total Assets</b>	<u>284,353</u>	<u>201,554</u>
Current liabilities	17,882	20,999
Long term liabilities	<u>192,223</u>	<u>111,635</u>
<b>Total Liabilities</b>	<u>210,105</u>	<u>132,634</u>
<b>Net Assets:</b>		
Invested in capital assets net of related debt	36,872	41,726
Restricted	6,514	5,577
Unrestricted	<u>30,861</u>	<u>21,617</u>
<b>Total Net Assets</b>	<u>\$ 74,247</u>	<u>\$ 68,920</u>

(1) 2007 amounts are for the ten month period ending June 30, 2007.

Net assets of \$6,514,721 are restricted primarily for debt service activities. The remaining balance of *unrestricted net assets* of \$30,861,085 may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The District's net assets increased by \$5,327,276 during the current fiscal year.



# LA PORTE INDEPENDENT SCHOOL DISTRICT

## Management's Discussion and Analysis

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

	<u>2008</u>	<u>2007 (1)</u>	<u>Percentage Change</u>
<b>Program Revenues</b>			
Charges for services	\$ 2,739	\$ 2,470	11%
Operating grants	8,078	7,456	8%
<b>General Revenues</b>			
Property taxes	72,620	81,425	-11%
State aid	15,435	9,279	66%
Grants and contributions not restricted		(649)	-100%
Interest earnings	2,489	3,443	-28%
Other	321	367	-13%
<b>Total Revenues</b>	<u>101,682</u>	<u>103,791</u>	-2%
<b>Expenses</b>			
Instruction	40,071	33,711	19%
Instructional resources and media services	1,103	726	52%
Curriculum and staff development	612	560	9%
Instructional leadership	983	634	55%
School leadership	3,602	2,786	29%
Guidance, counseling, and evaluation services	2,496	1,674	49%
Social work services	150	69	117%
Health services	682	518	32%
Student transportation	2,949	2,604	13%
Food service	3,204	2,830	13%
Extracurricular activities	2,335	861	171%
General administration	2,922	2,528	16%
Plant, maintenance and operations	9,440	8,281	14%
Security and monitoring services	506	457	11%
Data processing services	1,790	1,227	46%
Community services	54	53	2%
Interest on long-term debt	4,520	4,364	4%
Facilities acquisition and construction	411	1,126	-63%
Incremental costs related to WADA	199	164	21%
Contracted instructional services between schools	17,682	23,745	-26%
Payments related to shared services arrangements	90	76	18%
Payments to Juvenile Justice Alternative Education Programs		2	-100%
Payments to Tax Increment Fund	56		100%
Other intergovernmental charges	497		100%
<b>Total Expenses</b>	<u>96,354</u>	<u>88,996</u>	8%
<b>Increase (Decrease) in Net Assets</b>	5,328	14,795	-64%
<b>Beginning net assets</b>	68,920	54,125	27%
<b>Ending Net Assets</b>	<u>\$ 74,248</u>	<u>\$ 68,920</u>	8%

(1) 2007 amounts are for the ten month period ending June 30, 2007.

# LA PORTE INDEPENDENT SCHOOL DISTRICT

## *Management's Discussion and Analysis*

### **Governmental Activities**

Governmental activities increased the District's net assets by \$5,327,276. Key elements of this increase are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$8,077,816) represent 8 percent of total revenues and property taxes of \$72,620,215 represent 71 percent of total revenues. The remaining \$20,983,838 is generated from charges for services, investment earnings, and miscellaneous revenues. House Bill ("HB") No. 1 reduced school district property tax rates by \$0.33 or to 66.67 percent of \$1.50. This "compressed rate" resulted in lower local taxes which were offset by additional state aid. Additionally, the District continued to exercise its option to assess an additional tax rate of \$0.04 per \$100 valuation, with no recapture requirement.

The primary functional expense of the District is instruction (\$40,071,072) which represents 51 percent of total expenses less contracted instructional services between schools of \$17,682,435. Plant maintenance and operations (\$9,439,975) represents 12 percent of total expenses 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 clearly related to the change in the fiscal year from August 31 to June 30 which resulted in a ten month fiscal year in the prior year as compared to twelve months in the current year.

### **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 \$123,958,949, an increase of \$64,323,555 in comparison with the prior year. The increase in governmental fund balances was primarily due to an increase in the capital projects fund balance of \$61,196,398 and an increase of \$3,003,866 in the debt service fund balance.

At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$24,646,178, or 32 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$7,708,196, 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 \$3,003,866 was primarily due to increased tax collections and investment earnings.

The capital projects fund has a total fund balance of \$86,816,919, all of which is reserved for authorized construction, plant maintenance and technology projects/enhancements. The increase in fund balance during the current year was due to the proceeds of debt used for additional renovations.

# LA PORTE INDEPENDENT SCHOOL DISTRICT

## Management's Discussion and Analysis

### General Fund Budgetary Highlights

The primary difference between the original budget and the final amended budget of the general fund was a \$1,938,529 adjustment for additional property insurance premiums for windstorm coverage and additional program enhancements from district improvement plan.

### Capital Assets And Long-Term Liabilities

#### Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2008, amounts to \$137,812,513 (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 \$18,680,106. A comparison of capital asset balances at current and prior fiscal year end follows:

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

	<b>Balance June 30, 2008</b>	<b>Balance June 30, 2007</b>
Land	\$ 4,127	\$ 4,097
Buildings and improvements	159,645	116,182
Furniture and equipment	11,055	9,374
Construction in progress	7,098	30,435
	<u>181,925</u>	<u>160,088</u>
Less accumulated depreciation for:		
Buildings and improvements	(37,297)	(34,747)
Furniture and Equipment	(6,815)	(6,208)
	<u>(44,112)</u>	<u>(40,955)</u>
<b>Governmental Capital Assets</b>	<u><u>\$ 137,813</u></u>	<u><u>\$ 119,133</u></u>

Major capital asset events during the current fiscal year included renovations at the High School (including the baseball field, football stadium and theatre), Baker 6<sup>th</sup> Grade Campus and new roofing at Rizzuto Elementary, Jennie Reid Elementary and Lomax Junior High.

Additional information on the District's capital assets can be found in note 4 of the notes to the financial statements.

#### Long-term Liabilities

At the end of the current fiscal year, the District had \$192,222,998 in total debt outstanding, an increase of \$79,415,738 as compared to the previous year. The underlying ratings of the bonds for general obligation debt are "AAA" from Standard and Poor's and "Aaa" from Moody's Investors Service, and are guaranteed through the Texas Permanent School Fund Guarantee Program by a municipal bond insurance policy.

# LA PORTE INDEPENDENT SCHOOL DISTRICT

## Management's Discussion and Analysis

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

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

	<b>Balance June 30, 2008</b>	<b>Balance June 30, 2007</b>
General obligation bonds	\$ 186,870	\$ 107,985
Plus amounts for issuance premiums	2,876	2,056
Accreted interest on premium compound interest bonds	277	237
Accrued compensated absences	1,983	1,950
Workers compensation claims payable	217	579
	<u>\$ 192,223</u>	<u>\$ 112,807</u>

Additional information on the District's long-term liabilities can be found in note 6 of the notes to the financial statements.

### Economic Factors And Next Year's Budgets And Tax Rates

- Peak enrollment is expected to total 8,000 students, which is approximately .6 percent higher than the current (FY 2008) fiscal year.
- District staff totals 1,227.5 employees, which primarily includes 65 administrators, 573.5 teachers, librarians, counselors and nurses, 67 other professionals, 227 teachers' aides and para-professionals, 118 maintenance employees, 95 cafeteria workers and 82 bus drivers and monitors in 2008-09 budget.
- The District maintains 12 campuses for instruction.
- The 2008 (fiscal year 2008-09) Certified Taxable Property Value as reported by the Harris County Appraisal District totals \$5,200,109,600 which approximates the 2007 values. The budget was planned using the preliminary estimated Certified Taxable Property Value of \$5,683,808,075.
- The property tax rate is expected to increase to \$1.325 per \$100 of assessed value for 2008-09.
- 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. This was not budgeted for and the district plans to have minimal cost in all repairs after reimbursement from insurance and FEMA except for Bayshore Elementary. It is still undetermined what that cost will be but it could be significant.

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

1.

## **Basic Financial Statements**

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

*Exhibit A-1*

<b>Data Control Codes</b>		<b>Governmental Activities</b>
	<b>Assets</b>	
1110	Cash and Cash Equivalents	\$ 139,168,755
1225	Property taxes receivables, net	3,992,947
1240	Due from other governments	1,048,405
1290	Other receivables, net	48,016
1300	Inventories	54,780
1410	Prepaid items	239,011
1420	Capital bond and other debt issuance costs	1,988,288
	<b>Capital assets not subject to depreciation:</b>	
1510	Land	4,126,868
1580	Construction in progress	7,098,298
	<b>Capital assets net of depreciation:</b>	
1520	Buildings and improvements, net	122,347,302
1530	Furniture and equipment, net	4,240,045
1000	<b>Total Assets</b>	<u>284,352,714</u>
	<b>Liabilities</b>	
2110	Accounts payable	7,040,131
2140	Interest payable	1,734,882
2150	Payroll deductions and withholdings	(7,556)
2160	Accrued wages payable	2,861,262
2180	Due to other governments	6,213,226
2300	Unearned revenues	40,321
	<b>Noncurrent Liabilities:</b>	
2501	Due within one year	6,447,396
2502	Due in more than one year	185,775,602
2000	<b>Total Liabilities</b>	<u>210,105,264</u>
	<b>Net Assets</b>	
3200	Invested in capital assets, net of related debt	36,871,644
	<b>Restricted for:</b>	
3840	Food service	818,406
3850	Debt service	5,696,315
3900	Unrestricted	30,861,085
	<b>Total net assets</b>	<u>\$ 74,247,450</u>

