

LA PORTE INDEPENDENT SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY
THE LA PORTE INDEPENDENT SCHOOL DISTRICT
FINANCE DEPARTMENT

1002 SAN JACINTO ST.
LA PORTE, TEXAS 77571

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INTRODUCTORY SECTION



La Porte

Independent School District

1002 San Jacinto Street
La Porte, Texas 77571

www.lpisd.org

(281) 604-7001
Fax (281) 604-7010

Lloyd W. Graham
Superintendent

BOARD OF TRUSTEES

Lee Wallace
President
Dee Anne Thomson
Vice President
Charlcya Wheeler
Secretary

Kathy Green
Phillip Hoot
David Janda
Lois Rogerson
Trustees

November 18, 2014

Mr. Lee Wallace, President,
Members of the Board of Trustees, and
Citizens of the La Porte Independent School District

Dear Members of the Board of Trustees and Citizens:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the La Porte Independent School District (the District) for the fiscal year ended June 30, 2014. The Comprehensive Annual Financial Report is management's report of financial operations to the Board of Trustees (the "Board"), taxpayers, grantor agencies, employees, the TEA, and other interested parties.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Management of the District is responsible for establishing and maintaining internal control structures designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Weaver and Tidwell, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the Federal Awards section of this report. The results of the District's Single Audit for the fiscal year ended June 30, 2014, provided no instances of material weaknesses in the internal control structures or material violations of applicable laws and regulations.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

Residents of the District elect a seven-member Board of Trustees (the Board), each of which serves for three years. La Porte Independent School District is not included in any other governmental "reporting entity" since the Board of Trustees is elected by the public and has decision making authority. Monthly meetings of the Board are posted and advertised as prescribed under state laws so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

The District occupies 55 square miles in Southeast Harris County. Included in its boundaries are the cities of La Porte, Shoreacres, Morgan's Point, and a small section of southeast Deer Park and Pasadena. Established in 1916, La Porte ISD is fortunate to have the support of the La Porte community which has retained that special "hometown" feeling while being able to take advantage of opportunities offered by the nearby metropolitan Houston area. During the 2013-2014 fiscal year, the District operated one senior high school, one alternative secondary campus, two junior high schools, one 6th grade campus, and seven elementary schools. The District serves approximately 7600 students, and provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and enriched academic education, special education for children with special needs, career and technology education, and programs for students with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in fine arts and athletics.

A Vision for LPISD

The La Porte Independent School District *Portrait of a Graduate* presents a set of attributes that reflect our district's high expectations and commitment to provide our students with pride, loyalty, academic and social accomplishment, citizenship, curiosity, and a lifelong desire to contribute back to the greater community. This portrait services as a framework for developing a coherent set of competencies for all La Porte Independent School District students.

The goals for improvement, which grew out of a comprehensive needs assessment and the work of the district Board of Trustees, staff, and community, are to increase achievement and success for every student through rigorous, broad-based academic programs and expanded opportunities; provide a safe, secure and disciplined learning environment; attract, develop and retain excellent staff, promote family engagement and active involvement of the community in the education of our students; and ensure and demonstrate efficient and effective use of district resources.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates. Located just southeast of Houston, Texas, in Harris County, the La Porte Independent School District is a dynamic

factor in the quality of life and economic development efforts of the area. The commercial/industrial growth and the overall economic health of the area have dramatically increased in recent years. Increased property values and growth in the District's tax base easily demonstrate this. With strong collaborative ties with the chamber of commerce, the business community, other local governmental entities in the area, and San Jacinto College, LPISD is making new inroads in building support and targeting resources to achieve the greatest impact for all of our students. The financial, cultural, educational and recreational climate of the area is a testimony to the collective leadership and to the communities' progressive attitude toward responsible growth and their vision of the future.

Financial Information

Accounting Systems - The Board of Trustees maintains a system of accounting controls designed to assist the administration in meeting its responsibility for accurately reporting the financial condition of the District. The system is designed to provide reasonable assurance that assets are safeguarded against loss, theft, or misuse so activities can be recorded and transacted by the administration for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The cost of operating the District's schools and the revenues to cover these costs are recorded in the General Fund. Food service operations and special programs funded by state or federal government grants designed to accomplish a particular objective are recorded in Special Revenue Funds.

The District accounts for school construction financed by bond sales through a Capital Projects Fund. A specific portion of the tax rate is dedicated to payment of bond principal and interest. These transactions are recorded in the Debt Service Fund.

The District has established Internal Service Funds to account for the transactions of its self-insured workers' compensation plan and its print shop. Income for the self-funded workers' compensation plan is derived primarily from charges to governmental funds based on employee salaries. Income for the print shop is derived primarily from charges to governmental funds for printing services.

Included in the CAFR as Agency Funds are financial schedules of student activity funds.

The District's accounting records are maintained on a modified accrual basis for governmental fund types and a full accrual basis for the proprietary fund types as prescribed by Texas Education Agency Financial Accountability System Resource Guide (FASRG). Additionally, the District has prepared the Government-wide Financial Statements on the full accrual basis as required by Governmental Accounting Standards Board Statement No. 34.

Financial data is submitted by the District to the Texas Education Agency through the Public Education Information Management System (PEIMS). The data is then analyzed, reviewed and presented to the State Board of Education.

Budgetary Process – State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The budget itself is prepared utilizing a detailed line item approach for governmental fund types and is prepared in accordance with the budgeting requirements as outlined in the FASRG. The annual budget serves as the foundation for the District's financial planning and control. The District maintains budgetary controls throughout all of its financial systems. The objective of these controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the Board of Trustees. Activities of the general fund, child nutrition fund, debt service fund and capital projects funds are included in the annually appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function within each individual fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary

control. Although encumbered amounts lapse at year-end, they are generally re-appropriated as part of the next year's budget through a Board-adopted budget amendment. The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditures categories, revenue objects, or other sources and uses require Board approval.

Significant Financial Activities – The District's total tax base in 2013-14 was over \$6.6 billion, an increase of 6.3 % from the previous year. The tax rates per \$100 of assessed value for the past five years are shown on the following table.

