

LA PORTE INDEPENDENT SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2012

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INTRODUCTORY SECTION

LA PORTE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD

La Porte Independent
School District
Name of Local Education Agency

Harris
County

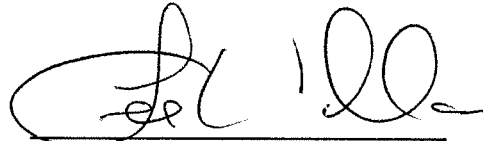
101-916
County-District-Number No.

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

approved disapproved
4 0

for the year ended June 30, 2012 at a meeting of the Board of Trustees of such school district on the 13th day of November, 2012.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District as of June 30, 2012 and the respective changes in financial position and cash flows thereof, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Porte Independent School District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and other TEA required schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other TEA required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 6, 2012

**La Porte Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2012**

As the management of the La Porte Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$77,655,588 (*net assets*). Of this amount, \$14,213,315 (*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 \$10,808,259.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$67,830,021, a decrease of \$2,465,632 in comparison with the prior year. The decrease in governmental fund balances was primarily due to an increase in the general fund balance of \$11,375,351 and a decrease of \$5,671,991 and \$8,456,225 in the debt service fund and the capital projects fund balances respectively.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$33,127,599, or 44.2 percent of total general fund expenditures.
- The District's total long-term debt decreased by 6.7 percent or \$15,109,776 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District

include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations,

Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees and Facilities Acquisition and Construction payments. The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Fund

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

Fiduciary Fund

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 51 through 65 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 \$77,655,588 at the close of the most recent fiscal year.

The largest portion of the District's net assets (\$59,397,384) reflects its investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	2012	2011
Assets:		
Current and other assets	\$ 83,709	\$ 93,323
Capital and non-current assets	218,211	220,935
Total Assets	301,920	314,258
Liabilities:		
Current Liabilities	22,747	30,452
Long-term Liabilities	201,517	216,959
Total Liabilities	224,264	247,411
Net Assets:		
Invested in capital assets net of related debt	59,397	50,203
Restricted	4,045	8,856
Unrestricted	14,213	7,788
Total Net Assets	\$ 77,655	\$ 66,847

Net assets of \$2,552,221 are restricted for debt service activities and net assets of \$1,492,668 are restricted for grant activities. The remaining balance of unrestricted net assets of \$14,213,315 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 \$10,808,259 during the current fiscal year.

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

	<u>2012</u>	<u>2011</u>	Percentage Change
Program Revenues			
Charges for services	\$ 2,000	\$ 2,038	-2%
Operating grants	10,022	12,288	-18%
General Revenues			
Property taxes	80,939	76,441	6%
Grants and contributions not restricted	16,129	7,314	121%
Interest earnings	140	148	-5%
Special item - loss on the disposal of capital assets	(113)	(530)	-79%
Extraordinary item - insurance recovery	3,040	-	100%
Other	2,306	3,138	-27%
Transfers out, net	<u>(61)</u>	<u>-</u>	-100%
Total Revenues	<u>114,402</u>	<u>100,837</u>	13%
Expenses			
Instruction	41,910	43,789	-4%
Instruction resources and media services	728	826	-12%
Curriculum and staff development	586	671	-13%
Instructional leadership	994	1,026	-3%
School leadership	3,625	3,752	-3%
Guidance, counseling, and evaluation services	2,130	2,432	-12%
Social work services	162	182	-11%
Health services	745	816	-9%
Student transportation	2,855	3,152	-9%
Food service	3,751	3,766	0%
Extracurricular activities	1,890	2,248	-16%
General administration	3,127	3,441	-9%
Plant, maintenance and operations	9,277	9,498	-2%
Security and monitoring services	549	609	-10%
Data processing services	2,615	1,757	49%
Community services	60	85	-29%
Interest on long-term debt	8,788	9,808	-10%
Facilities acquisition and construction	785	1,433	-45%
Contracted instructional services between schools	17,321	15,406	12%
Payments related to shared services arrangements	87	90	-3%
Payments to JJAEP	19	21	-10%
Payments to Tax Increment Fund	935	1,111	-16%
Other intergovernmental charges	655	645	2%
Total Expenses	<u>103,594</u>	<u>106,564</u>	-3%
Increase (Decrease) in Net Assets	10,808	(5,727)	N/A
Beginning Net Assets	66,847	72,574	-8%
Ending Net Assets	<u>\$ 77,655</u>	<u>\$ 66,847</u>	16%

Governmental Activities

Governmental activities increased the District's net assets by \$10,808,259. Key elements of this increase are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$10,022,070) represent 8.8 percent of total revenues and property taxes of \$80,938,845 represent 70.8 percent of total revenues. The remaining \$23,441,922 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$41,910,445) which represents 40.5 percent of total expenses less contracted instructional services between schools of (\$17,321,383). Facilities repair and maintenance (\$9,276,851) represents 8.9 percent and Debt Service (\$8,787,513) represents 8.5 percent of total expenses which are less contracted instructional services between schools. The remaining individual functional categories of expenses are each less than 5.0 percent of total expenses. The overall expenses decreased 2.0 percent from the previous year and the increase to net assets increased 15.0 percent.

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 \$67,830,021, a decrease of \$2,465,632 in comparison with the prior year. The decrease in governmental fund balances was primarily due to a decrease in the capital projects fund balance of \$8,456,225 and a decrease in the debt service fund balance of \$5,671,991. The general fund balance increased \$11,375,351 and the non-major governmental funds balanced increased by \$287,233.

At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$33,127,599, or 44.3 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$5,284,442, all of which is reserved for the payment of debt service. The net decrease in the debt service fund balance during the current year of \$5,671,991 was primarily due to contribution of district funds in a bond refunding to decrease and/or hold steady future tax rates.

The capital projects fund has a total fund balance of \$20,741,182, all of which is reserved for authorized construction, plant maintenance and technology projects/enhancements. The decrease in fund balance during the current year of (\$8,456,206) was due to the utilization of bond proceeds for authorized construction and renovation projects.

General Fund Budgetary Highlights

The primary difference between the original budget and the final amended budget of the general fund was a \$12,548,176 adjustment for the settlement of the Hurricane Ike lawsuit. Hurricane Ike had major damages to the school district when it made landfall in September of 2008.

Capital Assets and Long-Term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2012, amounts to \$218,211,168 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$2,723,733. A comparison of capital asset balances at current and prior fiscal year end follows:

Capital Assets (Amounts in 000's)

	Balance June 30, 2012	Balance June 30, 2011
Land	\$ 10,255	\$ 10,255
Buildings and improvements	252,129	222,273
Furniture and equipment	15,155	12,963
Construction in progress	1,481	29,433
	<u>279,020</u>	<u>274,924</u>
Less accumulated depreciation for:		
Buildings and improvements	(50,894)	(45,117)
Furniture and equipment	(9,915)	(8,872)
	<u>(60,809)</u>	<u>(53,989)</u>
Governmental Capital Assets	<u>\$ 218,211</u>	<u>\$ 220,935</u>

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$210,391,141 in total debt outstanding, a decrease of \$15,109,776 as compared to the previous year. The underlying ratings of the bonds for general obligation debt are "AAA" from Standard and Poor's and "Aaa" from Moody's Investors Service, and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

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

Long-term Debt (Amounts in 000's)

	Balance June 30, 2012	Balance June 30, 2011
General obligation bonds	\$ 208,845	\$ 221,035
Premium on bonds	7,048	3,898
Deferred loss on bond refundings	(6,467)	(412)
Accrued compensated absences	965	980
	<u>\$ 210,391</u>	<u>\$ 225,501</u>

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

Major Initiatives

La Porte had a nationally recognized blue ribbon elementary school, Lomax Elementary.

The District settled the lawsuit with Westchester Surplus Lines and Engle Martin & Associates, Inc. over the damages and loss from Hurricane Ike which made landfall with a major impact to the District in September, 2008.

The District transitioned to STAAR with face to face professional development opportunities for teachers to learn about the new STAAR assessment program. Additionally, teachers were afforded an online, on-demand training on the components of STAAR and how teaching would need to be different. It also fostered the development of teacher leaders.

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

The District researched and implemented a district-wide student technology initiative, purchasing 3,200 notebook devices for student use. At the elementary level, we instituted a distributive lab model with extensive wireless capacity. The notebook devices have been distributed at a level of one per every five students. The notebooks remain on each campus. At the secondary level, the District has instituted a saturation or immersion model. Secondary students from Grade 6 through Grade 10 have an option to check out a personal notebook, and the notebooks go home with the students. Ultimately, the District will add one grade level per year until all secondary students have an opportunity to participate in the student technology initiative.

The district implemented focused, core-level progress on targeted English Language Learners (ELL) population as a result of the Texas Education Agency Program Access Review (PAR). Services to students included adult mentors, focused academic tutoring, and conferences regarding academic progress. The process enabled campus level leaders to make informed decisions regarding student needs, both academic and emotional.