See notes to the basic financial statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2008

Exhibit A-2

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expenses)
			Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>					
11	Instruction	\$ 40,071,072	\$ 49,889	\$ 4,493,532	\$ (35,527,651)
12	Instructional resources and media services	1,102,922		34,630	(1,068,292)
13	development	611,718		221,284	(390,434)
21	Instructional leadership	982,524		85,360	(897,164)
23	School leadership	3,601,706		275,212	(3,326,494)
31	Guidance, counseling, and evaluation services	2,495,934		726,719	(1,769,215)
32	Social work services	149,541		4,457	(145,084)
33	Health services	681,841		118,578	(563,263)
34	Student transportation	2,950,245		106,526	(2,843,719)
35	Food service	3,204,119	1,866,204	1,501,721	163,806
36	Extracurricular activities	2,335,095	790,348	78,460	(1,466,287)
41	General administration	2,922,338		99,726	(2,822,612)
51	operations	9,439,975	26,073	169,040	(9,244,862)
52	Security and monitoring services	505,853		8,230	(497,623)
53	Data processing services	1,790,481		62,313	(1,728,168)
61	Community services	53,768			(53,768)
72	Interest on long-term debt	4,520,153			(4,520,153)
81	Facilities acquisition and construction	410,598	6,660		(403,938)
91	Contracted instructional services between schools	17,682,435			(17,682,435)
92	Incremental costs related to WADA	199,282			(199,282)
93	Payments related to shared services arrangements	90,053		92,028	1,975
97	Payments to Tax Increment Fund	55,709			(55,709)
99	Other intergovernmental charges	497,231			(497,231)
<b>TG</b>	<b>Total governmental activities</b>	<b>\$ 96,354,593</b>	<b>\$ 2,739,174</b>	<b>\$ 8,077,816</b>	<b>(85,537,603)</b>

Data Control Codes		
<b>General revenues</b>		
<b>Taxes:</b>		
<b>MT</b>	Property taxes, levied for general purposes	57,923,992
<b>DT</b>	Property taxes, levied for debt service	14,696,223
<b>SF</b>	State-aid formula grants	15,434,532
<b>IE</b>	Investment earnings	2,488,848
<b>MI</b>	Miscellaneous	321,284
<b>TR</b>	<b>Total general revenues, special items, and transfers</b>	<b>90,864,879</b>
<b>CN</b>	Change in net assets	5,327,276
<b>NB</b>	<b>Net assets - beginning</b>	<b>68,920,174</b>
<b>NE</b>	<b>Net assets - ending</b>	<b>\$ 74,247,450</b>

See notes to the basic financial statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2008**

*Exhibit A-3*

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
1110	Cash and temporary investments	\$ 36,260,974	\$ 7,740,520	\$ 93,158,466	\$ 1,556,162	\$ 138,716,122
<b>Receivables:</b>						
1220	Property taxes - delinquent	5,245,777	930,970			6,176,747
1230	Allowance for uncollectible (credit)	(1,897,300)	(286,500)			(2,183,800)
1240	Receivables from other governments	4,963			1,043,442	1,048,405
1260	Due from other funds	636,128		45,000	123,304	804,432
1290	Other receivables			48,016		48,016
1300	Inventories, at cost				54,780	54,780
1410	Prepaid items	239,011				239,011
	<b>Total Assets</b>	<u>\$ 40,489,553</u>	<u>\$ 8,384,990</u>	<u>\$ 93,251,482</u>	<u>\$ 2,777,688</u>	<u>\$ 144,903,713</u>
<b>Liabilities and Fund balances</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 1,006,791	\$ 31,614	\$ 5,867,503	\$ 146,358	\$ 7,052,266
2150	Payroll withholdings payable	(7,556)				(7,556)
2160	Accrued wages payable	2,530,625			330,637	2,861,262
2170	Due to other funds	168,303		20,130	615,999	804,432
2180	Payable to other governments	5,653,452	710	546,930		6,201,092
2300	Deferred revenues	3,348,477	644,470		40,321	4,033,268
2000	<b>Total Liabilities</b>	<u>12,700,092</u>	<u>676,794</u>	<u>6,434,563</u>	<u>1,133,315</u>	<u>20,944,764</u>
<b>Fund Balance:</b>						
<b>Reserved for:</b>						
3410	Investments in inventories				54,779	54,779
3420	Retirement of funded indebtedness		7,708,196			7,708,196
3430	Prepaid items	239,011				239,011
3440	Encumbrances					
3450	Food service operations				818,406	818,406
3470	Capital acquisition program			86,816,919		86,816,919
3490	Other purposes	1,396				1,396
<b>Unreserved, Designated for:</b>						
3510	Construction, repairs, renovation					
3520	Compensated absences	1,902,876				1,902,876
3540	Self insurance	1,000,000				1,000,000
<b>Unreserved, Undesignated Reported in:</b>						
3600	General fund	24,646,178				24,646,178
3610	Special revenue funds				771,188	771,188
3000	<b>Total Fund Balance</b>	<u>27,789,461</u>	<u>7,708,196</u>	<u>86,816,919</u>	<u>1,644,373</u>	<u>123,958,949</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 40,489,553</u>	<u>\$ 8,384,990</u>	<u>\$ 93,251,482</u>	<u>\$ 2,777,688</u>	<u>\$ 144,903,713</u>

See notes to the basic financial statements



**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL**  
**FUNDS TO STATEMENT OF NET ASSETS**  
**June 30, 2008**

*Exhibit A-4*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	\$ 123,958,949
	Amounts reported for governmental <i>activities</i> in the statement of net assets are different because:	
<b>1</b>	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable	137,812,513
<b>2</b>	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, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	3,992,948
	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:	
<b>3</b>	Claims payable	
<b>4</b>	General obligation bonds	(186,870,000)
<b>5</b>	Premiums on issuance	(2,876,076)
<b>6</b>	Bond issuance costs	1,652,111
<b>7</b>	Deferred charges on refunding	336,177
<b>8</b>	Accreted interest on premium compound interest bonds	(276,998)
<b>9</b>	Accrued compensated absences	(1,982,528)
<b>10</b>	Accrued interest payable	(1,734,883)
<b>11</b>	Addition of Internal Service fund net assets	<u>235,237</u>
	<b>Total net assets - governmental activities</b>	<u><u>\$ 74,247,450</u></u>

See notes to the basic financial statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2008**

Exhibit A-5

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
5700	Local, intermediate, and out-of-state	\$ 59,315,348	\$ 14,731,217	\$ 998,988	\$ 2,561,395	\$ 77,606,948
5800	State program revenues	17,376,103			1,306,632	18,682,735
5900	Federal program revenues	206,463			4,623,151	4,829,614
5020	<b>Total revenues</b>	<u>76,897,914</u>	<u>14,731,217</u>	<u>998,988</u>	<u>8,491,178</u>	<u>101,119,297</u>
<b>Expenditures</b>						
<b>Current:</b>						
0011	Instruction	33,894,342		673,312	3,334,589	37,902,243
0012	Instruction resources and media services	806,073		278,701		1,084,774
	Curriculum and instructional staff development	352,489		1,500	258,505	612,494
0021	Instructional leadership	914,362			56,227	970,589
0023	School leadership	3,511,507		9,012	95,646	3,616,165
	Guidance, counseling and evaluation services	1,838,505			663,670	2,502,175
0032	Social work services	149,800				149,800
0033	Health services	683,166		854		684,020
0034	Student transportation	2,617,098		558,954		3,176,052
0035	Food services				3,213,157	3,213,157
0036	Extracurricular activities	1,411,272			686,370	2,097,642
0041	General administration	3,128,069		36,053		3,164,122
0051	Plant maintenance and operations	7,064,329		2,327,940	145,477	9,537,746
0052	Security and monitoring services	510,506				510,506
0053	Data processing services	1,352,164		381,428		1,733,592
0061	Community services	52,995			773	53,768
<b>Debt service:</b>						
0071	Principal on long-term debt		7,010,000			7,010,000
0072	Interest on long-term debt		4,717,351			4,717,351
0073	Bond issuance costs and fees			993,163		993,163
<b>Capital outlay:</b>						
0081	Capital outlay			21,552,994		21,552,994
<b>Intergovernmental:</b>						
0091	Contracted instructional services	17,682,435				17,682,435
0092	Incremental costs related to WADA	199,282				199,282
	Payments related to shared services arrangements				90,053	90,053
0097	Payments to tax increment fund	55,709				55,709
0099	Other intergovernmental charges	497,231				497,231
6030	<b>Total Expenditures</b>	<u>76,721,334</u>	<u>11,727,351</u>	<u>26,813,911</u>	<u>8,544,467</u>	<u>123,807,063</u>
1100	Excess (deficiency) of revenues over expenditures	176,580	3,003,866	(25,814,923)	(53,289)	(22,687,766)
<b>Other Financing Sources (Uses)</b>						
7911	Capital-related debt issued (regular bonds)			85,895,000		85,895,000
7916	Premium on issuance of bonds			1,116,321		1,116,321
7080	<b>Total Other Financing Sources/Uses</b>			<u>87,011,321</u>		<u>87,011,321</u>
1200	Net change in fund balances	176,580	3,003,866	61,196,398	(53,289)	64,323,555
0100	<b>Fund Balance - September 1 (Beginning)</b>	<u>27,612,881</u>	<u>4,704,330</u>	<u>25,620,521</u>	<u>1,697,662</u>	<u>59,635,394</u>
3000	<b>Fund Balance - June 30 (Ending)</b>	<u>\$ 27,789,461</u>	<u>\$ 7,708,196</u>	<u>\$ 86,816,919</u>	<u>\$ 1,644,373</u>	<u>\$ 123,958,949</u>