Year	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
M&O	1.04	1.04	1.04	1.04	1.04
I&S	.285	.285	.315	.29	.29

For the twelfth consecutive year, the District scored the highest possible rating of "Superior Achievement" for the Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas School Districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of Schools FIRST is to ensure quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

Major Indicators

In looking at the most common indicators of quality in a school system, the following are examples of major indicators in the District:

Test Scores – The State of Texas created a new assessment test called State of Texas Assessment of Academic Readiness or (STAAR) beginning with the 2011-2012 school year. La Porte Independent School District received a rating of Met Standard for the 2013-2014 school year.

Attendance Rate - Despite the lack of growth in the District and the problems facing families today, the attendance rate in the District remains high at 95.2%.

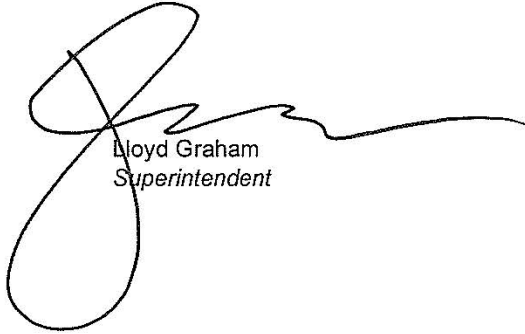
Dropout Rate - The dropout rate remains below the State average, meaning more students are finishing high school and are entering college or the work force.

Public Support - In May 2014, the community approved a \$260 million bond issue, which will result in a new Lomax Elementary School and Baker Sixth Grade Campus; a major rebuild of La Porte High School; significant renovations at College Park Elementary, La Porte Elementary, Lomax Junior High School and La Porte Junior High School. The bond issue also includes funds for technology, maintenance and transportation; and many other district-wide improvements.


Other Information

Awards – The district has received a “Platinum” designation (the highest designation available) in the Texas Comptroller Leadership Circle. This is a program started by the Texas Comptroller of Public Accounts that recognizes local governments across Texas that strive to meet a high standard for financial transparency online. This program spotlights local governments that are opening their books to the public; providing clear, consistent pictures of spending; and sharing information in a user-friendly format that lets taxpayers easily drill down for more information.

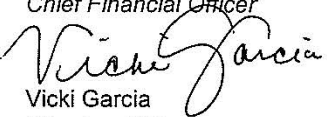
Acknowledgments – We would like to express appreciation to all the stakeholders of the community for voting for the \$260 million bond referendum. We would also like to express appreciation to the Board of Trustees for its concern for providing fiscal accountability to patrons of our District and for its leadership in the development of one of the best educational operations within the State of Texas. Countless hours have been devoted to this District by teachers, principals, and supporting staff and thanks is extended to the entire La Porte Independent School District Team that has worked so hard to provide the high-quality, cost-efficient education to the students we serve. Additionally, the preparation of this report was accomplished through much time and effort on the part of the District Finance department, and special appreciation is expressed to them.



Lloyd Graham
Superintendent



Rhonda Cumbie
Rhonda Cumbie
Chief Financial Officer



Vicki Garcia
Vicki Garcia
Director of Finance

LA PORTE INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD

La Porte Independent
School District
Name of Local Education Agency

Harris
County

101-916
County-District-Number No.

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

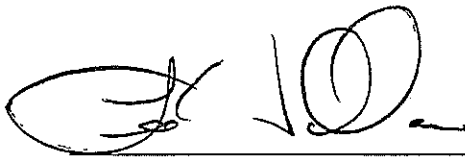
approved disapproved

✓ _____

for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 18th day of November, 2014.



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):

La Porte Independent School District
Principal Officials and Advisors

Board of Trustees

Trustee	Office	Completed Years of Service	Term Expires May	Occupation
Kathy Green	President	10	2014	Training Coordinator
Dee Anne Thomson	Vice President	4	2016	Customer Service Supervisor
Charleya Wheeler	Secretary	10	2016	Retired
Craig Hulcy	Trustee	8	2014	Engineer
Lee Wallace	Trustee	4	2015	HSSE Technician
David Janda	Trustee	2	2015	Teacher
Lois Rogerson	Trustee	1	2017	Retired Teacher

Administrative Officials

Official	Position	Years of Service	
		Total	District
Lloyd W. Graham	Superintendent	25	6
Dr. Linda Wadleigh	Deputy Superintendent of Curriculum and Instruction	29	14
Rhonda Cumbie	Chief Financial Officer	16	6
Mike Clausen	Assistant Superintendent	45	45
David Knowles	Executive Director, Secondary Education	19	10
Jewel Whitfield	Executive Director, Elementary Education	17	14
Isela Montes	Executive Director, Human Resources	37	6
Vicki Garcia	Director of Finance	12	1
Terri Cook	Public Information Officer, Director-Public Relations	14	6

Consultants and Advisors

Weaver and Tidwell, L.L.P.