The District had focused support and professional development for mathematics and science teachers.

Economic Factors and Future Budgets and Tax Rates

- The District is a *Target Revenue Chapter 41* district with a decreasing student population. The District is cognizant of, and extremely concerned about, the state revenue shortfall for the current biennium. For the District, the decrease in funding from the state resulted in a (\$2,889,283) decrease in revenues in fiscal year 2012 (FY 2012). A decrease of (\$5,090,853) in state funding is anticipated in fiscal year 2013 (FY 2013).
- The District is a plaintiff with Fort Bend Independent School District et.al. against Michael Williams et.al. defendants, participating in the lawsuit against the State of Texas for inadequate funding of Texas Schools
- The District incurred is a significant increase in property and casualty insurance due to the location of the District on Galveston Bay. The district has \$200 million of property in AE Zones close to the bay and \$50 million in coverage. This coverage costs the district \$2.3 million annually, with recapture, representing 5.3 pennies of the tax base. The district also has costs to maintain two recovery storm shelters, and has routine shelter in place drills.
- The local economy is subject to volatility in the price of hydrocarbons.
- The District's enrollment and Average Daily Attendance (ADA) have not rebounded from the impact of Hurricane Ike. For FY 2013 the district anticipates a peak enrollment of 7,750 students, which is flat over FY 2012. The District's pre Hurricane Ike ADA was 7,670, while FY 2012 ADA was 7,263 and is anticipated to be 7,358 for FY 2013.
- The District employs 1,093 faculty and staff comprised of the following: 42 employees in central administration departments, 514 teachers, librarians, counselors, and nurses, 283 other school leadership and support staff, 110 maintenance employees, 75 cafeteria workers and 69 employees in transportation for the 2012-2013 budget. The number of full-time employees was reduced for the 2012-2013 school year through attrition and redistribution of responsibilities. This process is ongoing and will continue through the foreseeable future. To date no programs were eliminated as a result of these reductions.
- The staffing guidelines presented by the Southern Association of Colleges and Schools were used to develop a core staffing framework that was equitable for all campuses. In addition, multi-year staffing data was analyzed in the decision making process.
- The District maintains 12 campuses for instruction. The District is an Academic Acceptable District for state accountability. Under the accountability provisions in the federal No Child Left Behind, (NCLB) Act (P.L. 107-110), all public school campuses and districts are evaluated annually for Adequate Yearly Progress (AYP). The district did not meet AYP requirements during the 2011-2012 school year and as such, La Porte High School and La Porte Junior High will be subject to stage one school improvement requirements during the 2012-2013 school year.
- The 2012 Certified Taxable Property Value as reported by the Harris and Chambers County Appraisal Districts totaled \$6,110,927,969 which is approximately 4.6 percent higher than the 2011 taxable values.
- The property tax rate for 2012-13 will be reduced to \$1.33 per \$100 of assessed value down from \$1.355 per \$100 of assessed value in 2011-12.
- La Porte students are served through a variety of programs to include: At-Risk services, Advancement via Individual Determination (AVID), Bilingual/ESL, Career Technology Education, College and Career Readiness, Dual Language, Gifted and Talented, High School Allotment, Pre-Kindergarten, Pregnancy and Parenting, Response to Intervention, Advanced Placement Classes, and Special Education. In 2012-2013 the District implemented a fee based pre-K program.

- The District continues its partnership with San Jacinto College for a college center for La Porte students to receive dual enrollment credit while attending La Porte High School. The goal of the college center is to become an avenue where students can graduate high school with an associate's degree or industrial certificate.
- Supplemental funding sources that support student programs include: Title I, State Compensatory Education, School Health Advisory Competitive Grant, Title II Part A, and Carl Perkins Grant.
- The District used student data and teacher input as part of the needs assessment process to drive professional development. Additional data sources include the District-wide Educational Improvement Council and Campus Performance Objectives Committee.

All of these factors were considered in preparing the District's FY 2013 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT A-1

Data Control Codes	<u>ASSETS</u>	<u>Governmental Activities</u>
	Current assets:	
1110	Cash and cash equivalents	\$ 78,271,508
1220	Property taxes receivable	2,838,381
1230	Allowance for uncollectible property taxes	(1,037,300)
1240	Due from other governments	1,307,116
1260	Due from fiduciary funds	85,529
1290	Other receivables	15,350
1310	Inventories	130,455
1410	Prepaid items	110,555
1420	Capital bond & other debt issuance costs	1,987,255
	Total current and other assets	<u>83,708,849</u>
	Capital assets:	
1510	Land	10,254,937
1520	Building and improvements	252,128,969
1530	Furniture and equipment	15,154,854
1580	Construction in progress	1,481,968
1560	Less accumulated depreciation	(60,809,560)
	Total capital assets (net)	<u>218,211,168</u>
1000	Total assets	<u>301,920,017</u>
	 LIABILITIES	
	Current liabilities:	
2110	Accounts payable	2,334,598
2140	Interest payable	3,105,091
2150	Payroll deductions and withholdings payable	829,314
2160	Accrued wages payable	1,291,946
2170	Due to fiduciary funds	74,268
2180	Due to other governments	6,180,675
2300	Unearned revenue	57,396
2501	Noncurrent liabilities due within one year	8,874,158
	Total current liabilities	<u>22,747,446</u>
	Noncurrent liabilities:	
2502	Noncurrent liabilities due in more than one year	201,516,983
	Total noncurrent liabilities	<u>201,516,983</u>
2000	Total liabilities	<u>224,264,429</u>
	 NET ASSETS	
3200	Invested in capital assets, net of related debt	59,397,384
	Restricted for:	
3840	Grant funds	1,492,668
3850	Debt service	2,552,221
3900	Unrestricted	14,213,315
	Total net assets	<u>\$ 77,655,588</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT B-1

Data Control Codes		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 41,910,445	\$ 20,509	\$ 4,958,245	\$ (36,931,691)
12	Instructional resources and media services	727,755	-	123,250	(604,505)
13	Curriculum and staff development	585,541	-	299,254	(286,287)
21	Instructional leadership	994,257	-	75,103	(919,154)
23	School leadership	3,625,048	-	209,555	(3,415,493)
31	Guidance and counseling	2,130,352	-	450,073	(1,680,279)
32	Social work services	162,220	-	3,954	(158,266)
33	Health services	745,019	-	43,950	(701,069)
34	Student (pupil) transportation	2,855,000	-	760,207	(2,094,793)
35	Food services	3,750,711	1,765,220	2,443,417	457,926
36	Cocurricular/extracurricular activities	1,889,910	155,870	285,962	(1,448,078)
41	General administration	3,127,086	-	80,091	(3,046,995)
51	Plant maintenance and operations	9,276,851	58,838	137,101	(9,080,912)
52	Security and monitoring services	548,739	-	11,793	(536,946)
53	Data processing services	2,614,906	-	50,807	(2,564,099)
61	Ancillary services	60,520	-	12,439	(48,081)
71	Debt service - interest and fees	8,787,513	-	-	(8,787,513)
81	Facilities repair and maintenance	784,746	-	-	(784,746)
91	Contracted instructional services	17,321,383	-	-	(17,321,383)
93	Payments to fiscal agent	87,265	-	76,869	(10,396)
95	Payments to juvenile justice alternative education program	19,620	-	-	(19,620)
97	Payments to tax increment fund	934,600	-	-	(934,600)
99	Other intergovernmental charges	655,091	-	-	(655,091)
	TOTAL PRIMARY GOVERNMENT:	<u>\$ 103,594,578</u>	<u>\$ 2,000,437</u>	<u>\$ 10,022,070</u>	<u>(91,572,071)</u>

Data Control Codes		
General revenues:		
Taxes:		
MT	Property taxes, levied for general purposes	62,322,911
DT	Property taxes, levied for debt service	18,615,934
SF	State aid-grants and contributions not restricted to specific programs	16,129,685
IE	Investment earnings	139,912
FR	SHARS/MAC	1,237,971
SI	Special item - loss on the disposal of capital assets	(113,453)
SI	Extraordinary item - insurance recovery	3,040,289
MI	Miscellaneous	1,068,263
TR	Transfers out, net	(61,182)
TG	Total general revenues	<u>102,380,330</u>
CN	Change in net assets	10,808,259
NB	Net assets - beginning	66,847,329
NE	Net assets - ending	<u>\$ 77,655,588</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2012**