See notes to the basic financial statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
*For the Year Ended June 30, 2008*

*Exhibit A-6*

<u>Data Control Codes</u>		
	Net change in fund balances—total governmental funds (from A-5)	\$ 64,323,555
	Amounts reported for governmental activities in the statement of activities (A-2) 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. This is the amount by which capital outlays exceeded depreciation.	18,680,106
1		
	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	562,579
2		
	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	7,010,000
3		
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	(85,895,000)
4		
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
5	Decrease in interest payable not recognized in fund statements	118,036
6	Changes in bond issuance premiums	(820,004)
7	Bond issuance costs	893,269
8	Amortization of deferred loss on defeasance of bonds	(77,277)
9	Accreted interest on capital appreciation bonds and amortization of bond issuance costs	(39,989)
10	(Increase) decrease in long-term portion of workers' compensation benefits payable	369,319
11	(Increase) decrease in long-term portion of accrued compensated absences payable	<u>(32,555)</u>
	Internal service funds are used by management to charge the costs of certain activities, such as insurance and printing, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds.	235,237
12		
	<b>Change in net assets of governmental activities</b>	<u><u>\$ 5,327,276</u></u>

See notes to basic financial statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**INTERNAL SERVICE FUND**  
**June 30, 2008**

*Exhibit A-7*

<b>Data Control Codes</b>		<b>Workers' Compensation Fund</b>
	<b>ASSETS:</b>	
	Current Assets:	
1110-75	Cash and Temporary Investments	\$ 452,633
1000	Total Assets	<u>452,633</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2200	Accrued expenses	217,396
2000	Total Liabilities	<u>217,396</u>
	<b>NET ASSETS:</b>	
3300	Unrestricted net assets	235,237
3000	Total Net Assets	<u>\$ 235,237</u>

See Notes to Financial Statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**INTERNAL SERVICE FUND**  
**For the Year Ended June 30, 2008**

*Exhibit A-8*

**Data**  
**Control**  
**Codes**

**Workers'**  
**Compensation Fund**

	<b>OPERATING REVENUES:</b>	
5754	Quasi-external interfund transactions	\$ 507,542
5020	Total Operating Revenues	<u>507,542</u>
	<b>OPERATING EXPENSES</b>	
6200	Purchased and contracted services	<u>272,305</u>
6030	Total Operating Expenses	<u>272,305</u>
1200	<b>Change in Net Assets</b>	235,237
	<b>Net Assets:</b>	
0100	Net Assets - September 1 (Beginning)	-
3300	<b>Net Assets - June 30 (Ending)</b>	<u><u>\$ 235,237</u></u>

See Notes to Financial Statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUND**  
**INTERNAL SERVICE FUND**  
Year Ended June 30, 2008

*Exhibit A-9*

	<b>Workers' Compensation Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Receipts from Charges for Services	\$ 507,542
Cash Payments for Claims	(54,909)
Cash Payments for Services	
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>452,633</u>
Net Increase in Cash and Cash Equivalents	452,633
Cash and Cash Equivalents at Beginning of Year	
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 452,633</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ 235,237
Change in Assets and Liabilities	
Increase (decrease) in Accrued Expenses	217,396
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 452,633</u>

See Notes to Financial Statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
*June 30, 2008*

*Exhibit A-10*

	<b>806</b>	<b>865</b>
	<u><b>Trust Funds</b></u>	<u><b>Student Activity Fund</b></u>
<b>Assets</b>		
Cash and cash equivalents	\$ 135,236	\$ 166,336
<b>Total Assets</b>	<u>\$ 135,236</u>	<u>\$ 166,336</u>
<b>Liabilities</b>		
Accounts payable	\$	\$ 33,488
Due to others	<u></u>	132,848
<b>Total Liabilities</b>	<u>\$</u>	<u>\$ 166,336</u>
<b>Net Assets</b>		
Restricted	<u>\$ 135,236</u>	

See notes to the basic financial statements

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
*For the Year Ended June 30, 2008*

*Exhibit A-11*

	<b>806</b>
	<b><u>Trust Funds</u></b>
<b>Additions</b>	
Gifts and contributions	\$ 8,716
Earnings on investments	<u>5,603</u>
<b>Total Additions</b>	<u>14,319</u>
<b>Deductions</b>	
Scholarships awarded	<u>13,525</u>
<b>Total deductions</b>	<u>13,525</u>
Change in net assets	794
<b>Net assets beginning of year</b>	<u>134,442</u>
<b>Net assets end of year</b>	<u><u>\$ 135,236</u></u>

See notes to the basic financial statements



**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

The La Porte Independent School District (District) is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, or entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The fiduciary fund financial statements reflect the District's agency fund, reporting only assets and liabilities, and do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

Additionally, the District reports the following fund types:

The *agency fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

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.

**Deposits And Investments**

The District's cash and temporary investments are considered to be cash on hand, demand deposits, investment pools and government agency securities.

The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes receivable includes unpaid property taxes at year-end, along with penalties and interest assessed on those unpaid taxes, are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 52 percent of outstanding property taxes and related penalties and interest at June 30, 2008. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Harris County Appraisal District as of January 1 of each year. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

**Inventories and Prepaid Items**

Inventories consisting of supplies and materials are valued at weighted average cost and they include food, food service supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is reserved to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets, are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. 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.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>In Years</u>
<b>Assets:</b>	
Buildings and improvements	20-65
Furniture and equipment	3-30

**Long-term Obligations**

The District's long-term obligations consist of general obligation bonds. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts and 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 and bond issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt 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.

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for notes payable principal and interest expenditures are accounted for in the general fund.

**Fund Equity**

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

**Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**Use of Estimates**

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

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 2 - Deposits and Investments**

**Cash Deposits**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities are approved by the Texas Education Agency and shall be 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.

**Investments**

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, and investment pools.

For fiscal year 2008, the District invested in government agency securities, commercial paper and the following investment pools: MBIA Texas Class and TexPool Prime. These pools are restricted to invest in obligations of the United States or its agencies and instrumentalities; other obligations insured by the United States; fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously; and SEC-registered no-load money market mutual funds, the assets which consist exclusively of the obligations described above.

At year-end, the District's cash and investments balances and the weighted average maturity of these investments were as follows:

	<b>Fair Market Value</b>	<b>Weighted Average Maturity (In days)</b>
Cash and deposits	\$ 1,411,110	N/A
<b>Investments</b>		
Local Government Investment Pools		
TexPool Prime	134,219,277	29
MBIA	3,538,368	47
<b>Total Investments</b>	<u>137,757,645</u>	29
<b>Total Cash and Investments</b>	<u>\$ 139,168,755</u>	

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 360 days, with the exception of bond proceeds that are matched to a specific cash flow; diversification; and by holding securities to maturity.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 2 - Deposits and Investments (Continued)**

**Credit Risk**

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of June 30, 2008, the District's investments were rated as follows:

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
MBIA	AAA/V1+	Fitch Ratings
Texpool Prime	AAAm	Standard & Poors

**Concentration of Credit Risk**

The District's investment policy 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.

**Note 3 - Receivables**

Receivables as of year-end for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor and Fiduciary Funds</u>	<u>Total</u>
Property taxes	\$ 5,245,777	\$ 930,970	\$	\$ 6,176,747
Due from other governments	4,963		1,043,442	1,048,405
Other			48,016	48,016
Gross receivables	5,250,740	930,970	1,091,458	7,273,168
Less allowance for doubtful accounts	(1,897,300)	(286,500)		(2,183,800)
<b>Net total receivables</b>	<u>\$ 3,353,440</u>	<u>\$ 644,470</u>	<u>\$ 1,091,458</u>	<u>\$ 5,089,368</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenues reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 3,348,477	\$	\$ 3,348,477
Delinquent property taxes receivable (Debt Service Fund)	644,470		644,470
Grant and state funding received prior to meeting all eligibility requirements		40,321	40,321
	<u>\$ 3,992,947</u>	<u>\$ 40,321</u>	<u>\$ 4,033,268</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<b>Balance</b> <b>June 30, 2007</b>	<b>Additions</b>	<b>(Retirements)</b> <b>and Transfers</b>	<b>Balance</b> <b>June 30, 2008</b>
Capital assets, not being depreciated				
Land	\$ 4,096,868	\$ 30,000	\$	\$ 4,126,868
Construction in progress	30,434,734	7,098,298	(30,434,734)	7,098,298
<b>Total Capital assets, not being depreciated</b>	<b>34,531,602</b>	<b>7,128,298</b>	<b>(30,434,734)</b>	<b>11,225,166</b>
Capital assets, being depreciated				
Buildings and improvements	116,181,730	13,131,873	30,330,945	159,644,548
Furniture and equipment	9,373,859	1,577,018	103,789	11,054,666
<b>Total Capital assets, being depreciated</b>	<b>125,555,589</b>	<b>14,708,891</b>	<b>30,434,734</b>	<b>170,699,214</b>
Less accumulated depreciation for:				
Buildings and improvements	(34,746,917)	(2,550,329)		(37,297,246)
Furniture and Equipment	(6,207,867)	(606,754)		(6,814,621)
<b>Total Accumulated depreciation</b>	<b>(40,954,784)</b>	<b>(3,157,083)</b>		<b>(44,111,867)</b>
<b>Governmental Capital Assets</b>	<b>\$119,132,407</b>	<b>\$ 18,680,106</b>	<b>\$</b>	<b>\$137,812,513</b>

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

<u>Function</u>	<u>Depreciation</u> <u>Expense</u>
Instruction	\$ 2,305,567
Instructional resources and media	5,407
School leadership	695
Student transportation	317,571
Food Services	43,174
Extracurricular activities	240,371
General administration	36,055
Plant maintenance and operations	92,594
Data processing services	115,649
	<b>\$ 3,157,083</b>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 4 - Capital Assets (Continued)**