Independent Auditors
24 Greenway Plaza, Suite 1800 • Houston, Texas 77010

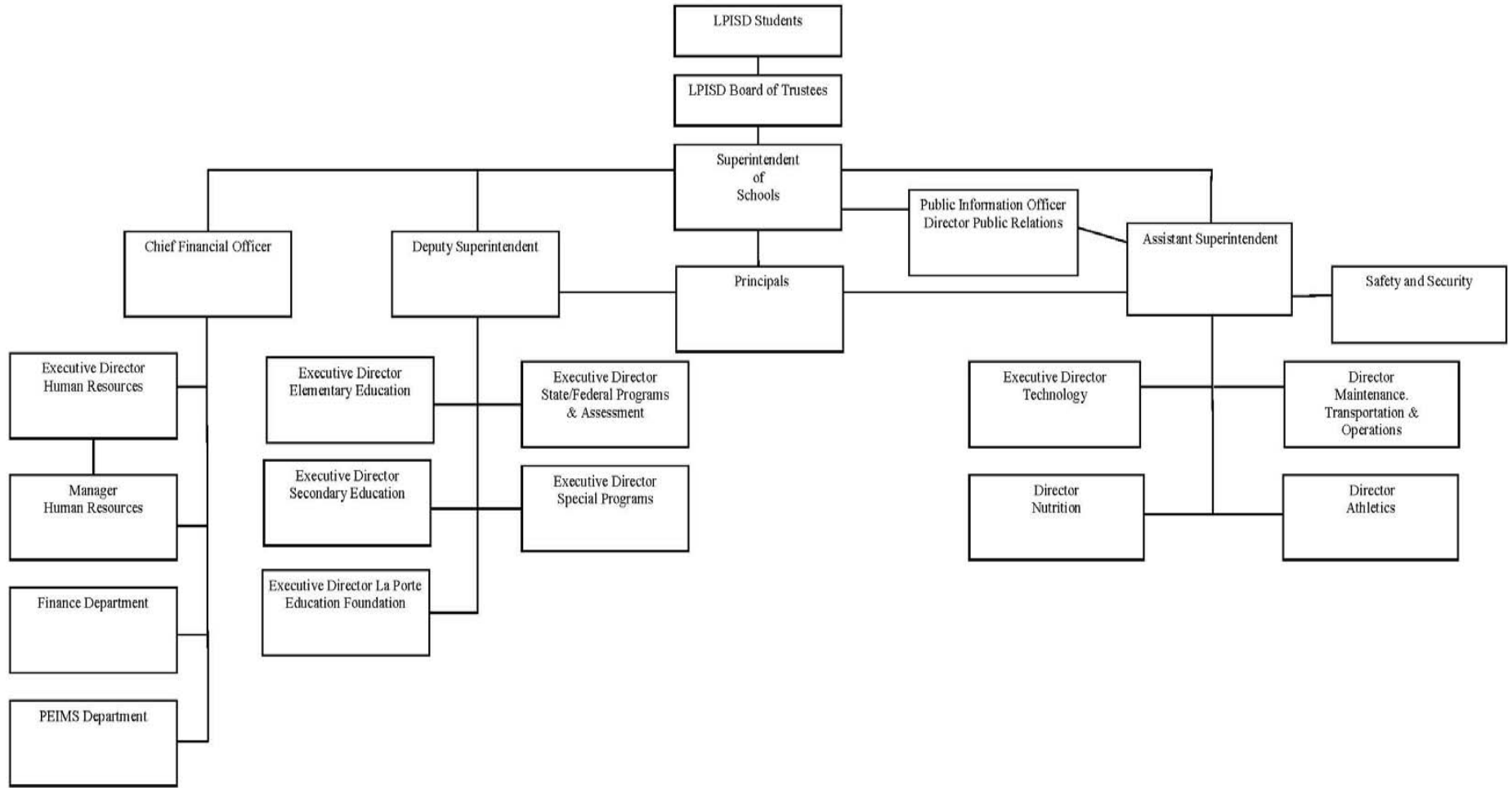
Andrews Kurth, L.L.P.

Bond Counsel
600 Travis, Suite 4200 • Houston, Texas 77046

Southwest Securities, Inc.

Financial Advisor
700 Central Expressway South, Suite 410 • Houston, Texas

La Porte Independent School District
Organizational Chart



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning net position has been restated to reflect the change in accounting principle from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-14 and page 52 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other TEA required schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Board of Trustees
La Porte Independent School District

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other TEA required schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 17, 2014

**La Porte Independent School District
Management's Discussion and Analysis
Year Ended June 30, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$71,125,958 (*net position*). Of this amount, \$13,511,147 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position decreased by \$3,431,295.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$54,362,118, a decrease of \$4,298,119 in comparison with the prior year. The decrease in governmental fund balances was primarily due to a decrease of \$2,378,365 and \$4,494,743 in the general fund balance and the capital projects fund balances, respectively, and an increase of \$2,367,567 and \$207,422 in the debt service fund and non-major governmental funds, respectively.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$27,436,274, or 34.7 percent of total general fund expenditures.
- The District's total long-term debt decreased by 4.1 percent or \$8,255,000 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 Position* presents information on all of the District's assets plus deferred outflows less liabilities plus deferred inflows, with the difference between these two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 15 and 16 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are 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 17 through 20 of this report.

Proprietary Fund

Proprietary funds are used to account for operations that are financed similar to those found in the private sector. These funds provide both long- and short-term financial information. The District maintains two internal service funds. *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 and its print shop. 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 21 through 23 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 24 and 25 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 26 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 52 through 59 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$71,125,958 at the close of the most recent fiscal year.

The largest portion of the District's net position (\$49,715,550) reflects its investment in capital assets (e.g., 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 Position (Amount in 000's)

	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 68,225	\$ 78,363
Capital and non-current assets	210,884	216,446
Deferred outflows of resources	5,516	216,446
Total Assets	<u>284,625</u>	<u>294,809</u>
Liabilities:		
Current Liabilities	23,731	27,089
Long-term Liabilities	189,768	193,163
Total Liabilities	<u>213,499</u>	<u>220,252</u>
Net Position:		
Net investment in capital assets	49,716	61,781
Restricted	7,899	5,177
Unrestricted	13,511	7,599
Total Net Position	<u>\$ 71,126</u>	<u>\$ 74,557</u>

Net position of \$5,984,326 is restricted for debt service activities and net position of \$1,914,935 is restricted for grant activities. The remaining balance of unrestricted net position of \$13,511,147 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 position. The District's net position decreased \$3,431,295 during the current fiscal year.

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

	<u>2014</u>	<u>2014</u>	<u>Percentage Change</u>
Program Revenues			
Charges for services	\$ 1,905	\$ 2,007	-5%
Operating grants	10,044	9,442	6%
General Revenues			
Property taxes	88,134	82,316	7%
Grants and contributions not restricted	1,984	3,595	-45%
Interest earnings	97	135	-28%
Other	2,774	2,340	19%
Total Revenues	<u>104,938</u>	<u>99,835</u>	5%
Expenses			
Instruction	42,995	41,355	4%
Instruction resources and media services	483	501	-4%
Curriculum and staff development	734	642	14%
Instructional leadership	1,171	1,143	2%
School leadership	3,913	3,682	6%
Guidance, counseling, and evaluation services	2,456	2,253	9%
Social work services	195	165	18%
Health services	736	691	7%
Student transportation	3,109	3,079	1%
Food service	3,880	3,821	2%
Extracurricular activities	2,131	1,864	14%
General administration	3,103	2,947	5%
Plant, maintenance and operations	10,194	10,146	0%
Security and monitoring services	542	519	4%
Data processing services	2,518	2,585	-3%
Community services	69	52	33%
Interest on long-term debt	8,474	8,789	-4%
Facilities acquisition and construction	74	233	-68%
Contracted instructional services between schools	17,754	16,809	6%
Payments related to shared services arrangements	121	99	22%
Payments to JJAEP	20	20	0%
Payments to Tax Increment Fund	1,254	878	43%
Other intergovernmental charges	661	660	0%
Total Expenses	<u>106,587</u>	<u>102,933</u>	4%
Increase (Decrease) in Net Position	<u>(1,649)</u>	<u>(3,098)</u>	-47%
Beginning Net Position	74,557	77,655	-4%
Implementation of Change in Accounting Principle	<u>(1,782)</u>	-	
Beginning Net Position as Restated	<u>72,775</u>	<u>77,655</u>	
Ending Net Position	<u>\$ 71,126</u>	<u>\$ 74,557</u>	-5%