EXHIBIT C-1

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
1110 Cash and cash equivalents	\$ 42,576,445	\$ 5,279,954	\$ 21,958,706	\$ 6,750,640	\$ 76,565,745
Receivables					
1220 Property taxes - delinquent	2,296,510	541,871	-	-	2,838,381
1230 Allowance for uncollectible taxes	(868,300)	(169,000)	-	-	(1,037,300)
1240 Due from other governments	105,358	27,872	-	1,173,886	1,307,116
1260 Due from other funds	1,010,685	-	3,120	14,676	1,028,481
1290 Other receivables	7,048	-	-	-	7,048
1310 Inventories, at cost	31,047	-	-	53,679	84,726
1410 Deferred expenditures	52,863	-	56,751	-	109,614
1000 Total Assets	<u>\$ 45,211,656</u>	<u>\$ 5,680,697</u>	<u>\$ 22,018,577</u>	<u>\$ 7,992,881</u>	<u>\$ 80,903,811</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
2110 Accounts payable	\$ 589,185	\$ 4,929	\$ 1,217,552	\$ 84,296	\$ 1,895,962
2150 Payroll deductions and withholdings payable	829,314	-	-	-	829,314
2160 Accrued wages payable	989,692	-	-	302,254	1,291,946
2170 Due to other funds	25,292	-	59,843	932,281	1,017,416
2180 Due to other governments	6,162,142	18,455	-	78	6,180,675
2300 Deferred revenues	1,428,210	372,871	-	57,396	1,858,477
2000 Total Liabilities	<u>10,023,835</u>	<u>396,255</u>	<u>1,277,395</u>	<u>1,376,305</u>	<u>13,073,790</u>
FUND BALANCES					
Non-spendable					
3410 Inventories	31,047	-	-	53,679	84,726
3430 Prepaid items	52,863	-	56,751	-	109,614
Restricted for					
3450 Grant funds	-	-	-	1,438,989	1,438,989
3470 Capital acquisitions	-	-	20,684,431	-	20,684,431
3480 Retirement of long-term debt	-	5,284,442	-	-	5,284,442
Committed for					
3520 Compensated absences	931,661	-	-	-	931,661
3540 Self insurance	1,000,000	-	-	-	1,000,000
3545 Local special revenue funds	-	-	-	5,123,908	5,123,908
Assigned					
3500 Grant funds	44,651	-	-	-	44,651
Unassigned					
3600 General fund	33,127,599	-	-	-	33,127,599
3000 Total Fund Balances	<u>35,187,821</u>	<u>5,284,442</u>	<u>20,741,182</u>	<u>6,616,576</u>	<u>67,830,021</u>
4000 Total Liabilities and Fund Balances	<u>\$ 45,211,656</u>	<u>\$ 5,680,697</u>	<u>\$ 22,018,577</u>	<u>\$ 7,992,881</u>	<u>\$ 80,903,811</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

EXHIBIT C-2

Total fund balances--governmental funds \$ 67,830,021

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

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

Historical cost	\$ 279,020,728	
Accumulated depreciation	(60,809,560)	
Change due to Capital Assets	<u>218,211,168</u>	218,211,168

Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 1,801,081

Internal service funds are used by the District's management to charge the costs of the workers' compensation insurance program and print shop to the individual funds. The assets and liabilities of the internal service fund are included in the government wide statement of net assets. 1,322,295

Bond issuance costs are not financial resources and therefore are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds. 1,987,255

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

Bonds payable	(208,845,000)	
Deferred loss on refunding	6,467,445	
Premiums on issuance	(7,048,135)	
Compensated absences	(965,451)	
Accrued interest payable	<u>(3,105,091)</u>	
Change due to long-term liabilities	<u>(213,496,232)</u>	<u>(213,496,232)</u>

Total net assets - governmental activities \$ 77,655,588

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT C-3

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES					
5700 Total local and intermediate sources	\$ 63,147,811	\$ 18,844,651	\$ 418,069	\$ 2,485,903	\$ 84,896,434
5800 State program revenues	18,811,647	-	-	643,614	19,455,261
5900 Federal program revenues	1,237,971	-	-	5,978,189	7,216,160
5020 Total Revenues	83,197,429	18,844,651	418,069	9,107,706	111,567,855
EXPENDITURES					
Current:					
0011 Instruction	32,194,360	-	2,475,108	3,588,396	38,257,864
0012 Instructional resources and media services	627,715	-	-	100,232	727,947
0013 Curriculum and instructional staff development	293,336	-	-	292,823	586,159
0021 Instructional administration	961,555	-	-	35,494	997,049
0023 School administration	3,578,325	-	-	55,538	3,633,863
0031 Guidance and counseling	1,762,887	-	-	374,138	2,137,025
0032 Social work services	162,440	-	-	-	162,440
0033 Health services	736,445	-	-	10,902	747,347
0034 Student (pupil) transportation	2,724,758	-	1,064,686	15,550	3,804,994
0035 Food services	-	-	-	3,862,600	3,862,600
0036 Cocurricular/extracurricular activities	1,255,432	-	-	275,703	1,531,135
0041 General administration	2,706,835	-	25,778	529	2,733,142
0051 Plant maintenance and operations	7,053,684	-	1,839,051	49,522	8,942,257
0052 Security and monitoring services	541,958	-	-	8,393	550,351
0053 Data processing services	1,278,325	-	1,539,015	163	2,817,503
0061 Ancillary services	43,222	-	-	12,439	55,661
0070 Debt service:					
0071 Principal	-	7,725,000	-	-	7,725,000
0072 Interest	-	9,787,163	-	-	9,787,163
0073 Bond issuance cost and fees	-	400,582	4,600	-	405,182
0081 Facilities acquisition and construction	-	-	1,926,056	-	1,926,056
0090 Intergovernmental:					
0091 Contracted instructional services	17,321,383	-	-	-	17,321,383
0093 Payments to fiscal agent	10,396	-	-	76,869	87,265
0095 Payments to juvenile justice alternative ed program	19,620	-	-	-	19,620
0097 Payments to tax increment fund	934,600	-	-	-	934,600
0099 Other intergovernmental charges	655,091	-	-	-	655,091
6030 Total Expenditures	74,862,367	17,912,745	8,874,294	8,759,291	110,408,697
1100 Excess of Revenues Over (Under) Expenditures	8,335,062	931,906	(8,456,225)	348,415	1,159,158
OTHER FINANCING SOURCES AND (USES)					
7911 Issuance of bonds	-	40,685,000	-	-	40,685,000
7916 Premium or discount on issuance of bonds	-	4,008,196	-	-	4,008,196
7919 Extraordinary item - Insurance recovery	3,040,289	-	-	-	3,040,289
8911 Transfers out	-	-	-	(61,182)	(61,182)
8949 Other Uses	-	(51,297,093)	-	-	(51,297,093)
7080 Total Other Financing Sources and (Uses)	3,040,289	(6,603,897)	-	(61,182)	(3,624,790)
1200 Net Change in Fund Balances	11,375,351	(5,671,991)	(8,456,225)	287,233	(2,465,632)
0100 Fund Balance - July 1, 2011	23,812,470	10,956,433	29,197,407	6,329,343	70,295,653
3000 Fund Balance - June 30, 2012	\$ 35,187,821	\$ 5,284,442	\$ 20,741,182	\$ 6,616,576	\$ 67,830,021

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT C-4

Net change in fund balances—total governmental funds	\$ (2,465,632)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The capital outlays that were expensed for governmental purposes but capitalized in statement of net assets were:	4,635,703
Depreciation expense is recorded in statement of activities but is not recorded in the governmental fund statement of revenues, expenditures and changes in fund balance. The total amount of depreciation expense was:	(7,245,983)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. For the statement of activities, a portion of the current year property tax is recognized as income in the current year along with the related penalties and interest. The difference between the fund basis and full accrual basis on property taxes was:	(144,125)
Current year amortization of deferred loss on refunding bonds is not recorded in the governmental funds.	(91,594)
Current year amortization of bond issuance costs is not recorded in the governmental funds.	(343,827)
Current year amortization of premium on bonds payable is not recorded in the governmental funds.	857,552
The current year issuance of bonds are shown as an other resource in the fund financial statements but are shown as an increase in long-term liabilities on the government-wide financial statements.	(40,685,000)
Current year payments to bond refunding escrow agent are shown as other uses in the fund financial statements but are shown as reductions in long term debt and as a deferred loss on bond refunding in the government-wide financial statements.	51,297,093
Bond issuance costs are expensed in full when paid on the fund financial statements, whereas they are amortized to expense over the life of the related bonds payable on the government-wide financial statements.	396,034
Premiums associated with bonds payable are reported as revenue when bonds are issued. Amounts are reported net of amortization on the government-wide financial statements.	(4,008,196)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets, the amount of principal payments was:	7,725,000
The current year loss on disposal of capital assets is not recorded in the governmental funds	(113,453)
The change in the interest expense accrual amount was:	586,667
Internal service funds are used by management to charge the costs of workers compensation and print shop activities to the governmental funds. Accordingly, the income in the internal service funds is allocated back to the governmental activities.	393,099
Change in compensated absences to accrual basis.	14,921
Change in net assets of governmental activities	<u>\$ 10,808,259</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012**