**Construction Commitments**

The District has active construction projects as of June 30, 2008. The projects include the construction and equipment of school facilities. At year-end, the District had outstanding construction commitments as follows:

<u>Project</u>	<u>Approved Construction Budget</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
Agricultural/Operations Center	\$ 2,807,056	\$ 4,163	\$ 2,802,893
Baker 6th Grade Maintenance Pkg	1,963,185	766,801	1,196,384
High School Roofing Package	547,017	525,613	21,404
High School Baseball Field Batting Cages	10,500	9,577	923
High School PE Center	457,625	315,643	141,982
LPHS Pkg 2, Phase 1	6,117,294	3,565,887	2,551,407
LPHS Pkg 2, Phase 2	245,136	5,491	239,645
Lomax Elementary Renovations	2,556,080	803,312	1,752,768
Lomax JH Renovations, Phase 1	1,588,171	846,088	742,083
Project Management	1,453,325	199,150	1,254,175
Reid Elementary School Renovations	600	600	
Rizzuto Elementary School Renovations	600	600	
Technology Center	191,749	55,373	136,376
	<u>\$ 17,938,338</u>	<u>\$ 7,098,298</u>	<u>\$ 10,840,040</u>



**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 5 - Interfund Receivables, Payables, And Transfers**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Activity between the debt service fund and the capital projects fund results primarily from the capital projects fund interest earnings that are used for debt service payments. Additionally, some lending/borrowing may occur between two or more non-major governmental funds.

The composition of interfund balances as of June 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	20,130	Advances for expenditures
General Fund	Nonmajor Funds	615,998	Advances for expenditures
			Scoreboard donations deposited
Capital Projects Fund	General Fund	45,000	in the General Fund
Nonmajor Funds	General Fund	123,304	Advances for expenditures
		<u>\$ 804,432</u>	

**Note 6 - Long-Term Liabilities**

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 107,985,000	\$ 85,895,000	\$ (7,010,000)	\$ 186,870,000	\$ 6,205,000
Premiums/discounts	2,056,072	1,116,321	(296,317)	2,876,076	
Accreted interest on premium compound interest bonds	237,009	39,989		276,998	
Accrued compensated absences	1,949,973	39,783	(7,228)	1,982,528	25,000
Workers compensation claims payable	579,206	272,305	(634,115)	217,396	217,396
	<u>\$ 112,807,260</u>	<u>\$ 87,363,398</u>	<u>\$ (7,947,660)</u>	<u>\$ 192,222,998</u>	<u>\$ 6,447,396</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 6 - Long-Term Liabilities (Continued)**

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses, and to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as 9-25 year current interest bonds, term bonds, and capital appreciation bonds (CAB) with various amounts of principal maturing each year.

The following is a summary of the general obligation bonds at the fiscal year end:

<u>Issue</u>	<u>Original issuance amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Unlimited Tax Schoolhouse Bonds, Series 2008	\$ 65,000,000	3.00% to 5.25%	2/15/2031	\$ 65,000,000
Unlimited Tax Schoolhouse Bonds, Series 2008A	20,895,000	3.50% to 5.00%	2/15/2031	20,895,000
Unlimited Tax Schoolhouse and Refunding Bonds, Series 2005A	63,700,000	3.50% to 5.00%	2/15/2031	62,075,000
Unlimited Tax Refunding Bonds, Series 2005	107,755,000	3.25% to 5.00%	2/15/2019	10,755,000
Unlimited Tax Schoolhouse Bonds, Series 2002	19,515,000	2.00% to 5.00%	2/15/2017	8,295,000
Unlimited Tax Schoolhouse Bonds, Series 2001	2,500,000	4.82%	2/15/2012	1,000,000
Unlimited Tax Schoolhouse Bonds, Series 2000	14,000,000	5.00% to 6.38%	2/15/2021	2,100,000
Unlimited Tax Schoolhouse Bonds, Series 1999	17,800,000	4.25% to 6.25%	2/15/2019	11,000,000
Unlimited Tax Schoolhouse Bonds, Series 1998	23,000,000	4.00% to 6.00%	2/15/2019	5,750,000
				<u>\$ 186,870,000</u>

**Prior Years' Refunding**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$10.4 million of the 1995, 1998 and 2000 series bond issues were outstanding but considered defeased.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 6 - Long-Term Liabilities (Continued)**

*Accreted Interest on Capital Appreciation Bonds* Portions of the bonds sold in the Series 2005 bond issues are capital appreciation bonds. Significant features of these obligations are presented below:

<u>Series</u>	<u>Accreted Value</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Maturity Value</u>	<u>Maturity Dates</u>
2005	\$ 1,171,998	\$ 895,000	\$ 276,998	\$ 1,240,000	2010
	<u>\$ 1,171,998</u>	<u>\$ 895,000</u>	<u>\$ 276,998</u>	<u>\$ 1,240,000</u>	

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 6,205,000	\$ 7,965,773	\$ 14,170,773
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	6,900,000	6,992,070	13,892,070
2016	7,145,000	6,706,008	13,851,008
2017	7,450,000	6,403,770	13,853,770
2018	7,665,000	6,093,901	13,758,901
2019	7,995,000	5,770,956	13,765,956
2020	6,770,000	5,429,438	12,199,438
2021	7,110,000	5,098,988	12,208,988
2022	7,470,000	4,750,838	12,220,838
2023	7,855,000	4,375,875	12,230,875
2024	8,265,000	3,974,200	12,239,200
2025	8,695,000	3,557,613	12,252,613
2026	9,140,000	3,119,000	12,259,000
2027	9,610,000	2,662,000	12,272,000
2028	10,105,000	2,181,500	12,286,500
2029	10,620,000	1,676,250	12,296,250
2030	11,165,000	1,145,250	12,310,250
2031	11,740,000	587,000	12,327,000
	<u>\$ 186,870,000</u>	<u>\$ 117,803,912</u>	<u>\$ 304,673,912</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 7 - Revenues From Local, Intermediate, And Out-Of-State Sources**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
Property Taxes	\$ 57,529,008	\$ 14,528,628	\$	\$	\$ 72,057,636
Investment Income	1,399,923	202,589	860,135	26,201	2,488,848
Co-curricular student activities	130,957			666,166	797,123
Food Sales				1,866,204	1,866,204
Other	255,460		138,853	(226,239)	168,074
	<u>\$ 59,315,348</u>	<u>\$ 14,731,217</u>	<u>\$ 998,988</u>	<u>\$ 2,332,332</u>	<u>\$ 77,377,885</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 8 - Equity**

Individual fund balance reservations and designations are noted on the face of the District's financial statements.

**Note 9 - 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, 2008. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2008 amounted to \$412,064.

**Note 10 - Pension Information**

**Plan Description**

The La Porte Independent School 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 the 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, 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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy**

State law provides for fiscal years 2006, 2007 and 2008 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**Contributions**

Staff members of the District are required to pay 7.05% of their eligible gross earnings to TRS. Of the 7.05%, 0.65% is a contribution toward retiree health insurance. An additional District contribution was required by the State of Texas to provide additional funds for retiree health insurance. This rate is .55% of eligible gross earnings. The State of Texas contributes 6.0% of all employees' eligible gross earnings, except for those District staff members subject to statutory minimum requirements and those staff members being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedule adjusted

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 10 - Pension Information (Continued)**

based on local tax rates. For staff members funded by federal programs, the federal programs are required to contribute 7.13%.

The District's covered and total payroll for the year ended June 30, 2008, were approximately \$38.4 million and \$42.3 million, respectively.

Contributions made by the State, District and staff members for the years ended August 31, 2006, 2007, and 2008, are as follows:

<u>Fiscal Year</u>	<u>Contributions Required and Made (in \$millions)</u>			
	<u>State</u>	<u>District</u>	<u>Employees</u>	<u>Totals</u>
2006	\$ 2.200	\$ 0.688	\$ 2.581	\$ 5.469
2007	\$ 1.950	\$ 0.599	\$ 2.385	\$ 4.933
2008	\$ 2.496	\$ 0.924	\$ 3.048	\$ 6.468

The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the state.

**Note 11 - Risk Management**

**Property/Liability**

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance for property and casualty insurance, automobile and bus insurance, and equipment breakdown 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.

As of September 1, 2006, the District's windstorm coverage was cancelled by TASB due to claim losses as a result of hurricane Rita, the District sought and obtained windstorm coverage through TWIA for the 2007-08 school year. TASB provided the District's property casualty coverage for 2006-07.

**Note 12 - Litigation**

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**Note 13 - Contingent Liabilities**

The La Porte Medicaid Administrative Claims Consortium (“the Consortium”) was audited for 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 amounts 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 or the Consortium is either probable or remote.

**Note 14 – Subsequent Events**

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. This was not budgeted for and the district plans to have minimal cost in all repairs after reimbursement from insurance and FEMA except for Bayshore Elementary. It is still undetermined what that cost will be but it could be significant.