Governmental Activities

Governmental activities decreased the District's net position by \$3,431,295. Key elements of this decrease are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$10,043,558) represent 9.6 percent of total revenues, and property taxes of \$88,133,828 represent 84.0 percent of total revenues. The remaining \$6,760,838 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$42,995,224) which represents 48.4 percent of total expenses less contracted instructional services between schools of \$17,754,454. Plant maintenance and operations (\$10,193,730) represents 11.5 percent and Debt Service (\$8,474,442) represents 9.5 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 increased 3.1 percent from the previous year which are less contracted instructional services between schools, and the decrease to net position was 4.8 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 \$54,362,118, a decrease of \$4,298,119 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 \$4,494,743 and a decrease in the general fund balance of \$2,378,365. The non-major governmental funds balance increased by \$207,422, and the debt service fund balance increased by \$2,367,567.

At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$27,436,274, or 34.7 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$8,774,586, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance (\$2,367,567) during the current year was primarily due to increased base along with increased collections.

The capital projects fund has a total fund balance of \$8,253,644, all of which is restricted for authorized construction, plant maintenance and technology projects/enhancements. The decrease in fund balance during the current year (\$4,494,743) was due to the utilization of bond proceeds for renovation projects, plant maintenance and technology projects/enhancements.

General Fund Budgetary Highlights

The primary difference between the original budget and the final amended budget of the general fund was a \$584,355 adjustment for increased federal revenues and reflective spending practices.

Capital Assets and Long -Term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2014, amounts to \$210,883,615 (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 \$5,562,297. A comparison of capital asset balances at current and prior fiscal year end follows:

Capital Assets (Amounts in 000's)

	Balance	Balance
	June 30, 2014	June 30, 2013
Land	\$ 10,255	\$ 10,255
Buildings and improvements	258,338	258,033
Furniture and equipment	16,196	15,512
Construction in progress	153	-
	<u>284,942</u>	<u>283,800</u>
Less accumulated depreciation for:		
Buildings and improvements	(62,256)	(56,436)
Furniture and equipment	(11,802)	(10,919)
	<u>(74,058)</u>	<u>(67,355)</u>
Governmental Capital Assets	<u>\$ 210,884</u>	<u>\$ 216,445</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 \$199,149,533 in total debt outstanding, a decrease of \$8,908,536 as compared to the previous year. The underlying ratings of the bonds for general obligation debt are "AA" from Standard and Poor's and "Aa2" 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	Balance
	June 30, 2014	June 30, 2013
General obligation bonds	\$ 192,380	\$ 200,635
Premium on bonds	5,670	6,372
Accrued compensated absences	1,099	1,051
	<u>\$ 199,149</u>	<u>\$ 208,058</u>

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

Major Initiatives

The District continued to support and train teachers with targeted professional development opportunities, focusing on rigor and high expectations required for student success on the State of Texas Assessments of Academic Readiness (STAAR). Focus areas include: Special Education, Bilingual/English as a Second Language, and Writing. The implementation of HB 5 was another major professional development initiative. The HB 5 initiative focused on the development of academic career pathways leading to the new HB 5 graduation endorsements and four-year graduation plans for all incoming ninth graders.

The District continued its partnership with San Jacinto College and the La Porte San Jacinto College Center where students may receive dual enrollment credit while attending La Porte High School. The goal of the college center is to provide opportunities for students to earn college credit and/or industrial certification.

The District successfully executed its first two years of a district-wide student technology initiative, purchasing 4,500 notebook devices for student use. At the elementary level, the District instituted a distributive lab model with the exception of one class at each campus that received a cart of notebooks. The notebook devices have been distributed at a level of one per every five students, and 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 12 have an option to check out a personal notebook, and the notebooks go home with the students.

The District supported campus-based implementation of targeted services to English Language Learners (ELL) students. Targeted student services include the Inova Process with adult mentors and focused academic tutoring; student and parent conferences regarding academic progress; and computer-based English Language acquisition programming. This process allows campus level leaders to make informed decisions regarding student needs, both academic and emotional.

This District continued to provide targeted professional development for teachers to develop collaborative partnerships in the classrooms to maximize the impact on closing the achievement gap for students with disabilities. This also included working with campus administrators in developing master schedules that optimize support resources.

The District is one of ten Houston-area school districts invited to participate in the AVID-Rice University Houston-Area College Readiness Initiative. The three overarching goals include: building awareness among all stakeholders of the importance of college; aiding families in navigating the path toward postsecondary success; and assisting underrepresented students to prepare them to succeed in academically rigorous courses. The partnership seeks to facilitate the professional growth of all educators while addressing students' preparedness and expectations related to college, and helping students understand issues of college affordability and the application process.

La Porte ISD continued participation in the Houston Consortium. The consortium participants are committed to transforming their respective districts in accordance with the principles in the document ***Creating a New Vision for Public Education in Texas***. The consortium identified the skill of writing as a shared learning problem for the focus of its work each year and is using the six principles in the Visioning document to inform the work on the learning area. The six principles include: The New Digital Learning Environment; The New Learning Standards; Assessments for Learning; Accountability for Learning; Organizational Transformation; and a More Balanced and Reinvigorated State/Local Partnership.