EXHIBIT D-1

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
ASSETS		
Current Assets:		
1110	Cash and cash equivalents	\$ 1,705,763
1260	Due from other funds	196
1290	Other receivables	8,302
1310	Inventory	45,729
1410	Deferred expenditures	941
	Total current assets	<u>1,760,931</u>
1000	Total Assets	<u>1,760,931</u>
 LIABILITIES		
Current Liabilities:		
2110	Accounts payable	5,560
2200	Accrued expenses	433,076
	Total current liabilities	<u>438,636</u>
2000	Total Liabilities	438,636
 NET ASSETS		
3900	Unrestricted net assets	1,322,295
3000	Total Net Assets	<u>\$ 1,322,295</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT D-2

<u>Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Charges for services	\$ 730,724
5020 Total operating revenues	<u>730,724</u>
OPERATING EXPENSES	
6100 Payroll costs	48,277
6200 Purchased and contracted services	<u>289,348</u>
6030 Total operating expenses	<u>337,625</u>
Operating income	<u>393,099</u>
1300 Change in Net Assets	393,099
0100 Net Assets - July 1 (Beginning)	<u>929,196</u>
3300 Net Assets - June 30 (Ending)	<u>\$ 1,322,295</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT D-3

	<u>Internal Service Fund</u>
Cash Flows From Operating Activities:	
Cash received from charges for services	\$ 729,639
Cash payments for insurance claims	(304,332)
Cash payments for other operating expenses	(211,386)
Net Cash Provided by Operating Activities	<u>213,921</u>
Net increase in cash and cash equivalents	213,921
Cash and cash equivalents at beginning of the year	<u>1,491,842</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 1,705,763</u></u>
Reconciliation of Operating Income to Net Cash used in Operating Activities:	
Operating Income:	\$ 393,099
Effect of increases and decreases in current assets and liabilities:	
Decrease in due from other funds	5,993
Decrease in deferred expenditures	1,224
Increase in other receivables	(8,302)
Increase in inventory	(45,729)
Decrease in accounts payable	(1,439)
Decrease in due to other funds	(1,899)
Decrease in accrued expenses	(129,026)
Net Cash Provided by Operating Activities	<u><u>\$ 213,921</u></u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

EXHIBIT E-1

<u>Data Control Code</u>		865
	<u>Trust Funds</u>	<u>Student Activity Fund</u>
ASSETS		
1110	Cash and cash equivalents	\$ 231,152
1260	Due from other funds	71,680
	Total Assets	<u>\$ 288,357</u> <u>2,588</u> 290,945
LIABILITIES		
2110	Accounts payable	4,575
2170	Due to other funds	80,237
2190	Due to student groups	-
	Total Liabilities	<u>3,876</u> <u>5,292</u> <u>281,777</u> 290,945
NET ASSETS		
	Restricted	<u>\$ 218,020</u> <u>\$ -</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT E-2

	<u>Trust Funds</u>
Additions	
Gifts and contributions	\$ 86,932
Earnings on investments	45
Transfers in	<u>61,182</u>
Total Additions	148,159
Deductions	
Scholarships awarded	<u>90,167</u>
Total Deductions	<u>90,167</u>
Change in Net Assets	57,992
Net assets beginning of year	<u>160,028</u>
Net assets end of year	<u><u>\$ 218,020</u></u>

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the La Porte Independent School District non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no business-type activities for the year ended June 30, 2012.

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting

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

The District reports the following major governmental funds:

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

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

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

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

Governmental Funds:

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Fund Accounting – Continued

Proprietary Funds:

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

Fiduciary Funds:

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

E. Budgets and Budgetary Accounting

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Budgets and Budgetary Accounting – Continued

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

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

F. Cash and Cash Equivalents

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

G. Temporary Investments

In accordance with GASB Statement No. 31, the District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

H. Inventory

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Compensated Absences

A permanent employee who was employed by the District prior to September 1, 1994, contributes to the Teacher Retirement System (TRS) through payroll deductions, was employed by the District for the past ten consecutive years, and who retires from the District under the provisions of TRS shall be paid for all unused state and local sick leave accrued while employed by the District. The total paid days cannot exceed 90 and will be based on the employee's then current rate during the 2011-2012 year.

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

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

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

J. Account Code Reporting

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

K. Accounting Estimates

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

The amount of state foundation revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of June 30, 2012 will change and those changes could be material.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

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

The District expects to receive all significant receivables within one year of June 30, 2012.

M. Capital Assets

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Long-Term Obligations

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

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

O. Interfund Transactions

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

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

P. Fund Balances and Net Assets

Government-Wide Financial Statements

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. Fund Balances and Net Assets – Continued

Government-Wide Financial Statements – Continued

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

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

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

Governmental Fund Financial Statements

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

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

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

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. Fund Balances and Net Assets – Continued

Governmental Fund Financial Statements – Continued

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District’s Board of Trustees.

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District’s Board, the Superintendent, or the Chief Financial Officer pursuant to the District’s fund balance policy.

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

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

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

NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2012 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2011	Issued Current Year	Refunded Current Year	Retired Current Year	Amount Outstanding 6/30/2012
Unlimited Tax Refunding Bonds Series 2012	2.00-5.00	\$ 40,685,000	\$ -	\$ 40,685,000	\$ -	\$ -	\$ 40,685,000
Unlimited Tax School House Bonds Series 2010B	3.52-4.64	18,880,000	18,880,000	-	-	-	18,880,000
Unlimited Tax School House Bonds Series 2010A	2.00-4.00	7,780,000	7,630,000	-	-	510,000	7,120,000
Unlimited Tax School Refunding Bonds Series 2010	2.25-5.00	19,500,000	18,685,000	-	-	775,000	17,910,000
Unlimited Tax School House Bonds Series 2009	3.00-5.00	29,480,000	29,105,000	-	-	595,000	28,510,000
Unlimited Tax School House Bonds Series 2008A	3.00-5.00	20,895,000	19,955,000	-	-	595,000	19,360,000
Unlimited Tax School House Bonds Series 2008	3.00-5.00	65,000,000	62,375,000	-	-	1,440,000	60,935,000
Unlimited Tax School House and Refunding Bonds Series 2005A	3.50-5.00	63,700,000	56,520,000	-	45,150,000	1,450,000	9,920,000
Unlimited Tax Refunding Bonds Series 2005	3.25-5.00	10,755,000	7,635,000	-	-	2,110,000	5,525,000
Unlimited Tax School House Bonds Series 2001	4.82-4.82	2,500,000	250,000	-	-	250,000	-
Total bonded debt payable			<u>\$ 221,035,000</u>	<u>\$ 40,685,000</u>	<u>\$ 45,150,000</u>	<u>\$ 7,725,000</u>	<u>\$ 208,845,000</u>

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

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

On May 17, 2012 the District issued \$40,685,000 in unlimited tax refunding bonds with interest rates between 2.00% and 5.00% to advance refund \$45,150,000 of series 2005A bonds with original maturities between 2018 and 2031 and interest rate of 5.00%. The refunding was undertaken to reduce the District's total debt service over the life of the bonds by approximately \$5,860,158 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$2,774,336.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the bonds in an irrevocable trust for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2012, approximately \$69.6 million of the 1998, 1999, 2000, 2002 and 2005A series bond issues were outstanding but considered defeased.

The debt service requirements on the District's bonds are as follows:

Due Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 8,210,000	\$ 8,653,935	\$ 16,863,935
2014	8,255,000	8,748,936	17,003,936
2015	8,545,000	8,489,494	17,034,494
2016	8,860,000	8,175,230	17,035,230
2017	9,195,000	7,857,260	17,052,260
2018-2022	51,330,000	33,498,614	84,828,614
2023-2027	64,575,000	20,697,101	85,272,101
2028-2032	49,875,000	5,822,570	55,697,570
	<u>\$ 208,845,000</u>	<u>\$ 101,943,140</u>	<u>\$ 310,788,140</u>

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

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

NOTE 3. ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

Balance, July 1, 2011	\$	980,372
New entrants and salary increments		82,462
Payments to participants		(97,383)
		(97,383)
 Balance, June 30, 2012	 \$	 965,451
		965,451

NOTE 4. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable					
General obligation bonds	\$ 221,035,000	\$ 40,685,000	\$ 52,875,000	\$ 208,845,000	\$ 8,210,000
Premium on bonds	3,897,491	4,008,196	857,552	7,048,135	673,734
Deferred loss on bond refundings	(411,946)	(6,147,093)	(91,594)	(6,467,445)	(430,576)
Compensated absences	980,372	82,462	97,383	965,451	421,000
Total Governmental activities long-term liabilities	\$ 225,500,917	\$ 38,628,565	\$ 53,738,341	\$ 210,391,141	\$ 8,874,158

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

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2012 was as follows:

Primary government:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 10,254,937	\$ -	\$ -	\$ 10,254,937
Construction in progress	29,433,074	1,816,733	(29,767,839)	1,481,968
Total capital assets, not being depreciated	39,688,011	1,816,733	(29,767,839)	11,736,905
Capital assets, being depreciated				
Buildings and improvements	222,272,955	788,245	29,067,769	252,128,969
Furniture and equipment	12,962,896	2,030,725	161,233	15,154,854
Total capital assets, being depreciated	235,235,851	2,818,970	29,229,002	267,283,823
Less accumulated depreciation on:				
Buildings and improvements	45,116,872	6,066,508	(288,975)	50,894,405
Furniture and equipment	8,872,089	1,179,475	(136,409)	9,915,155
Total accumulated depreciation	53,988,961	7,245,983	(425,384)	60,809,560
Governmental activities capital assets, net	<u>\$ 220,934,901</u>	<u>\$ (2,610,280)</u>	<u>\$ (113,453)</u>	<u>\$ 218,211,168</u>

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

NOTE 5. CAPITAL ASSET ACTIVITY – CONTINUED

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

Instruction	\$ 4,127,601
Instructional resources and media services	1,424
School leadership	691
Student (pupil) transportation	283,013
Food services	87,895
Co-curricular/extracurricular activities	360,215
General administration	647,097
Plant maintenance and operations	504,813
Data processing services	483,866
Community service	5,173
Facilities acquisition and construction	<u>744,195</u>
Total depreciation expense	<u><u>\$ 7,245,983</u></u>

The District has active construction projects as of June 30, 2012. 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>
LPHS/Stadium Project 2012	<u>\$ 5,382,166</u>	\$ 1,481,968	<u>\$ 3,900,198</u>
Less: transfers out for completed items		<u>-</u>	
Net CIP additions		<u>\$ 1,481,968</u>	

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

NOTE 6. DEPOSITS AND INVESTMENTS

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

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes and the District's investment policy authorized the District to invest in the following investments as summarized in the table:

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

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

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 76,565,745
Proprietary funds	1,705,763
Fiduciary funds	<u>519,509</u>
	<u><u>\$ 78,791,017</u></u>

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

Cash and investments as of June 30, 2012 consist of the following:

Deposits with financial institutions	\$ 28,811,722
Investments	49,979,295
	\$ 78,791,017

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2012, the District had the following investments:

Investment Type	Amount	Weighted Average Maturity	Minimum Legal Rating	Rating as of June 30, 2012
TexPool	\$ 41,380	55 days	AAA	AAAm
Lone Star Investment Pool	20,536,741	61 days	AAA	AAA
Texas CLASS	29,401,174	33 days	AAA	AAAm
	\$ 49,979,295			

As of June 30, 2012 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

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

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of June 30, 2012, the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

- A. Depository: Wells Fargo
- B. Security pledged as of the date of the highest combined balance on deposit was \$34,655,433.
- C. Largest cash, savings and time deposit combined account balance amounted to \$32,669,442 and occurred during the month of June 2012.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

Investment in State Investment Pools

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

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

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

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

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

NOTE 7. RETIREMENT PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012, 6.644% for fiscal years 2011 and 2010. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution for the period of September 2011 through June 2012 and increased to 6.644% for the period January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2012, 2011 and 2010 were approximately \$2.0 million, \$2.8 million and \$3.0 million, respectively. The District paid additional state contributions for the years ended June 30, 2012, 2011 and 2010 in the amount of approximately \$500,000, \$600,000, and \$600,000, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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

NOTE 8. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2012, 2011, and 2010, the State's contributions to TRS-Care were approximately \$450,000, \$450,000 and \$500,000, respectively, the active member contributions were approximately \$300,000, \$300,000, and \$300,000, respectively, and the school district's contributions were approximately \$250,000, \$250,000, and \$250,000, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$111,906, \$106,595 and \$118,385, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

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

NOTE 9. RISK MANAGEMENT

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

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

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

Settled claims have not exceeded the aggregate coverage in any year the plan has been in effect. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$433,076 as of June 30, 2012, includes provisions for claims reported but not paid and claims incurred but not reported. The provision for reported claims and claims incurred but not yet reported is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third party administrator. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Changes in the fund's claims liability amount for the year ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Liability, beginning of year	\$ 562,102	\$ 603,862
Current year claims and changes in estimates	46,280	380,307
Claim payments	<u>(175,306)</u>	<u>(422,067)</u>
Liability, end of year	<u>\$ 433,076</u>	<u>\$ 562,102</u>

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

NOTE 10. LITIGATION

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

NOTE 11. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Federal Grants	State Entitlements	Local Governments	Total
General	\$ -	\$ 9,668	\$ 95,690	\$ 105,358
Special revenue	1,148,458	-	25,428	1,173,886
Debt service	-	-	27,872	27,872
	<u>\$ 1,148,458</u>	<u>\$ 9,668</u>	<u>\$ 148,990</u>	<u>\$ 1,307,116</u>

NOTE 12. DEFERRED REVENUE

Deferred revenue at June 30, 2012 consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Net tax revenue	\$ 1,428,210	\$ 372,871	\$ -	\$ 1,801,081
Grant received in advance of expenditures	-	-	57,396	57,396
Total	<u>\$ 1,428,210</u>	<u>\$ 372,871</u>	<u>\$ 57,396</u>	<u>\$ 1,858,477</u>

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

NOTE 13. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2012 consisted of the following individual fund balances:

Due To Fund	Due From Fund	Amount	Purpose
General fund	Nonmajor fund	\$ 865,815	Reimbursement of expenditures
General fund	Capital projects fund	59,841	Reimbursement of expenditures
General fund	Trust and agency fund	85,029	Reimbursement of scholarship checks
Nonmajor fund	General fund	10,426	Reclass of deficit cash
Nonmajor fund	Nonmajor fund	3,944	Reimbursement of expenditures
Nonmajor fund	Trust and agency fund	306	Reimbursement of expenditures
Capital projects fund	General fund	3,120	Reimbursement of expenditures
Internal service fund	Nonmajor fund	2	Interfund services provided
Internal service fund	Trust and agency fund	194	Interfund services provided
Trust and agency fund	General fund	11,748	Reclass of deficit cash
Trust and agency fund	Nonmajor fund	<u>62,520</u>	Reclass of deficit cash
		<u>\$ 1,102,945</u>	

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

During the year ended June 30, 2012 transfers between funds occurred as described below:

Transfer from	Transfer to	Amount	Purpose
Nonmajor Fund	Trust and agency Fund	\$61,182	Transfer of scholarship funds

NOTE 14. OPERATING LEASES

Commitments under operating leases (non-capitalized) for facilities and equipment are subject to fiscal funding clauses and are cancellable by the District. The District is therefore not obligated for minimum future rental payments as of June 30, 2012. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2012 amounted to \$370,692.

REQUIRED SUPPLEMENTARY INFORMATION

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT G-1

		General Fund			
		2012			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 59,711,317	\$ 63,171,055	\$ 63,147,811	\$ (23,244)
5800	State program revenues	12,669,561	18,465,435	18,811,647	346,212
5900	Federal program revenues	261,000	1,438,690	1,237,971	(200,719)
	Total Revenues	72,641,878	83,075,180	83,197,429	122,249
EXPENDITURES					
0011	Instruction	34,551,954	33,418,262	32,194,360	1,223,902
0012	Instruction resources and media services	756,212	644,919	627,715	17,204
0013	Curriculum and instructional staff development	349,178	311,587	293,336	18,251
0021	Instructional administration	1,057,706	969,022	961,555	7,467
0023	School administration	3,863,256	3,580,946	3,578,325	2,621
0031	Guidance and counseling services	1,907,716	1,865,286	1,762,887	102,399
0032	Social work service	182,196	167,281	162,440	4,841
0033	Health services	865,990	757,598	736,445	21,153
0034	Student (pupil) transportation	2,578,191	2,817,906	2,724,758	93,148
0036	Co-curricular/extracurricular activities	1,223,069	1,255,635	1,255,432	203
0041	General administration	3,135,070	2,786,788	2,706,835	79,953
0051	Plant maintenance and operations	7,334,683	7,309,885	7,053,684	256,201
0052	Security and monitoring services	590,108	542,875	541,958	917
0053	Data processing services	1,256,910	1,287,359	1,278,325	9,034
0061	Community services	71,755	66,503	43,222	23,281
Intergovernmental:					
0091	Contracted instructional services	14,275,331	17,430,126	17,321,383	108,743
0093	Payments to fiscal agent	20,000	11,280	10,396	884
0095	Payments to juvenile justice alt. ed. prgm.	20,790	19,620	19,620	-
0097	Payments to tax incremental fund	1,221,290	934,600	934,600	-
0099	Other intergovernmental charges	645,828	655,170	655,091	79
6030	Total Expenditures	75,907,233	76,832,648	74,862,367	1,970,281
1100	Excess of Revenues Over (Under) Expenditures	(3,265,355)	6,242,532	8,335,062	2,092,530
OTHER FINANCING SOURCES AND (USES)					
7919	Extraordinary item - Insurance recovery	-	3,040,289	3,040,289	-
7080	Total Other Financing Sources and (Uses)	-	3,040,289	3,040,289	-
1200	Net Change in Fund Balance	(3,265,355)	9,282,821	11,375,351	2,092,530
0100	FUND BALANCE - JULY 1	23,812,470	23,812,470	23,812,470	-
3000	FUND BALANCE - JUNE 30	\$ 20,547,115	\$ 33,095,291	\$ 35,187,821	\$ 2,092,530