*(This page intentionally left blank.)*



## **Required Supplementary Information**

*(This page intentionally left blank.)*

**LA PORTE INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

*Exhibit B-1*

**GENERAL FUND**

*For the Ten Months Ended June 30, 2008*

<b>Data Control Codes</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>	
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
5700	Local revenues	\$55,336,634	\$ 59,515,643	\$ 59,315,348	\$ (200,295)
5800	State program revenues	19,692,785	16,587,285	17,376,103	788,818
5900	Federal program revenues	169,467	231,772	206,463	(25,309)
	<b>Total revenues</b>	<u>75,198,886</u>	<u>76,334,700</u>	<u>76,897,914</u>	<u>563,214</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	34,141,235	34,432,742	33,894,342	538,400
0012	Instruction resources and media services	833,992	852,979	806,073	46,906
0013	Curriculum and instructional staff	493,099	447,422	352,489	94,933
0021	Instructional leadership	812,621	950,154	914,362	35,792
0023	School leadership	3,518,015	3,584,449	3,511,507	72,942
	Guidance, counseling and evaluation				
0031	services	1,654,581	1,899,826	1,838,505	61,321
0032	Social work services	146,264	154,264	149,800	4,464
0033	Health services	656,394	695,272	683,166	12,106
0034	Student transportation	2,749,275	2,754,665	2,617,098	137,567
0036	Extracurricular activities	1,304,493	1,376,233	1,411,272	(35,039)
0041	General administration	3,106,332	3,034,596	3,128,069	(93,473)
0051	Plant maintenance and operations	6,187,684	6,637,871	7,064,329	(426,458)
0052	Security and monitoring services	501,191	520,273	510,506	9,767
0053	Data processing services	1,365,489	1,400,609	1,352,164	48,445
0061	Community services	89,650	92,725	52,995	39,730
<b>Intergovernmental:</b>					
0091	Contracted instructional services	16,073,415	17,384,480	17,682,435	(297,955)
0092	Incremental costs related to WADA	291,000	212,911	199,282	13,629
0097	Payments to Juvenile Justice Alt. Ed. Prgm.		55,000	55,709	(709)
0099	Other Intergovernmental Charges		512,602	497,231	15,371
	<b>Total Expenditures</b>	<u>73,924,730</u>	<u>76,999,073</u>	<u>76,721,334</u>	<u>277,739</u>
1100	Excess (deficiency) of revenues over expenditures	<u>1,274,156</u>	<u>(664,373)</u>	<u>176,580</u>	<u>840,953</u>
	Net change in fund balances	1,274,156	(664,373)	176,580	840,953
	<b>Fund balances - beginning</b>	<u>27,612,881</u>	<u>27,612,881</u>	<u>27,612,881</u>	
	<b>Fund balances - ending</b>	<u>\$28,887,037</u>	<u>\$ 26,948,508</u>	<u>\$ 27,789,461</u>	<u>\$ 840,953</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*Exhibit B-2*

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.

Expenditures exceeded appropriations in the General Fund and Child Nutrition Fund as follows:

	<u>Amount</u>
<b>General Fund</b>	
Function 36 Extracurricular Activities	\$ 35,039
Function 41 General Administration	93,473
Function 51 Plant Maintenance and Operations	426,458
Function 91 Contracted Instructional Services	297,955
	<u>\$ 852,925</u>
<b>Child Nutrition</b>	
Function 51 Plant Maintenance and Operations	\$ 1,772
	<u>\$ 1,772</u>

Supplemental appropriations were made to the General Fund during the fiscal year ended June 30, 2008.

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 20, 2007. 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.

## **Other Supplementary Information**

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

	204	211	224
<b>Data Control Codes</b>	<b>Vocational Ed -Basic</b>	<b>ESEA Title I Part A</b>	<b>IDEA B Formula</b>
<b>Assets</b>			
1110	\$	\$	\$
<b>Receivables:</b>			
1240	30	142,069	287,982
1260			
1310			
1000	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>
	<u>\$ 30</u>	<u>\$ 142,069</u>	<u>\$ 287,982</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	\$	\$ 200	\$ 46,169
2160		58,944	92,412
2170	30	82,926	149,401
2300			
2000	<b>Total Liabilities</b>	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<u>30</u>	<u>142,070</u>	<u>287,982</u>
<b>Fund Balance:</b>			
<b>Reserved for:</b>			
3410			
3420			
3430			
3440			
3450			
<b>Unreserved, Undesignated Reported in:</b>			
3610		(1)	
3000	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>
	<u>30</u>	<u>(1)</u>	<u></u>
4000	<b>Total Liabilities and Fund Balance</b>	<b>Total Liabilities and Fund Balance</b>	<b>Total Liabilities and Fund Balance</b>
	<u>\$ 30</u>	<u>\$ 142,069</u>	<u>\$ 287,982</u>

225	226	240	244	255	262	263
<b>IDEA B Preschool Grant</b>	<b>IDEA B - High Cost Risk Pool</b>	<b>Child Nutrition</b>	<b>Vocational Ed -Basic</b>	<b>Title II, Part A</b>	<b>Enhancing Ed Through Technology</b>	<b>Title III</b>
\$	\$	\$ 976,245	\$	\$	\$	\$
10,236	16,655	32,139	36,229	54,407	249	9,366
192		205		377	11	
		54,780				
<u>\$ 10,428</u>	<u>\$ 16,655</u>	<u>\$ 1,063,369</u>	<u>\$ 36,229</u>	<u>\$ 54,784</u>	<u>\$ 260</u>	<u>\$ 9,366</u>
\$	\$ 6,612	\$ 7,800	\$ 28,476	\$ 11,250	\$	\$ 569
1,962		76,078		17,985		3,384
8,465	10,043		7,753	25,549	260	5,413
<u>10,427</u>	<u>16,655</u>	<u>83,878</u>	<u>36,229</u>	<u>54,784</u>	<u>260</u>	<u>9,366</u>
		54,779				
1		818,405				
		106,307				
<u>1</u>		<u>979,491</u>				
<u>\$ 10,428</u>	<u>\$ 16,655</u>	<u>\$ 1,063,369</u>	<u>\$ 36,229</u>	<u>\$ 54,784</u>	<u>\$ 260</u>	<u>\$ 9,366</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

<b>Data Control Codes</b>		<b>269</b>	<b>272</b>	<b>280</b>
		<b>Title V, Part A</b>	<b>Medicaid Administrative Claiming Program</b>	<b>Student Drug Testing</b>
<b>Assets</b>				
1110	Cash and temporary investments	\$	\$ 7,662	\$
<b>Receivables:</b>				
1240	Receivables from other governments	747	7,922	20,544
1260	Due from other funds			
1310	Inventories, at cost			
1000	<b>Total Assets</b>	<u>\$ 747</u>	<u>\$ 15,584</u>	<u>\$ 20,544</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$	\$	\$
2160	Accrued wages payable			5,109
2170	Due to other funds	747	15,584	15,435
2300	Deferred revenues			
2000	<b>Total Liabilities</b>	<u>747</u>	<u>15,584</u>	<u>20,544</u>
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
3410	Investments in inventories			
3420	Retirement of funded indebtedness			
3430	Prepaid items			
3440	Encumbrances			
3450	Food service operations			
<b>Unreserved, Undesignated Reported in:</b>				
3610	Special revenue funds			
3000	<b>Total Fund Balances</b>	<u></u>	<u></u>	<u></u>
4000	<b>Total Liabilities and Fund Balance</b>	<u>\$ 747</u>	<u>\$ 15,584</u>	<u>\$ 20,544</u>



289	394	397	404	411	415	428
Federally Funded Special Revenue Funds	Pregnancy, Education, & Parenting Program	Advanced Placement Incentive	Student Succ. Init- Acc REA	Technology Allotment	Kinder - garten & Pre-K Grants	High School Allotment
\$ 3,043	\$	\$ 11,512	\$	\$ 41,233	\$	\$ 94,551
	10,577		160,412		160,666	93,212 122,519
<u>\$ 3,043</u>	<u>\$ 10,577</u>	<u>\$ 11,512</u>	<u>\$ 160,412</u>	<u>\$ 41,233</u>	<u>\$ 160,666</u>	<u>\$ 310,282</u>
\$	\$	\$ 139	\$ 11,595	\$	\$	\$ 5,775
	1,382			15,497	25,985	31,899
	9,195		148,817		134,681	
3,043		11,373		25,737		
<u>3,043</u>	<u>10,577</u>	<u>11,512</u>	<u>160,412</u>	<u>41,234</u>	<u>160,666</u>	<u>37,674</u>
				(1)		272,608
				(1)		272,608
<u>\$ 3,043</u>	<u>\$ 10,577</u>	<u>\$ 11,512</u>	<u>\$ 160,412</u>	<u>\$ 41,233</u>	<u>\$ 160,666</u>	<u>\$ 310,282</u>

*(This page intentionally left blank.)*

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

*Exhibit C-1*  
*Page 3 of 3*

<u>Data Control Codes</u>		<b>429</b>	<b>461</b>	
		<b>State Funded Special Revenue Funds</b>	<b>Campus Activity Funds</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Assets</b>			
1110	Cash and temporary investments	\$ 168	\$ 421,748	\$ 1,556,162
	<b>Receivables:</b>			
1240	Receivables from other governments			1,043,442
1260	Due from other funds			123,304
1310	Inventories, at cost			54,780
1000	<b>Total Assets</b>	<u>\$ 168</u>	<u>\$ 421,748</u>	<u>\$ 2,777,688</u>
	<b>Liabilities and Fund Balances</b>			
	<b>Liabilities:</b>			
	<b>Current Liabilities:</b>			
2110	Accounts payable	\$	\$ 27,773	\$ 146,358
2160	Accrued wages payable			330,637
2170	Due to other funds		1,700	615,999
2300	Deferred revenues	168		40,321
2000	<b>Total Liabilities</b>	<u>168</u>	<u>29,473</u>	<u>1,133,315</u>
	<b>Fund Balance:</b>			
	<b>Reserved for:</b>			
3410	Investments in inventories			54,779
3420	Retirement of funded indebtedness			
3430	Prepaid items			
3440	Encumbrances			
3450	Food service operations			818,406
	<b>Unreserved, Undesignated Reported in:</b>			
3610	Special revenue funds		392,275	771,188
3000	<b>Total Fund Balances</b>		<u>392,275</u>	<u>1,644,373</u>
4000	<b>Total Liabilities and Fund Balance</b>	<u>\$ 168</u>	<u>\$ 421,748</u>	<u>\$ 2,777,688</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2008*