Economic Factors and Future Budgets and Tax Rates

- The District is currently a Target Revenue Chapter 41 district. During the special session of the 2011 Texas Legislative Session, Senate Bill 1 (SB 1) was enacted and made substantial changes in the manner the state school finance system is funded. SB 1 became effective for the 2011-2012 and 2012-2013 fiscal years. This change substantially reduced funding for the District. In the 2013 Texas Legislative Session approximately 52.4% of those cuts were restored.
- The district currently has 8 Chapter 313 agreements, as well as one under consideration. Under a Chapter 313 agreement for the purpose of maintenance and operations taxes the taxable value of the property is limited but for the purpose of bond repayment, the taxable value of the property cannot be limited. Chapter 313 also limits the reduction of maintenance and operating (M&O) taxable value to a floor that generates \$100 per student in average daily attendance (ADA). The agreement, a negotiable payment in lieu of taxes, as well as negotiable support for supplemental school district endeavors such as a foundation perhaps, are made directly to the taxing entity. In our case, the payment would come directly to us and be outside of the current school funding system and not subject to recapture or equalization payments to the state.
- The District is one of several hundred Texas public school districts that has brought suit against the State claiming that the current school funding system established by the Texas Legislature violates various provisions of the Texas Constitution. The District is part of the Fort Bend ISD plaintiff group – a group of 84 school districts represented by Thompson & Horton LLP. The school districts claim that the system is an impermissible state property tax under Article VIII, Section 1-e of the Texas Constitution and is unconstitutionally inefficient, inadequate, and unsuitable under Article VII, Section 1. The school districts do not seek recovery of specific monetary damages from the state, but rather an order requiring the state to restructure the finance system to comply with the Texas Constitution. The districts also seek recovery of their attorney fees. The District has agreed to contribute two payments of \$1 per student in weighted average daily attendance (WADA), which equals two payments of approximately \$9,464 each. The Fort Bend ISD

plaintiff group, including the District, prevailed on all of its claims at the trial court in February 2013. Based on legislation enacted during the 2013 Texas legislative session in May 2013, the trial court scheduled a hearing to update the trial record in January 2014, the original decision was upheld and now is under appeal by the state. There are no counter claims or cross claims asserted against La Porte ISD in this matter and no potential liability against the district is expected.

- The District continues to incur a significant cost 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 \$65 million in coverage. This coverage costs the district \$1.9 million annually, with recapture, representing 4.9 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 2015 the district anticipates a peak enrollment of 7,629 students, which is flat from FY 2014. The District's pre-Hurricane Ike ADA was 7,670, while FY 2014 ADA was 7,217 and is anticipated to be close to the same for FY 2015.
- The District has 1,095 faculty and staff comprised of the following: 42 employees in central administration departments, 510 teachers, librarians, counselors, and nurses, 243 other school leadership and support staff, 104 maintenance employees, 91 cafeteria workers and 105 employees in transportation for the 2014-2015 budget.
- The District maintains 12 campuses for instruction. Under the new state accountability system, the District Met Standard for all accountability indexes (1-4). Eight campuses received at least one academic distinction. Rizzuto Elementary School earned five distinctions, followed by Heritage Elementary School with four distinctions. Bayshore Elementary and La Porte Elementary earned three distinctions. College Park Elementary and Lomax Junior High earned two distinctions, and Baker Sixth Grade Campus earned one distinction. Accountability distinctions are only available for campuses.
- The 2014 Certified Taxable Property Value as reported by the Harris and Chambers County Appraisal Districts totaled \$7,037,246,191 which is approximately 7.9 percent higher than the 2013 taxable values.
- The property tax rate for 2014-15 will be \$1.45 per \$100 of assessed value, an increase of \$0.12 from 2013-14.
- Supplemental funding sources that support student programs include: Title I, Title II Part A, Title III, Carl Perkins Grant, State Compensatory Education, School Health Advisory Competitive Grant, and a Governor's Grant for Communities in Schools (CIS) services for both junior high school campuses, and high school campus. Also, the Communities in Schools ACE Grant provides for afterschool programs at Bayshore Elementary and La Porte Elementary. In addition, the La Porte Education Foundation supports teachers through grants that fund innovative instructional projects and programs.

- The District provided four optional days for staff development prior to the beginning of the teacher contracts with compensation. 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 2015 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 POSITION
JUNE 30, 2014**

EXHIBIT A-1

Data Control Codes	ASSETS	Governmental Activities
	Current assets:	
1110	Cash and cash equivalents	\$ 63,715,451
1220	Property taxes receivable	2,841,726
1230	Allowance for uncollectible property taxes	(977,400)
1240	Due from other governments	1,189,582
1260	Due from fiduciary funds	7,047
1290	Other receivables	1,570
1310	Inventories	99,515
1410	Prepaid items	1,347,945
1420	Deferred charges	-
	Total current and other assets	68,225,436
	Capital assets:	
1510	Land	10,254,937
1520	Building and improvements	258,338,508
1530	Furniture and equipment	16,195,824
1580	Construction in progress	152,684
1560	Less accumulated depreciation	(74,058,338)
	Total capital assets (net)	210,883,615
1000	Total assets	279,109,051
	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
1700	Deferred loss on issuance of refunding bonds	5,516,624
	Total deferred outflows of resources	5,516,624
	Total assets and deferred outflows of resources	284,625,675
	<u>LIABILITIES</u>	
	Current liabilities:	
2110	Accounts payable	1,235,606
2140	Interest payable	3,177,761
2150	Payroll deductions and withholdings payable	399,890
2160	Accrued wages payable	1,477,931
2170	Due to fiduciary funds	2,925
2180	Due to other governments	7,170,667
2200	Accrued expenses	661,268
2300	Unearned revenue	224,136
2501	Noncurrent liabilities due within one year	9,380,946
	Total current liabilities	23,731,130
	Noncurrent liabilities:	
2502	Noncurrent liabilities due in more than one year	189,768,587
	Total noncurrent liabilities	189,768,587
2000	Total liabilities	213,499,717
	<u>NET POSITION</u>	
3200	Net investment in capital assets	49,715,550
	Restricted for:	
3840	Grant funds	1,914,935
3850	Debt service	5,984,326
3900	Unrestricted	13,511,147
	Total net position	\$ 71,125,958