See notes to required supplementary information.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

NOTE 1. BUDGETARY DATA

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

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

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

The official school budget was prepared for adoption for budgeted governmental fund types by July 1, 2011. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

COMBINING STATEMENTS AND SCHEDULES

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

Data Control Codes	206 ESEA Title X Part C	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Child Nutrition	
ASSETS:						
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ 1,520,612
Receivables:						
1240	Due from other governments	4,227	211,495	359,386	10,904	-
1260	Due from other funds	-	-	-	-	7,473
1300	Inventories, at cost	-	-	-	-	53,679
1000	Total Assets	<u>\$ 4,227</u>	<u>\$ 211,495</u>	<u>\$ 359,386</u>	<u>\$ 10,904</u>	<u>\$ 1,581,764</u>
LIABILITIES:						
Current liabilities:						
2110	Accounts payable	\$ -	\$ 15,140	\$ 38,186	\$ -	\$ 3,780
2160	Accrued wages payable	-	25,050	42,582	924	50,408
2170	Due to other funds	4,227	171,305	278,618	9,980	6,652
2180	Due to other governments	-	-	-	-	-
2300	Deferred revenues	-	-	-	-	28,256
2000	Total Liabilities	<u>4,227</u>	<u>211,495</u>	<u>359,386</u>	<u>10,904</u>	<u>89,096</u>
FUND BALANCE:						
3410	Non-spendable - inventories	-	-	-	-	53,679
3450	Restricted for grant funds	-	-	-	-	1,438,989
3545	Committed for local special revenue funds	-	-	-	-	-
3000	Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,492,668</u>
4000	Total Liabilities and Fund Equity	<u>\$ 4,227</u>	<u>\$ 211,495</u>	<u>\$ 359,386</u>	<u>\$ 10,904</u>	<u>\$ 1,581,764</u>

EXHIBIT H-1

Page 1 of 3

244 Voc. Ed. Basic Grant	255 ESEA Title II Part A, TPTR	263 Title III, Part A LEP & Immigrant	279 Title II Technology	283 IDEA Part B Formula - ARRA	284 IDEA Part B Preschool - ARRA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46,351	63,532	48,624	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 46,351</u>	<u>\$ 63,532</u>	<u>\$ 48,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 13,866	\$ 4,763	\$ -	\$ -	\$ -
-	-	-	-	-	-
46,351	49,666	43,861	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
46,351	63,532	48,624	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 46,351</u>	<u>\$ 63,532</u>	<u>\$ 48,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

Data Control Codes	285 Title I Part A SIP - ARRA	287 Education Jobs	289 Summer School LEP	394 Pregnancy, Education & Parenting	397 AP/IB Incentive Program	
ASSETS:						
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ 21,917
Cash and temporary investments						
1241	Due from other governments	-	403,939	-	-	-
1260	Due from other funds	-	-	7,203	-	-
1300	Inventories, at cost	-	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 403,939</u>	<u>\$ 7,203</u>	<u>\$ -</u>	<u>\$ 21,917</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	174,737	-	-	-
2170	Due to other funds	-	229,202	-	-	-
2180	Due to other governments	-	-	-	-	-
2300	Deferred revenues	-	-	7,203	-	-
2000	Total Liabilities	<u>-</u>	<u>403,939</u>	<u>7,203</u>	<u>-</u>	<u>-</u>
FUND BALANCE:						
3410	Non-spendable - inventories	-	-	-	-	-
3450	Restricted for grant funds	-	-	-	-	-
3545	Committed for local special revenue funds	-	-	-	-	21,917
3000	Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,917</u>
4000	Total Liabilities and Fund Equity	<u>\$ -</u>	<u>\$ 403,939</u>	<u>\$ 7,203</u>	<u>\$ -</u>	<u>\$ 21,917</u>

EXHIBIT H-1

410 Textbook Fund	411 Technology Allotment	415 Kinder - garten & Pre-K Grants	425 Texas Fitness Now	429 TEA Disaster Relief and License Plate Program	461 Campus Activity Funds
\$ 14,296	\$ -	\$ -	\$ -	\$ 4,633,750	\$ 539,833
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 14,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,633,750</u>	<u>\$ 539,833</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,014
-	-	-	-	-	8,553
-	-	-	-	-	68,243
-	-	-	-	-	78
14,296	-	-	-	-	-
<u>14,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,888</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,633,750	454,945
-	-	-	-	4,633,750	454,945
<u>\$ 14,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,633,750</u>	<u>\$ 539,833</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

EXHIBIT H-1

Page 3 of 3

Data Control Codes	480 Student Drug Testing	481 La Porte Education Foundation	482 SCORE	483 Local Grants & Donations	Total June 30, 2012	
ASSETS:						
1110	Cash and temporary investments	\$ 1,125	\$ 8,208	\$ -	\$ 10,899	\$ 6,750,640
Cash and temporary investments						
1241	Due from other governments	-	-	25,428	-	1,173,886
1260	Due from other funds	-	-	-	-	14,676
1300	Inventories, at cost	-	-	-	-	53,679
1000	Total Assets	<u>\$ 1,125</u>	<u>\$ 8,208</u>	<u>\$ 25,428</u>	<u>\$ 10,899</u>	<u>\$ 7,992,881</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts payable	\$ -	\$ 448	\$ 99	\$ -	\$ 84,296
2160	Accrued wages payable	-	-	-	-	302,254
2170	Due to other funds	-	-	24,176	-	932,281
2180	Due to other governments	-	-	-	-	78
2300	Deferred revenues	-	7,641	-	-	57,396
2000	Total Liabilities	<u>-</u>	<u>8,089</u>	<u>24,275</u>	<u>-</u>	<u>1,376,305</u>
FUND BALANCE:						
3410	Non-spendable - inventories	-	-	-	-	53,679
3450	Restricted for grant funds	-	-	-	-	1,438,989
3545	Committed for local special revenue funds	1,125	119	1,153	10,899	5,123,908
3000	Total Fund Equity	<u>1,125</u>	<u>119</u>	<u>1,153</u>	<u>10,899</u>	<u>6,616,576</u>
4000	Total Liabilities and Fund Equity	<u>\$ 1,125</u>	<u>\$ 8,208</u>	<u>\$ 25,428</u>	<u>\$ 10,899</u>	<u>\$ 7,992,881</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Data Control Codes	206 ESEA Title X Part C	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 Child Nutrition
REVENUES:					
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ 1,767,598
5800 State program revenues	-	-	-	-	24,090
5900 Federal program revenues	12,969	912,880	1,278,932	32,788	2,339,079
5020 Total revenues	<u>12,969</u>	<u>912,880</u>	<u>1,278,932</u>	<u>32,788</u>	<u>4,130,767</u>
EXPENDITURES:					
0011 Instruction	9,329	860,678	843,769	29,781	-
0012 Instructional resources and media services	-	366	-	-	-
0013 Curriculum and instructional staff development	-	35,583	4,704	264	-
0021 Instructional administration	-	-	28,603	-	-
0023 School administration	748	967	1,645	-	-
0031 Guidance and counseling services	-	1,400	324,161	1,169	-
0033 Health services	2,892	-	-	1,574	-
0034 Student transportation	-	-	-	-	-
0035 Food service	-	-	-	-	3,862,600
0036 Co-curricular/extracurricular activities	-	-	-	-	-
0041 General administration	-	-	-	-	-
0051 Plant maintenance and operations	-	-	-	-	48,892
0052 Security and monitoring services	-	2,448	-	-	-
0053 Data processing services	-	-	-	-	-
0061 Ancillary services	-	11,438	-	-	-
0093 Payments to fiscal agent	-	-	76,050	-	-
6030 Total Expenditures	<u>12,969</u>	<u>912,880</u>	<u>1,278,932</u>	<u>32,788</u>	<u>3,911,492</u>
1100 Excess (Deficiency) Revenues Over Expenditures	-	-	-	-	219,275
OTHER FINANCING SOURCES AND (USES)					
8911 Transfers out	-	-	-	-	-
Total Other Financial Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-	219,275
0100 Fund Balance - July 1 (Beginning)	-	-	-	-	1,273,393
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,492,668</u>