	204	211	224
<b>Data Control Codes</b>	<b>Title IV Safe &amp; Drug Free</b>	<b>ESEA Title I Part A</b>	<b>IDEA B Formula</b>
<b>Revenues</b>			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues			
5900 Federal program revenues	20,523	718,285	1,733,155
5020 <b>Total revenues</b>	<u>20,523</u>	<u>718,285</u>	<u>1,733,155</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction		711,794	982,613
0013 Curriculum and instructional staff development		4,000	41,363
0021 Instructional leadership			28,313
0023 School leadership			90,329
0031 Guidance, counseling and evaluation services	20,523		500,484
0035 Food service			
0036 Extracurricular activities		2,492	
0051 Plant maintenance and operations			
0061 Community services			
<b>Intergovernmental:</b>			
0093 Payments related to shared services arrangement			90,053
6030 <b>Total Expenditures</b>	<u>20,523</u>	<u>718,286</u>	<u>1,733,155</u>
1100 Excess (deficiency) of revenues over expenditures		(1)	
<b>Other Financing Sources/Uses</b>			
1200 Net change in fund balances		(1)	
0100 <b>Fund balance - September 1 (beginning)</b>			
3000 <b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$ (1)</u>	<u>\$</u>

225	226	240	244	255	262	263
<u>IDEA B Preschool Grant</u>	<u>IDEA B - High Cost Risk Pool</u>	<u>Child Nutrition</u>	<u>Vocational Ed -Basic</u>	<u>Title II, Part A</u>	<u>Enhancing Ed Through Technology</u>	<u>Title III</u>
\$	\$	\$ 1,895,229	\$	\$	\$	\$
		19,860				
56,494	39,788	1,549,852	61,854	254,261	7,921	67,024
<u>56,494</u>	<u>39,788</u>	<u>3,464,941</u>	<u>61,854</u>	<u>254,261</u>	<u>7,921</u>	<u>67,024</u>
53,910	39,788		60,170	137,097	7,921	28,219
884			1,684	109,803		38,805
1,699				5,515		
				1,096		
				750		
		3,213,157				
		145,477				
<u>56,493</u>	<u>39,788</u>	<u>3,358,634</u>	<u>61,854</u>	<u>254,261</u>	<u>7,921</u>	<u>67,024</u>
<u>1</u>		<u>106,307</u>				
1		106,307				
		873,184				
<u>\$ 1</u>	<u>\$</u>	<u>\$ 979,491</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2008*

<b>Data Control Codes</b>	<b>269</b>	<b>272</b>	<b>280</b>
	<b>Title V, Part A</b>	<b>Medicaid Administrative Claiming Program</b>	<b>Student Drug Testing</b>
<b>Revenues</b>			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues			
5900 Federal program revenues	10,525	15,584	85,448
5020 <b>Total revenues</b>	<u>10,525</u>	<u>15,584</u>	<u>85,448</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011 Instruction	10,525		
0013 Curriculum and instructional staff development			
0021 Instructional leadership			955
0023 School leadership			
0031 Guidance, counseling and evaluation services		15,584	84,382
0035 Food service			
0036 Extracurricular activities			
0051 Plant maintenance and operations			
0061 Community services			111
<b>Intergovernmental:</b>			
0093 Payments related to shared services arrangement			
6030 <b>Total Expenditures</b>	<u>10,525</u>	<u>15,584</u>	<u>85,448</u>
1100 Excess (deficiency) of revenues over expenditures			
<b>Other Financing Sources/Uses</b>			
1200 Net change in fund balances			
0100 <b>Fund balance - September 1 (beginning)</b>			
3000 <b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

289 Federally Funded Special Revenue Funds	394 Pregnancy, Education, & Parenting Program	397 Advanced Placement Incentive	404 Student Succ. Init- Acc REA	411 Technology Allotment	415 Kinder - garten & Pre- K Grants	428 High School Allotment
\$	\$	\$	\$	\$	\$	\$
	20,248	7,701	191,558	192,824	311,286	563,155
<u>2,437</u>						
<u>2,437</u>	<u>20,248</u>	<u>7,701</u>	<u>191,558</u>	<u>192,824</u>	<u>311,286</u>	<u>563,155</u>
2,437	20,050	4,286	182,707	189,677	311,286	586,230
	198	3,415	8,851	3,148		46,354
						19,745
						4,221
						41,947
						4,188
						662
<u>2,437</u>	<u>20,248</u>	<u>7,701</u>	<u>191,558</u>	<u>192,825</u>	<u>311,286</u>	<u>703,347</u>
				(1)		(140,192)
				(1)		(140,192)
						412,800
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (1)</u>	<u>\$</u>	<u>\$ 272,608</u>

*(This page intentionally left blank.)*



**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2008**

*Exhibit C-2*  
*Page 3 of 3*

<b>Data Control Codes</b>	<b>429 State Funded Special Revenue Funds</b>	<b>461 Campus Activity Funds</b>	<b>Total-Other Governmental Funds</b>
<b>Revenues</b>			
5700	\$	\$ 666,166	\$ 2,561,395
5800			1,306,632
5900			4,623,151
5020		<u>666,166</u>	<u>8,491,178</u>
<b>Expenditures</b>			
<b>Current:</b>			
0011		5,879	3,334,589
0013			258,505
0021			56,227
0023			95,646
0031			663,670
0035			3,213,157
0036		679,690	686,370
0051			145,477
0061			773
<b>Intergovernmental:</b>			
0093			90,053
6030		<u>685,569</u>	<u>8,544,467</u>
1100		<u>(19,403)</u>	<u>(53,289)</u>
<b>Other Financing Sources/Uses</b>			
1200		(19,403)	(53,289)
0100		<u>411,678</u>	<u>1,697,662</u>
3000	<u>\$</u>	<u>\$ 392,275</u>	<u>\$ 1,644,373</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended June 30, 2008*

<b>Last Ten Fiscal Years</b>	<b>1</b>		<b>2</b>	<b>3</b>	<b>10</b>
	<b>Tax Rates</b>		<b>Debt Service</b>	<b>Net Assessed/Appraised Value For School Tax Purposes</b>	<b>Beginning Balance 6/30/07</b>
	<b>Maintenance</b>				
1999 and prior	Various		Various	Various	\$ 423,071
2000	\$ 1.500000		\$ 0.150000	4,245,998,690	72,067
2001	1.450000		0.150000	4,457,926,500	77,173
2002	1.450000		0.180000	4,485,924,178	110,008
2003	1.500000		0.180000	4,058,870,000	182,875
2004	1.500000		0.180000	4,290,228,220	189,034
2005	1.500000		0.233500	4,448,428,710	276,158
2006	1.500000		0.233500	4,530,862,526	455,791
2007	1.370000		0.265000	4,936,217,370	1,885,956
2008	1.040000		0.265000	5,518,631,433	
<b>1000 Totals</b>					<u><u>\$ 3,672,133</u></u>

*Exhibit D-1*

<b>20</b>	<b>30</b>	<b>30a</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 06/30/08</b>
\$	\$ 33,531	\$ 3,389	\$ (38,128)	\$ 348,023
	(5,135)	(513)	(8,712)	69,003
	3,224	334	(271)	73,344
	6,969	865	(223)	101,951
	17,581	2,110	4,243	167,427
	25,602	3,072	42,675	203,035
	30,028	4,674	36,068	277,524
	119,110	18,542	(3,999)	314,140
	911,361	176,285	136,107	934,417
<u>71,798,054</u>	<u>55,811,033</u>	<u>14,221,080</u>	<u>-</u>	<u>1,765,941</u>
<u>\$ 71,798,054</u>	<u>\$ 56,953,304</u>	<u>\$ 14,429,838</u>	<u>\$ 167,760</u>	4,254,805
Add penalties and interest receivable as of June 30, 2008				<u>1,921,942</u>
<b>Taxes receivable per Exhibit A-3</b>				<u>\$ 6,176,747</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COSTS FOR 2009-2010**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**For the Year Ended June 30, 2008**

*Exhibit D-2*

<b>Account Number</b>	<b>(1) 701</b>	<b>(2) 702</b>	<b>(3) 703</b>	<b>(4) 720</b>	<b>(5) 750</b>	<b>(6) (other)</b>	<b>(7)</b>
	<b>Supt's Office</b>	<b>School Board</b>	<b>Tax Collection</b>	<b>Direct Cost</b>	<b>Indirect Cost</b>	<b>Misc.</b>	<b>Total</b>
6100 Payroll Costs	\$ 212,858	\$	\$	\$	\$ 2,729,598	\$	\$ 2,942,456
6211 Legal Services	253,073				510		253,583
6212 Audit Services					51,250		51,250
6213 Collection							
621X Other Professional Services	173,040	12,469			393,442		578,951
6230 Centers							
6240 Repairs					26,583		26,583
6250 Utilities					1,514		1,514
6260 Rentals					149,147		149,147
Miscellaneous							
6290 Contracts		325			5,656		5,981
63XX Other Supplies	4,599	1,128			151,373		157,100
6410 Travel, Subsistence and Stipends	14,319	15,559			77,191		107,069
6420 Insurance and Bonding					81,178		81,178
6430 Election Expense		834					834
Miscellaneous							
6490 Operating	19,735	17,602			87,248		124,585
6600 Capital outlay							
<b>Total</b>	<b>\$ 677,624</b>	<b>\$ 47,917</b>	<b>\$</b>	<b>\$</b>	<b>\$ 3,754,690</b>	<b>\$</b>	<b>\$ 4,480,231</b>