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT B-1

Data Control Codes	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 42,995,224	\$ 36,253	\$ 4,902,345	\$ (38,056,626)
12	Instructional resources and media services	482,710	-	78,893	(403,817)
13	Curriculum and staff development	734,170	-	301,455	(432,715)
21	Instructional leadership	1,170,527	-	84,276	(1,086,251)
23	School leadership	3,913,052	-	228,204	(3,684,848)
31	Guidance and counseling	2,456,356	-	563,104	(1,893,252)
32	Social work services	195,190	-	5,758	(189,432)
33	Health services	736,101	-	54,334	(681,767)
34	Student (pupil) transportation	3,109,273	-	756,844	(2,352,429)
35	Food services	3,879,868	1,664,048	2,405,078	189,258
36	Cocurricular/extracurricular activities	2,130,598	106,928	186,291	(1,837,379)
41	General administration	3,103,491	-	110,390	(2,993,101)
51	Plant maintenance and operations	10,193,730	98,187	168,515	(9,927,028)
52	Security and monitoring services	542,011	-	12,963	(529,048)
53	Data processing services	2,518,335	-	69,521	(2,448,814)
61	Ancillary services	68,500	-	9,252	(59,248)
71	Debt service - interest and fees	8,474,442	-	-	(8,474,442)
81	Facilities repair and maintenance	73,997	-	-	(73,997)
91	Contracted instructional services	17,754,454	-	-	(17,754,454)
93	Payments to fiscal agent	120,968	-	106,335	(14,633)
95	Payments to juvenile justice alternative education program	19,620	-	-	(19,620)
97	Payments to tax increment fund	1,253,630	-	-	(1,253,630)
99	Other intergovernmental charges	661,254	-	-	(661,254)
	TOTAL PRIMARY GOVERNMENT:	\$ 106,587,501	\$ 1,905,416	\$ 10,043,558	(94,638,527)

**Data
Control
Codes**

General revenues:

Taxes:

MT	Property taxes, levied for general purposes	67,863,048
DT	Property taxes, levied for debt service	20,270,780
SF	State aid-grants and contributions not restricted to specific programs	1,984,397
IE	Investment earnings	96,660
FR	SHARS/JROTC	1,197,777
MI	Miscellaneous	1,576,588
TG	Total general revenues	92,989,250
CN	Change in net position	(1,649,277)
NB	Beginning net position - as originally reported	74,557,253
PA	Implementation of change in accounting principle (see Note 1)	(1,782,018)
NB	Beginning net position - as restated	72,775,235
NE	Net position - ending	\$ 71,125,958

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2014**

EXHIBIT C-1

<u>Data Control Codes</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
1110 Cash and cash equivalents	\$37,680,897	\$ 8,826,857	\$ 9,072,276	\$ 6,237,560	\$61,817,590
Receivables					
1220 Property taxes - delinquent	2,276,105	565,621	-	-	2,841,726
1230 Allowance for uncollectible taxes	(799,300)	(178,100)	-	-	(977,400)
1240 Due from other governments	711,672	19,548	-	458,362	1,189,582
1260 Due from other funds	1,468,967	-	458,003	986,071	2,913,041
1290 Other receivables	1,570	-	-	-	1,570
1310 Inventories, at cost	32,156	-	-	25,697	57,853
1410 Deferred expenditures	1,288,282	-	57,768	581	1,346,631
1000 Total assets	<u>\$42,660,349</u>	<u>\$ 9,233,926</u>	<u>\$ 9,588,047</u>	<u>\$ 7,708,271</u>	<u>\$69,190,593</u>
LIABILITIES					
2110 Accounts payable	\$ 663,660	\$ 71,819	\$ 237,488	\$ 255,088	\$ 1,228,055
2150 Payroll deductions and withholdings payable	399,890	-	-	-	399,890
2160 Accrued wages payable	1,320,252	-	-	157,679	1,477,931
2170 Due to other funds	765,067	-	1,096,915	601,488	2,463,470
2180 Due to other governments	7,170,667	-	-	-	7,170,667
2300 Unearned revenue	-	-	-	176,160	176,160
2000 Total liabilities	10,319,536	71,819	1,334,403	1,190,415	12,916,173
DEFERRED INFLOWS OF RESOURCES					
2601 Deferred property taxes	1,524,781	387,521	-	-	1,912,302
2600 Total deferred inflows of resources	1,524,781	387,521	-	-	1,912,302
FUND BALANCES					
Non-spendable					
3410 Inventories	32,156	-	-	25,697	57,853
3430 Prepaid items	1,288,282	-	57,768	-	1,346,050
Restricted for					
3450 Grant funds	-	-	-	1,888,968	1,888,968
3470 Capital acquisitions	-	-	8,195,876	-	8,195,876
3480 Retirement of long-term debt	-	8,774,586	-	-	8,774,586
Committed for					
3520 Compensated absences	1,059,320	-	-	-	1,059,320
3540 Self insurance	1,000,000	-	-	-	1,000,000
3545 Local special revenue funds	-	-	-	4,603,191	4,603,191
Unassigned					
3600 General fund	27,436,274	-	-	-	27,436,274
3000 Total fund balances	<u>30,816,032</u>	<u>8,774,586</u>	<u>8,253,644</u>	<u>6,517,856</u>	<u>54,362,118</u>
4000 Total liabilities, deferred inflows and fund balances	<u>\$42,660,349</u>	<u>\$ 9,233,926</u>	<u>\$ 9,588,047</u>	<u>\$ 7,708,271</u>	<u>\$69,190,593</u>

See Notes to Basic Financial Statements.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

EXHIBIT C-2

Total fund balances - governmental funds

\$ 54,362,118

Amounts reported for governmental activities in the statement of net position 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	\$ 284,941,953	
Accumulated depreciation	<u>(74,058,338)</u>	

Change due to capital assets	<u>210,883,615</u>	210,883,615
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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 recorded as deferred inflows in the funds.		1,864,326
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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 position.		826,569
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Deferred loss on issuance of refunding bonds is not recorded in the fund financial statements but is recorded as a deferred outflow of resources on the statement of net position.		5,516,624
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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	(192,380,000)	
Premiums on issuance	(5,669,993)	
Compensated absences	(1,099,540)	
Accrued interest payable	<u>(3,177,761)</u>	

Change due to long-term liabilities	<u>(202,327,294)</u>	<u>(202,327,294)</u>
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Total net position - governmental activities