EXHIBIT H-2

Page 1 of 3

244 Voc. Ed. Basic Grant	255 ESEA Title II Part A, TPTR	263 Title III, Part A LEP & Immigrant	279 Title II Technology	283 IDEA Part B Formula - ARRA	284 IDEA Part B Preschool - ARRA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
81,245	256,568	83,623	1,867	66,221	450
<u>81,245</u>	<u>256,568</u>	<u>83,623</u>	<u>1,867</u>	<u>66,221</u>	<u>450</u>
81,245	60,438	44,279	-	20,397	-
-	-	-	-	-	-
-	188,713	33,496	1,867	1,577	-
-	2,535	2,956	-	520	-
-	4,882	2,442	-	-	-
-	-	450	-	42,908	450
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	819	-
<u>81,245</u>	<u>256,568</u>	<u>83,623</u>	<u>1,867</u>	<u>66,221</u>	<u>450</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Data Control Codes	285 Title I Part A SIP - ARRA	287 Education Jobs	289 Summer School LEP	394 Pregnancy, Education & Parenting	397 AP/IB Incentive Program
REVENUES:					
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-	2,342	26,590
5900 Federal program revenues	59,441	852,126	-	-	-
5020 Total revenues	<u>59,441</u>	<u>852,126</u>	<u>-</u>	<u>2,342</u>	<u>26,590</u>
EXPENDITURES:					
0011 Instruction	41,401	743,927	-	2,342	1,494
0012 Instructional resources and media services	-	50,242	-	-	-
0013 Curriculum and instructional staff development	14,839	-	-	-	3,179
0021 Instructional administration	-	-	-	-	-
0023 School administration	-	36,629	-	-	-
0031 Guidance and counseling services	2,200	-	-	-	-
0033 Health services	-	4,776	-	-	-
0034 Student transportation	-	14,748	-	-	-
0035 Food service	-	-	-	-	-
0036 Co-curricular/extracurricular activities	-	1,804	-	-	-
0041 General administration	-	-	-	-	-
0051 Plant maintenance and operations	-	-	-	-	-
0052 Security and monitoring services	-	-	-	-	-
0053 Data processing services	-	-	-	-	-
0061 Ancillary services	1,001	-	-	-	-
0093 Payments to fiscal agent	-	-	-	-	-
6030 Total Expenditures	<u>59,441</u>	<u>852,126</u>	<u>-</u>	<u>2,342</u>	<u>4,673</u>
1100 Excess (Deficiency) Revenues Over Expenditures	-	-	-	-	21,917
8911 Transfers out	-	-	-	-	-
Total Other Financial Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-	21,917
0100 Fund Balance - July 1 (Beginning)	-	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,917</u>

EXHIBIT H-2

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410	411	415	425	429	461
Textbook	Technology	Kinder -	Texas	TEA Disaster	Campus
Fund	Allotment	garten &	Fitness	Relief and License	Activity
		Pre-K Grants	Now	Plate Program	Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,927
560,542	745	24,269	4,289	243	-
-	-	-	-	-	-
<u>560,542</u>	<u>745</u>	<u>24,269</u>	<u>4,289</u>	<u>243</u>	<u>547,927</u>
560,542	714	24,269	-	-	109,863
-	-	-	-	43	47,586
-	31	-	4,289	-	3,644
-	-	-	-	-	-
-	-	-	-	-	8,225
-	-	-	-	-	1,400
-	-	-	-	-	1,185
-	-	-	-	-	802
-	-	-	-	-	-
-	-	-	-	-	273,515
-	-	-	-	-	529
-	-	-	-	-	630
-	-	-	-	-	945
-	-	-	-	-	163
-	-	-	-	-	-
-	-	-	-	-	-
<u>560,542</u>	<u>745</u>	<u>24,269</u>	<u>4,289</u>	<u>43</u>	<u>448,487</u>
-	-	-	-	200	99,440
-	-	-	-	-	(61,182)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,182)</u>
-	-	-	-	200	38,258
-	-	-	-	4,633,550	416,687
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,633,750</u>	<u>\$ 454,945</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT H-2

Page 3 of 3

Data Control Codes		480 Student Drug Testing	481 La Porte Education Foundation	482 SCORE	483 Local Grants & Donations	Total June 30, 2012
REVENUES:						
5700	Local and intermediate sources	\$ 1,125	\$ 63,470	\$ 50,923	\$ 54,860	\$ 2,485,903
5800	State program revenues	-	-	504	-	643,614
5900	Federal program revenues	-	-	-	-	5,978,189
5020	Total revenues	<u>1,125</u>	<u>63,470</u>	<u>51,427</u>	<u>54,860</u>	<u>9,107,706</u>
EXPENDITURES:						
0011	Instruction	-	61,475	49,382	43,071	3,588,396
0012	Instructional resources and media services	-	1,995	-	-	100,232
0013	Curriculum and instructional staff development	-	-	637	-	292,823
0021	Instructional administration	-	-	880	-	35,494
0023	School administration	-	-	-	-	55,538
0031	Guidance and counseling services	-	-	-	-	374,138
0033	Health services	-	-	-	475	10,902
0034	Student transportation	-	-	-	-	15,550
0035	Food service	-	-	-	-	3,862,600
0036	Co-curricular/extracurricular activities	-	-	24	360	275,703
0041	General administration	-	-	-	-	529
0051	Plant maintenance and operations	-	-	-	-	49,522
0052	Security and monitoring services	-	-	-	5,000	8,393
0053	Data processing services	-	-	-	-	163
0061	Ancillary services	-	-	-	-	12,439
0081	Payments to fiscal agent	-	-	-	-	76,869
6030	Total Expenditures	<u>-</u>	<u>63,470</u>	<u>50,923</u>	<u>48,906</u>	<u>8,759,291</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>1,125</u>	<u>-</u>	<u>504</u>	<u>5,954</u>	<u>348,415</u>
8911	Transfers out	-	-	-	-	(61,182)
	Total Other Financial Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,182)</u>
1200	Net Change in Fund Balance	<u>1,125</u>	<u>-</u>	<u>504</u>	<u>5,954</u>	<u>287,233</u>
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>119</u>	<u>649</u>	<u>4,945</u>	<u>6,329,343</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 1,125</u>	<u>\$ 119</u>	<u>\$ 1,153</u>	<u>\$ 10,899</u>	<u>\$ 6,616,576</u>

REQUIRED TEA SCHEDULES

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Year Ended June 30</u>	<u>Tax Rates</u>		<u>Assessed Value</u>	<u>Beginning Balance 7/1/2011</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2002 and prior	various	various	various	\$ 322,778
2003	1.5000	0.1800	4,058,870,000	110,630
2004	1.5000	0.1800	4,290,228,220	139,284
2005	1.5000	0.2335	4,448,428,710	180,508
2006	1.5000	0.2335	4,530,862,526	165,958
2007	1.3700	0.2650	4,936,217,370	199,887
2008	1.0400	0.2650	5,518,631,433	144,091
2009	1.0400	0.2850	6,015,684,028	330,583
2010	1.0400	0.2850	5,966,362,279	396,125
2011	1.0400	0.2850	5,789,629,020	1,017,261
2012	1.0400	0.3150	6,004,563,235	-
1000		Totals		<u>\$ 3,007,105</u>
9000	Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code		<u>\$ 76,538,778</u>	<u>\$ 54,678</u>

EXHIBIT J-1

Current Year Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2012
\$ -	\$ 17,853	\$ 1,926	\$ (57,035)	\$ 245,964
-	3,967	476	(1,197)	104,990
-	5,635	676	(2,279)	130,694
-	3,811	593	(1,416)	174,688
-	7,296	1,136	(351)	157,175
-	64,160	12,411	9,853	133,169
-	57,436	14,635	12,627	84,647
-	49,072	13,448	7,032	275,095
-	82,149	22,512	(3,575)	287,889
-	506,947	138,923	(11,650)	359,741
<u>81,069,091</u>	<u>61,647,572</u>	<u>18,672,067</u>	<u>134,877</u>	<u>884,329</u>
<u>\$ 81,069,091</u>	<u>\$ 62,445,898</u>	<u>\$ 18,878,803</u>	<u>\$ 86,886</u>	<u>\$ 2,838,381</u>
			Taxes receivable per exhibit C-1	<u>\$ 2,838,381</u>
<u>\$ 1,047,215</u>	<u>\$ 1,042,219</u>	<u>\$ -</u>	<u>\$ 8,093</u>	<u>\$ 59,674</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT
COSTS FOR 2012-2013 – GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT J-2

Account Number		(1)	(2)	(3)	(4)	(5)	(6)	(7)
		701	702	703	720	750	(other)	Total
		Supt's Office	School Board	Tax Collection	Direct Cost	Indirect Cost	Misc.	
6100	Payroll costs	\$ 431,925	\$ -	\$ -	\$ -	\$ 1,635,821	\$ -	\$ 2,067,746
6211	Legal services	190,103	-	-	-	-	-	190,103
6212	Audit services	-	-	-	-	59,000	-	59,000
6213	Tax appraisal / collection	-	-	751,809	-	-	-	751,809
621X	Other professional services	-	-	-	-	6,015	-	6,015
6230	Education service centers	-	-	-	-	8,605	-	8,605
6240	Maintenance and repairs	-	-	-	81,605	-	-	81,605
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	58,565	-	58,565
6290	Miscellaneous Contracts	30,872	-	-	-	54,434	-	85,306
63XX	Other supplies	2,271	1,116	-	-	29,722	-	33,109
6410	Travel, subsistence and stipends	9,339	13,665	-	-	10,040	-	33,044
6420	Insurance and bonding	-	-	-	-	23,624	-	23,624
6430	Election expense	-	25,984	-	-	-	-	25,984
6490	Miscellaneous operating	43,243	28,723	-	-	52,296	-	124,262
6600	Capital outlay	-	-	-	-	-	-	-
Total		\$ 707,753	\$ 69,488	\$ 751,809	\$ 81,605	\$ 1,938,122	\$ -	\$ 3,548,777