**Other Information:**

Total expenditures for General and Special Revenue Funds (Exhibit A-2)	(9)	\$ 85,265,801
LESS: Deductions of Unallowable Costs:		
FISCAL YEAR		
Total Capital Outlay (6600)	(10)	\$ 55,126
Total Debt & Lease (6500)	(11)	
Plant Maintenance (Function 51, 6100-6400)	(12)	6,090,515
Food (Function 35, 6341 and 6499)	(13)	1,208,442
Stipends (6413)	(14)	
Column 5 above - Total Indirect Cost		<u>3,754,690</u>
<b>Subtotal</b>		<u>11,108,773</u>
<b>Net Allowable Direct Cost</b>		<u>\$ 74,157,028</u>

**Cumulative**

Total Cost of Buildings before Depreciation (1520)	(15)	\$159,644,548
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)	\$ 11,054,666
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,074,173
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 211,106

Includes \$1,352,162 of function 53 expenditures.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)**  
**GENERAL FUND**  
**June 30, 2008**

*Exhibit D-3*

1.	Total General Fund Balance 6-30-2008 (Exhibit A-3 object 3000 for the General Fund only)	\$	27,789,461
2.	Total Reserved Fund Balance 6-30-2008 (from Exhibit A-3 - total of object 3400s for the General Fund only)		240,407
3.	Total Designated Fund Balance (from Exhibit A-3 - total of object 3500s for the General Fund only)		2,902,876
4.	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)		15,324,990
5.	Estimate of one month average cash disbursements during the regular school session (9-1-2007 to 5-31-2008)		5,793,115
6.	Estimate of delayed payments from state sources (58xx) including August payment delays		
7.	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount		
8.	Estimate of delayed payments from federal sources (59xx)		
9.	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds).		
10.	General Fund Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9)		24,261,388
11.	Excess or Deficit Undesignated Unreserved General Fund Fund Balance (1-10)	\$	3,528,073

The District's Administration will continue to monitor the General Fund Balance in the following budgetary cycles to maintain a fund balance level within District policy and State guidelines.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**CHILD NUTRITION AND DEBT SERVICE FUNDS**  
*For the Ten Months Ended June 30, 2008*

<b>Data Control Codes</b>		<b>Child Nutrition</b>			<b>Favorable (Unfavorable) Variance</b>
		<b>Budget</b>			
		<b>Original</b>	<b>Final</b>	<b>Actual</b>	
	<b>Revenues</b>				
5700	Local, Intermediate, and Out-of-State	\$ 1,806,000	\$ 1,806,000	\$ 1,895,229	\$ 89,229
5800	State Program Revenues	20,000	20,000	19,860	(140)
5900	Federal Program Revenues	1,340,000	1,340,000	1,549,852	209,852
5030	<b>Total Revenues</b>	<u>3,166,000</u>	<u>3,166,000</u>	<u>3,464,941</u>	<u>298,941</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
0035	Food Services	3,378,609	3,378,609	3,213,157	165,452
0051	Plant maintenance and operations	143,705	143,705	145,477	(1,772)
	<b>Debt Service:</b>				
0071	Principal				
0072	Interest and Fiscal Agent Fees				
6030	<b>Total Expenditures</b>	<u>3,522,314</u>	<u>3,522,314</u>	<u>3,358,634</u>	<u>163,680</u>
1100	Excess (Deficiency) Revenues Over Expenditures	(356,314)	(356,314)	106,307	462,621
0100	<b>Fund Balance - July 1 (Beginning)</b>	<u>873,184</u>	<u>873,184</u>	<u>873,184</u>	
3000	<b>Fund Balance - June 30 (Ending)</b>	<u>\$ 516,870</u>	<u>\$ 516,870</u>	<u>\$ 979,491</u>	<u>\$ 462,621</u>

<b>Debt Service Fund</b>			
<b>Budget</b>			<b>Favorable (Unfavorable) Variance</b>
<b>Original</b>	<b>Final</b>	<b>Actual</b>	
\$ 12,145,316	\$ 14,400,000	\$ 14,731,217	\$ 331,217
<u>12,145,316</u>	<u>14,400,000</u>	<u>14,731,217</u>	<u>331,217</u>
7,010,000	7,010,000	7,010,000	
5,018,579	5,018,579	4,717,351	301,228
<u>12,028,579</u>	<u>12,028,579</u>	<u>11,727,351</u>	<u>301,228</u>
116,737	2,371,421	3,003,866	632,445
4,704,330	4,704,330	4,704,330	
<u>\$ 4,821,067</u>	<u>\$ 7,075,751</u>	<u>\$ 7,708,196</u>	<u>\$ 632,445</u>

*(This page intentionally left blank.)*



## **Federal Awards Section**

*(This page intentionally left blank.)*

***Independent Auditors' Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the "District") as of and for the year ended June 30, 2008 which collectively comprise the District's basic financial statements and have issued our report thereon dated . 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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider finding numbers 08-01, 07-01, 07-02 and 07-03 to be significant deficiencies.

To the Board of Trustees  
La Porte Independent School District  
La Porte, Texas  
Page 2

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

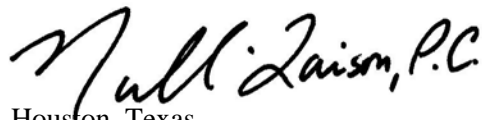
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 08-02 and 08-03.

### ***Closing***

This report is intended solely for the information and use of the board of trustees, the audit committee, management, others within the organization 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.



Houston, Texas  
November 11, 2008

***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  
La Porte Independent School District  
La Porte, Texas

***Compliance***

We have audited the compliance of La Porte Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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, 2008.

***Internal Control Over Compliance***

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

To the Board of Trustees  
La Porte Independent School District  
La Porte, Texas  
Page 2

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

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

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

### *Closing*

This report is intended solely for the information and use of the board of trustees, the audit committee, management, others within the organization 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.



Houston, Texas  
November 11, 2008

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For The Year Ended June 30, 2008*

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weaknesses?	Yes. 08-01, 07-01, 07-02 and 07-03
Noncompliance material to financial statements noted?	Yes. 08-02, 08-03

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No.
Significant deficiencies identified that are not considered to be material weaknesses?	None Noted.
Type of auditors' report issued on compliance with major programs:	Unqualified.
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	Yes.

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
<b>US Department of Education</b>	
IDEA, Part B – Formula	84.027A
IDEA, Part B – Preschool	84.173A
IDEA, Part B – High Cost Risk Pool	
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
2. Auditee qualified as low-risk auditee?	Yes

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For The Year Ended June 30, 2008**

**II. Financial Statement Findings**

*Significant Deficiencies*

**Finding 08-01**

*Condition:* Bids handled by the Construction Manager at Risk (CMAR) are not properly monitored by the district.

*Criteria:* The District remains responsible for certain aspects of construction projects managed by the Construction Manager. Ensuring that proper purchasing procedures are carried out is the responsibility of the district.

*Cause:* Perspectiva is currently managing the Districts construction projects, beginning with the request for proposal for CMAR. Once that decision was made, the CMAR was responsible for carrying out the bid process for subcontractors to perform the required work. The District did not monitor the process to ensure compliance with State regulations, nor maintain files on the bids.

*Effect:* Possible non-compliance with State purchasing regulations.

*Recommendation:* The District Purchasing Manager, along with other members of management should receive bid information from the construction manager and review for compliance with District policies and State regulations. The District should also maintain bids files for their records in accordance with their record retention policy.

**Finding 07-01**

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

*Criteria:* Due to the complexity of various procedures and controls it is imperative that standard procedures be documented to ensure that employee turnover would not cause a disruption in the operations of these departments. Additionally, in order for an internal control system to work properly, risk assessments must be performed and monitoring of the effectiveness of controls must be performed periodically.

*Cause:* Turnover in key positions and the high cost of development.

*Effect:* Risk of interruption in the operations of the District's Business Office and Personnel due to turnover in key positions and a lack of adequate monitoring of internal controls.

*Recommendation:* Conduct risk assessments of all significant areas (business office, personnel department, PEIMS reporting, etc.) and document controls and procedures in those areas. This should be performed in conjunction with the implementation of the new business office software to ensure that all appropriate controls are in place and working effectively.



**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For The Year Ended June 30, 2008**

**II. Financial Statement Findings (Continued)**

**Finding 07-02**

*Condition:* 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.

*Criteria:* The vast majority of financial statement misstatements, whether from errors or fraud, are the result of general journal entries. Therefore the review and approval of general journal entries is an integral part of internal control activities.

*Cause:* Limitations with the business office software and its integration with other District systems.

*Effect:* Risk of misstatement of the financial statements either from error or fraud.

*Recommendation:* Develop and implement procedures to review and approve general journal entries and determine whether increased integration can be achieved to decrease the number of general journal entries to a reasonable level.

**Finding 07-03**

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

*Criteria:* To ensure that no unauthorized changes are made to employee master files and to safeguard the District's assets from misappropriation.

*Cause:* Current payroll processing procedures are not properly documented. Responsibilities of the various departments (Payroll, Human Resources, and various campuses) are unclear, causing a lack of segregation of duties for those involved in the payroll processing. Changes are made to the employee master file and are not always reviewed by Human Resources

*Effect:* As a result of not having written procedures and processes in place, payroll processing is an inefficient process and lacks segregation of duties. Each payroll requires several changes throughout the process, making it difficult for Human Resources to monitor. Time is not always approved in Kronos by designated timekeepers and the Payroll Department must follow up and make changes in order for payroll to be processed on time.

*Recommendation:* The District should document the processes required to process payroll and assign duties to the necessary departments and individuals that will streamline the process and allow for proper segregation of duties or other controls.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For The Year Ended June 30, 2008**

*Compliance and Other Matters*

**Finding 08-02**

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

*Criteria:* School Districts are responsible for validating and editing data according to edit rules supplied by TEA in the PEIMS Data Standards. Districts are responsible for “fatal free” delivery of data to their regional educational service centers.