\$ 71,125,958

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 69,958,004	\$ 19,376,347	\$ 469,488	\$ 2,256,199	\$ 92,060,038
5800 State program revenues	5,376,477	-	-	864,455	6,240,932
5900 Federal program revenues	1,284,878	-	-	5,133,100	6,417,978
5020 Total revenues	76,619,359	19,376,347	469,488	8,253,754	104,718,948
EXPENDITURES					
Current:					
0011 Instruction	34,035,721	-	856,058	3,064,470	37,956,249
0012 Instructional resources and media services	397,925	-	23,977	59,600	481,502
0013 Curriculum and instructional staff development	440,843	-	-	289,978	730,821
0021 Instructional administration	1,140,458	-	988	23,323	1,164,769
0023 School administration	3,885,109	-	15,016	12,972	3,913,097
0031 Guidance and counseling	1,984,179	-	5,949	456,982	2,447,110
0032 Social work services	194,303	-	244	350	194,897
0033 Health services	721,546	-	728	14,496	736,770
0034 Student (pupil) transportation	2,883,581	-	37,429	-	2,921,010
0035 Food services	-	-	535,412	3,777,314	4,312,726
0036 Cocurricular/extracurricular activities	1,257,448	-	46,238	172,491	1,476,177
0041 General administration	2,817,984	-	174,928	150	2,993,062
0051 Plant maintenance and operations	7,704,953	-	1,940,080	50,224	9,695,257
0052 Security and monitoring services	533,664	-	-	8,395	542,059
0053 Data processing services	1,243,579	-	876,181	-	2,119,760
0061 Ancillary services	52,840	-	-	9,252	62,092
0070 Debt service:					
0071 Principal	-	8,255,000	-	-	8,255,000
0072 Interest	-	8,748,930	-	-	8,748,930
0073 Bond issuance cost and fees	-	4,850	-	-	4,850
0081 Facilities acquisition and construction	-	-	451,003	-	451,003
0090 Intergovernmental:					
0091 Contracted instructional services	17,754,454	-	-	-	17,754,454
0092 Incremental costs related to WADA	-	-	-	-	-
0093 Payments to fiscal agent	14,633	-	-	106,335	120,968
0095 Payments to juvenile justice alternative ed program	19,620	-	-	-	19,620
0097 Payments to tax increment fund	1,253,630	-	-	-	1,253,630
0099 Other intergovernmental charges	661,254	-	-	-	661,254
6030 Total expenditures	78,997,724	17,008,780	4,964,231	8,046,332	109,017,067
1200 Net change in fund balances	(2,378,365)	2,367,567	(4,494,743)	207,422	(4,298,119)
0100 Fund balance - July 1, 2013	33,194,397	6,407,019	12,748,387	6,310,434	58,660,237
3000 Fund balance - June 30, 2014	<u>\$ 30,816,032</u>	<u>\$ 8,774,586</u>	<u>\$ 8,253,644</u>	<u>\$ 6,517,856</u>	<u>\$ 54,362,118</u>

**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, 2014**

EXHIBIT C-4

Net change in fund balances - total governmental funds \$ (4,298,119)

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 position were: 1,216,716

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: (6,756,503)

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: 219,276

Current year amortization of deferred loss on issuance of refunding bonds is not recorded in the governmental funds. (520,244)

Current year amortization of premium on bonds payable is not recorded in the governmental funds. 702,470

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position, the amount of principal payments was: 8,255,000

The current year loss on disposal of capital assets is not recorded in the governmental funds. (22,510)

The change in the interest expense accrual amount was: 97,112

Internal service funds are used by management to charge the costs of workers compensation and print shop activities to the governmental funds. Accordingly, the loss in the internal service funds is allocated back to the governmental activities. (493,541)

Change in compensated absences to accrual basis. (48,934)

Change in net position of governmental activities. \$ (1,649,277)

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

EXHIBIT D-1

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
1110 Cash and cash equivalents	\$ 1,897,861
1260 Due from other funds	23,436
1310 Inventory	41,662
1410 Deferred expenditures	1,314
	1,964,273
	Total current assets
1000 Total assets	1,964,273
 LIABILITIES	
Current liabilities:	
2110 Accounts payable	7,551
2170 Due to other funds	468,885
2200 Accrued expenses	661,268
	1,137,704
	Total current liabilities
2000 Total liabilities	1,137,704
 NET POSITION	
3900 Unrestricted	826,569
3000 Total net position	\$ 826,569

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT D-2

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
OPERATING REVENUES		
5700	Charges for services	\$ 218,252
5020	Total operating revenues	218,252
OPERATING EXPENSES		
6100	Payroll costs	32,892
6200	Purchased and contracted services	632,743
6300	Supplies and materials	46,158
6030	Total operating expenses	711,793
	Operating loss	(493,541)
1300	Change in net position	(493,541)
0100	Net position - July 1, 2013	1,320,110
3300	Net position - June 30, 2014	\$ 826,569

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT D-3

**Internal
Service
Fund**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from charges for services	\$ 194,757
Cash payments for insurance claims	(86,660)
Cash payments for other operating expenses	<u>(73,041)</u>
Net cash provided by operating activities	<u>35,056</u>
Net increase in cash and cash equivalents	35,056
CASH AND CASH EQUIVALENTS, beginning of the year	<u>1,862,805</u>
CASH AND CASH EQUIVALENTS, end of the year	<u><u>\$ 1,897,861</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss:	\$ (493,541)
Effect of increases and decreases in current assets and liabilities:	
Increase in due from other funds	(23,434)
Increase in deferred expenditures	(61)
Decrease in other receivables	-
Increase in inventory	(2,597)
Increase in accounts payable	1,072
Increase in due to other funds	468,885
Increase in accrued expenses	<u>84,732</u>
Net cash provided by operating activities	<u><u>\$ 35,056</u></u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

EXHIBIT E-1

865

<u>Data Control Code</u>	<u>Trust Funds</u>	<u>Student Activity Fund</u>
ASSETS		
1110 Cash and cash equivalents	\$ 311,447	\$ 304,904
1260 Due from other funds	-	2,925
	311,447	307,829
Total assets		
LIABILITIES		
2110 Accounts payable	90,550	37,500
2160 Accrued wages payable	-	755
2170 Due to other funds	-	7,047
2190 Due to student groups	14,002	262,527
	104,552	307,829
Total liabilities		
NET POSITION		
Restricted	\$ 206,895	\$ -

**LA PORTE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT E-2

	<u>Trust Funds</u>
Additions	
Gifts and contributions	\$ 131,749
Earnings on investments	<u>78</u>
Total additions	131,827
 Deductions	
Scholarships awarded	<u>164,702</u>
Total deductions	<u>164,702</u>
Change in net position	(32,875)
Net position, July 1, 2013	<u>239,770</u>
Net position, June 30, 2014	<u><u>\$ 206,895</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 (the State). 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). 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* and GASB 61, *The Financial Reporting Entity: Omnibus*. 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 Position 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, 2014.