Other Information:

Total expenditures for general and special revenue funds (Exhibit C-3) (9) \$ 83,621,658

LESS: Deductions of unallowable costs:

FISCAL YEAR

Total capital outlay (6600) (10) \$ 254,684

Total debt & lease (6500) (11) -

Plant maintenance (Function 51, 6100-6400) (12) 7,103,206

Food (Function 35, 6341 and 6499) (13) 1,580,335

Stipends (6413) (14) -

Column 5 above - total indirect cost 1,938,122

Subtotal

10,876,347

Net Allowable Direct Cost

\$ 72,745,311

Cumulative

Total cost of buildings before depreciation (1520) (15) \$ 252,128,969

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) \$ 15,154,854

Historical cost of furniture & equipment over 16 years old (19) \$ 2,519,166

Amount of federal money in furniture & equipment (Net of #19) (20) \$ 465,584

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT J-3

		Child Nutrition			
		2012			
Data		Original	Final	Actual	Variance
Control		Budget	Amended	Amounts	Positive
Codes		Budget	Budget	(Budgetary	(Negative)
				Basis)	
REVENUES					
5700	Local and intermediate sources	\$ 1,505,300	\$ 1,505,300	\$ 1,767,598	\$ 262,298
5800	State program revenues	23,746	23,746	24,090	344
5900	Federal program revenues	2,066,059	2,066,059	2,339,079	273,020
	Total Revenues	<u>3,595,105</u>	<u>3,595,105</u>	<u>4,130,767</u>	<u>535,662</u>
EXPENDITURES					
Support Services - Student (Pupil)					
0035	Food service	3,910,868	4,102,288	3,862,600	239,688
0051	Plant maintenance and operations	63,275	63,275	48,892	14,383
	Total support services - student (pupil)	<u>3,974,143</u>	<u>4,165,563</u>	<u>3,911,492</u>	<u>254,071</u>
6030	Total Expenditures	<u>3,974,143</u>	<u>4,165,563</u>	<u>3,911,492</u>	<u>254,071</u>
1200	Net Change in Fund Balance	(379,038)	(570,458)	219,275	789,733
0100	FUND BALANCE - JULY 1	<u>1,273,393</u>	<u>1,273,393</u>	<u>1,273,393</u>	<u>-</u>
3000	FUND BALANCE - JUNE 30	<u>\$ 894,355</u>	<u>\$ 702,935</u>	<u>\$ 1,492,668</u>	<u>\$ 789,733</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT J-4

		Debt Service Fund			
		2012			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 16,499,642	\$ 18,788,897	\$ 18,844,651	\$ 55,754
	Total Revenues	16,499,642	18,788,897	18,844,651	55,754
EXPENDITURES					
0070	Debt Service				
0071	Principal	7,725,000	7,725,000	7,725,000	-
0071	Interest	9,862,654	9,787,163	9,787,163	-
0073	Bond issuance cost and fees	20,000	400,584	400,582	2
6030	Total debt service	17,607,654	17,912,747	17,912,745	2
1100	Excess of Revenues Over (Under) Expenditures	(1,108,012)	876,150	931,906	55,756
OTHER FINANCING SOURCES AND (USES)					
7911	Refunding bonds issued	-	40,685,000	40,685,000	-
7916	Premium or discount on issuance of bonds	-	4,008,196	4,008,196	-
8949	Payment to bond refunding escrow agent	-	(51,297,093)	(51,297,093)	-
7080	Total Other Financing Sources and (Uses)	-	(6,603,897)	(6,603,897)	-
1200	Net Change in Fund Balance	(1,108,012)	(5,727,747)	(5,671,991)	55,756
0100	FUND BALANCE - JULY 1	10,956,433	10,956,433	10,956,433	-
3000	FUND BALANCE - JUNE 30	\$ 9,848,421	\$ 5,228,686	\$ 5,284,442	\$ 55,756

FEDERAL AWARDS SECTION



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Porte Independent School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2012. 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

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

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

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

To the Board of Trustees
La Porte Independent School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 6, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the La Porte Independent School District's (the District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Board of Trustees
La Porte Independent School District

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 6, 2012

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

An unqualified opinion was issued on compliance for major programs.

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

Identification of major programs:

<p>10.555 10.553 10.555 84.410A</p>	<p>National School Lunch Program School Breakfast Program USDA Donated Commodities Education Jobs Fund</p>
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**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I – SUMMARY OF AUDITORS’ RESULTS – CONTINUED

Federal Awards – Continued

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

N/A

SECTION V – CORRECTIVE ACTION PLAN

N/A

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

EXHIBIT K-1

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures and Indirect Costs
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
*National School Lunch Program (240.00.5922)	10.555	71301101	\$ 1,574,183
*School Breakfast Program (240.00.5921)	10.553	71401101	569,317
Direct Program:			
*USDA Donation Commodities	10.555	101916	195,579
Total U.S. Department of Agriculture			2,339,079
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
**ESEA Title I Part A (211)	84.010A	10610101101916	132,724
**ESEA Title 1 School Improvement Program	84.010A	11610101101916	780,155
Total CFDA Number 84.010A			912,879
***IDEA - Part B, Formula (224)	84.027A	106600011019166600	129,191
***IDEA - Part B, Formula (224)	84.027A	116600011019166600	1,149,740
Total CFDA Number 84.027A			1,278,931
***IDEA - Part B, Preschool (225)	84.173A	106610011019166610	5,821
***IDEA - Part B, Preschool (225)	84.173A	116610011019166610	26,966
Total CFDA Number 84.173A			32,787
ESEA Title II, Part A (255)	84.367A	10694501101916	25,426
ESEA Title II, Part A (255)	84.367A	11694501101916	231,143
Total CFDA Number 84.367A			256,569
ESEA Title III, LEP (263)	84.365A	10671001101916	20,373
ESEA Title III, LEP (263)	84.365A	11671001101916	63,249
Total CFDA Number 84.365A			83,622
Career and Technology Education - Carl D. Perkins (244)	84.048A	11420006101916	81,245
ARRA Title II, Part D Technology Grant (279)	84.386A	10553001101916	1,867
***ARRA IDEA - Formula (283)	84.391A	10554001101916	66,221
***ARRA IDEA B - Preschool (284)	84.392A	10555001101916	450
**ARRA Title I Part A (285)	84.389A	10551001101916	59,441
Education Jobs Fund (287)	84.410A	10551004101916041	852,126
McKinney-Vento Homeless Assistance Act, Title VII, Sub. B (206)	84.387A	99005	12,972
Total Passed Through State Department of Education:			3,639,110
Total U.S. Department of Education			3,639,110
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Medicaid Administrative Claims (272.00.5932)	93.778	N/A	44,651
Total U.S. Department of Health and Human Services			44,651
<u>U.S. DEPARTMENT OF DEFENSE</u>			
JROTC (199.00.5949)	12.401	N/A	66,700
Total U.S. Department of DEFENSE			66,700
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,089,540

* Clustered programs as required by June 2012 Compliance Supplement (Child Nutrition Cluster)
 ** Clustered programs as required by June 2012 Compliance Supplement (Title I, Part A)
 *** Clustered programs as required by June 2012 Compliance Supplement (Special Education)

See Notes to the Schedule
of Expenditures of Federal Awards.

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

NOTE 1. BASIS OF PRESENTATION

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

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

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

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

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

NOTE 2. PERIOD OF AVAILABILITY

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project extended 30 days beyond the federal project period ending date, in accordance with the provisions of *OMB Circular A-133 Compliance Supplement*.

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

NOTE 3. BASIS OF FUNDING

Federal funding for Food Services under child nutrition programs is primarily based upon the number and type of meals served and in user charges as reported to the US Department of Agriculture. Federal funding received related to various grant programs is based upon periodic reports detailing reimbursable expenditures made in compliance with the program guidelines to the grantor agencies. Included in the Schedule of Expenditures of Federal Awards is \$195,579 of noncash assistance in the form of USDA Donated Commodities. The programs are governed by various rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's management, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the basic financial statements for such contingences.

NOTE 4. RECONCILIATION TO BASIC FINANCIAL STATEMENTS

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

Total expenditures of federal awards per exhibit K-1	\$ 6,089,540
SHARS payments	<u>1,126,620</u>
Reconciled balance	<u>\$ 7,216,160</u>
Related expenditures on Exhibit C-3	
General fund	\$ 1,237,971
Non-major funds	<u>5,978,189</u>
	<u>\$ 7,216,160</u>