*Cause:* Fiscal year 2007 was the first year for the district to report on a June 30 year end. This led to the financial statements being reported on a 10 month basis, the PEIMS submission was on a 12 month basis. Errors in the reports used to prepare the submission omitted entries posted to the June 30 time period, but after June 30.

*Questioned\_Costs:* None

*Effect:* Non-compliance with TEA PEIMS Reporting Requirements.

*Recommendation:* Financial data submitted should be reconciled prior to submission.

**Finding 08-03**

*Condition:* Proper procedures are not always followed with regards to bid procedures.

*Criteria:* The District has written policies for purchasing that are designed to ensure compliance with State regulations. TEA provides guidelines for various types of bids that districts are required to follow.

*Cause:*

1. Purchases were made that were classified as sole source but did not have proper support as a sole source.
2. Catalog bids were used improperly to purchase general supplies, bids were awarded improperly through the catalog bid process.
3. A purchase was made using quotes rather than the required bid.

*Questioned\_Costs:* None

*Effect:* Non-compliance with both TEA and District purchasing policies.

*Recommendation:* Purchasing Manager should review purchases that require bids, quotes, or other compliance requirements to ensure that they are properly managed.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For The Year Ended June 30, 2008**

**III. Federal Awards Findings and Questioned Costs**

**None Noted**

**IV. Status of Prior Year Findings**

<b>Finding #</b>	<b>Corrective Action Taken</b>
07-01	See Section II- Financial Statement Findings
07-02	See Section II- Financial Statement Findings
07-03	See Section II- Financial Statement Findings
07-05	All required funds are now reported in PEIMS submission.

**V. Corrective Action Plan**

Finding 07-01: Standard operating procedures      Contact Person: Rhonda Cumbie, Chief Financial Officer

Response: The District concurs that standard operating procedures need to be documented in significant areas such as the Business Office and the Personnel Department. This will require substantial time and cost could be significant, so we will explore options available along with consideration of the resources required to determine how to best accomplish this undertaking.

Estimated Completion Date: Fall 2008.

Finding 07-02: Lack of integration between the District's business office software and other District systems      Contact Person: Margie Grimes, Director of Finance

Response: Without an Integrated Business System to account for the multitude of transactions for the entire district, the District has a high volume of general journal entries which are utilized to record a variety of business transactions each month. Our accounting software (CIMS) provides the ability to restrict users to defined modules and tasks within the system and levels of user access and authority are administered by the Business Systems Analyst. Permission to enter and post journal entries has been restricted to the District's CFO, Director of Finance, Accountant, and Bookkeepers. Given the volume of transactions and lack of resources, alternative procedures are being utilized to validate the reasonableness of the interim and yearend financial recording and reporting.

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For The Year Ended June 30, 2008**

**V. Corrective Action Plan**

Finding 07-01: Standard operating procedures

Contact Person: Rhonda Cumbie, Chief Financial Officer

Response: The District concurs that standard operating procedures need to be documented in significant areas such as the Business Office and the Personnel Department. This will require substantial time and cost could be significant, so we will explore options available along with consideration of the resources required to determine how to best accomplish this undertaking.

Estimated Completion Date: Fall 2008.

Finding 07-02 (Continued): Lack of integration between the District's business office software and other District systems

Alternative procedures that are performed each month include (1) review of bank reconciliations by the Accountant, (2) approval of all cash transfers by the Director of Finance, (3) reconciliation of all balance sheet accounts by the accountant and bookkeepers, (4) review of substantial balance sheet accounts and supporting documentation by the Director of Finance, and (5) preparation and analysis of financial statements by the Director of Finance. Our controls of reconciling accounts, reviewing source documents that support balance sheet accounts, and performing an analytical review of statements of revenue and expenditures on a regular basis may detect errors, fraud or misstatements in a timely manner. It is our intention to review and evaluate our procedures for recording business transactions to determine where internal control improvements can be made and investigate opportunities for integration and/or interface activities with the general ledger.

Estimated Completion Date: To be determined.

Finding 07-03: Human Resources and Payroll Department cooperation and payroll processing controls

Contact Person: Margie Grimes, Director of Finance

Response: The District will begin the process of documenting current payroll procedures and identify areas of inefficiency and lack of segregation. They will develop new written procedures and educate those involved in the process to the new procedures.

Estimated Completion Date: Fall 2008

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
***For The Year Ended June 30, 2008***

Finding 08-01: Monitoring Bids

Contact Person: Rhonda Cumbie, Chief Financial Officer

Response: This finding was self reported by new District management and the District asked for additional testing and reviews in this area. The District had already implemented changes but due to the late arrival of new management the changes effect the 2008-09 fiscal year. The District is no longer using catalog bids. The District is using a comprehensive checklist for the bid files that will insure all items are properly bid with proper documentation. The Purchasing Manager will make sure all purchases are in compliance with both TEA and District purchasing policies through thorough evaluation and additional training as needed.

Estimated Completion Date: Fall 2008

Finding 08-02: PEIMS Submission

Contact Person: Margie Grimes, Director of Finance

Response: All financial data will be reconciled between the audit report and the PEIMS data prior to submission.

Estimated Completion Date: Fall 2008

Finding 08-03: Bid Process

Contact Person: Rhonda Cumbie, Chief Financial Officer

Response: This finding was self reported by new District management and the District asked for additional testing and reviews in this area. The District had already implemented changes but due to the late arrival of new management the changes effect the 2008-09 fiscal year. The District is now receiving complete copies of all bids prepared by the District's Project Manager. The District will use the comprehensive checklist to review the bids and insure all items are properly bid and all bids are properly completed. The District will retain the construction bids with all other District bids in accordance with the record retention policy.

Estimated Completion Date: Fall 2008

**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Ten Months Ended June 30, 2008*

*Exhibit E-1*

Pass Through Entity Identifying Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Fund Number	Federal CFDA Number	Expenditures and Indirect Costs
<b>U.S. Department of Education</b>				
<b>Passed Through Texas Education Agency:</b>				
7691001101916	ESEA Title IV, Safe & Drug Free Schools and Community	204	84.186A	\$ 20,867
7610101101916	ESEA Title I Part A, Improving Basic Education	211	84.010A	718,285
76600011019166600	IDEA - Part B, Formula	224	84.027A	1,785,759
76610011019166600	IDEA - Part B, Preschool	225	84.173A	14,361
	IDEA - Part B, High Cost Risk Pool (226)	226		39,788
742000610191604	Career and Technology Education - Carl D. Perkins	244	84.048A	62,987
7694501101916	ESEA Title II, Part A, Improving Teacher Quality	255	84.367A	258,973
7630001101916	ESEA Title II, Part D, Enhancing Education through Technology	262	84.318X	8,042
7671001101916	ESEA Title III, English Language Acquisition	263	84.365A	68,024
7685001101916	ESEA, Title V, Part A, Innovative Programs	269	84.298A	10,704
69550602	ESEA, Title VI, Part A, Summer School LEP	289	84.369A	2,437
				<u>2,990,227</u>
<b>Passed Through Region IV:</b>				
	<i>IDEA - Part B, Preschool (225)- Pass through Reg. IV</i>	225	84.027A	43,556
<b>Direct from USDE:</b>				
	<i>Safe and Drug-free Schools and Communities (280)</i>	289	84.184D	88,193
<b>Total Department of Education</b>				<u>3,121,976</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed Through State Department of Education:</b>				
71400701	National School Lunch Program (240.00.5922)	240	10.555	1,078,542
71300601	School Breakfast Program (240.00.5921)	240	10.553	334,338
<b>Direct Program:</b>				
101916	USDA Donation Commodities (240.00.5923)	240	10.555	136,972
<b>Total Department of Agriculture</b>				<u>1,549,852</u>
<b>U.S. Department of Health and Human Services</b>				
<b>Direct Program:</b>				
101916	Medicaid Administrative Claims (MAC)	272	93.778	15,584
<b>Total Department of Health and Human Services</b>				<u>15,584</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 4,687,412</u>

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

**Note 1 - Basis of Accounting**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs 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 (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

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

Federal grant funds 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. Generally, unused balances are returned to the grantor at the close of specified project periods.

**Note 2 - Reconciliation to Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards program per Exhibit E-1 and expenditures reported on Exhibit A-5:

<b>Total Expenditures of Federal Awards</b>	\$ 4,687,412
<b>Add:</b>	
JROTC payments	57,830
SHARS	84,372
Reconciled Balance	<u>\$ 4,829,614</u>
<b>Related Expenditures on Exhibit A-5</b>	
General Fund	\$ 206,463
Special Revenue Funds	4,623,151
	<u>\$ 4,829,614</u>

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

**Note 3 - General Fund Expenditures**

Federal Awards reported in the general fund are summarized as follows:

<u>Program or Source</u>	<u>Fund Number</u>	<u>CFDA Number</u>	<u>Amount</u>
JROTC		N/A	\$ 57,830
SHARS		N/A	84,372
Indirect costs			
<i>ESEA Title IV, Safe &amp; Drug Free Schools and Community</i>	204	84.186A	344
<i>IDEA - Part B, Formula</i>	224	84.027A	52,604
<i>Career and Technology Education - Carl D. Perkins</i>	244	84.048A	1,133
<i>ESEA Title II, Part A, Improving Teacher Quality</i>	255	84.367A	4,712
<i>ESEA Title II, Part D, Enhancing Education through Technology</i>	262	84.318X	121
<i>ESEA Title III, English Language Acquisition</i>	263	84.365A	1,000
<i>ESEA, Title V, Part A, Innovative Programs</i>	269	84.298A	179
<i>IDEA - Part B, Preschool (225)- Pass through Reg.IV</i>	225	84.027A	1,423
<i>Safe and Drug-free Schools and Communities (280)</i>	289	84.184D	2,745
			<u>\$ 206,463</u>



**LA PORTE INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS**  
*June 30, 2008*

*Exhibit F-1*

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? – Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No