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 Position 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 Position. 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, deferred outflows, liabilities and deferred inflows 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 and timing 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, deferred outflows, current liabilities, deferred inflows and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in fund balance (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 unearned 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 Position. Net Position is segregated into net investment in capital assets, restricted, and unrestricted.

**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, deferred outflows, liabilities, deferred inflows, 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 and teacher 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.

I. Compensated Absences

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

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Compensated Absences – Continued

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, deferred outflows, liabilities, deferred inflows and disclosure of contingencies 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, 2014 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, 2014.

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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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 position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognized bond premiums and discounts 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. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position and/or the Governmental Funds Balance Sheet will possibly report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The District currently has one item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes, is reported only in the governmental funds balance sheet. The governmental funds will recognize deferred property taxes as an inflow of resources in the period in which the amounts become available.

P. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position and/or the Balance Sheet will possibly report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until that time. The District currently has one item, which arises only under the accrual basis of account that qualifies for reporting in this category. Accordingly, the deferred loss on issuance of refunding bonds is reported only in the Statement of Net Position. This item represents the difference in the carrying value of the refunded debt and its reacquisition price and is deferred and amortized as a component of interest expense over the shorter of the life of the refunded or refunding debt.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. 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.

R. Fund Balances and Net Position

Government-Wide Financial Statements

Net position on the Statement of Net Position includes the following:

Net investment in capital assets – the component of net position 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.

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

Restricted for grant programs – the component of net position 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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

R. Fund Balances and Net Position – Continued

Governmental Fund Financial Statements – Continued

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.

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.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

R. Fund Balances and Net Position – Continued

Governmental Fund Financial Statements – Continued

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.

S. Recently Issued Accounting Pronouncements

During March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of the statement are effective for financial statements for periods beginning after December 15, 2012. The District implemented this statement on their financial statements effective July 1, 2013.

As a result of implementing GASB 65, the District retroactively restated its beginning net position by \$1,782,018 for the elimination of previously capitalized bond issue costs. Under GASB 65 bond issue costs, except any portion related to prepaid insurance costs, are expensed in the period incurred. Additionally, deferred property taxes is now reflected on the balance sheet as deferred inflows of resources and deferred loss on issuance of refunding bonds is now reflected on the statement of net position as deferred outflows of resources.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S. Recently Issued Accounting Pronouncements – Continued

During June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 15, 2014. The District is evaluating the impact of this statement on their financial statements.

During November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The Primary objective of this statement is to address the issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement adds clarity to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement is effective for fiscal years beginning after June 15, 2014. The District is evaluating the impact of this statement.

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

NOTE 2. BONDED DEBT PAYABLE

Bonded debt payable as of June 30, 2014 is as follows:

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding 7/1/2013	Retired Current Year	Amount Outstanding 6/30/2014
Unlimited Tax Refunding Bonds Series 2012	2.00-5.00	\$ 40,685,000	\$ 40,475,000	\$ -	\$ 40,475,000
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	6,470,000	660,000	5,810,000
Unlimited Tax School Refunding Bonds Series 2010	2.25-5.00	19,500,000	15,580,000	1,955,000	13,625,000
Unlimited Tax School House Bonds Series 2009	3.00-5.00	29,480,000	27,615,000	920,000	26,695,000
Unlimited Tax School House Bonds Series 2008A	3.00-5.00	20,895,000	18,450,000	945,000	17,505,000
Unlimited Tax School House Bonds Series 2008	3.00-5.00	65,000,000	60,045,000	1,290,000	58,755,000
Unlimited Tax School House and Refunding Bonds Series 2005A	3.50-5.00	63,700,000	8,795,000	1,295,000	7,500,000
Unlimited Tax Refunding Bonds Series 2005	3.25-5.00	10,755,000	4,325,000	1,190,000	3,135,000
Total bonded debt payable			<u>\$ 200,635,000</u>	<u>\$ 8,255,000</u>	<u>\$ 192,380,000</u>

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

NOTE 2. BONDED DEBT PAYABLE – CONTINUED

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the bonds in an irrevocable trust for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2014, approximately \$59.9 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
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	9,425,000	7,509,148	16,934,148
2019	9,815,000	7,128,162	16,943,162
2020-2024	56,145,000	28,871,061	85,016,061
2025-2029	64,290,000	14,732,788	79,022,788
2030-2034	26,105,000	1,777,126	27,882,126
	<u>\$ 192,380,000</u>	<u>\$ 84,540,269</u>	<u>\$ 276,920,269</u>

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

NOTE 3. ACCUMULATED UNPAID 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. In addition, certain District employees will be paid accumulated vacation time upon termination of employment. A summary of changes in these accumulated unpaid leave benefits follows:

Balance, July 1, 2013	\$ 1,050,606
New entrants and salary increments	127,696
Payments to participants	<u>(78,762)</u>
Balance, June 30, 2014	<u>\$ 1,099,540</u>

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

NOTE 4. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable					
General obligation bonds	\$200,635,000	\$ -	\$ 8,255,000	\$ 192,380,000	\$ 8,545,000
Premium on bonds	6,372,463	-	702,470	5,669,993	670,908
Compensated absences	1,050,606	127,696	78,762	1,099,540	165,038
Total governmental activities long-term liabilities	<u>\$208,058,069</u>	<u>\$ 127,696</u>	<u>\$ 9,036,232</u>	<u>\$ 199,149,533</u>	<u>\$ 9,380,946</u>

NOTE 5. CAPITAL ASSET ACTIVITY

Capital asset activity for the district for the year ended June 30, 2014 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	-	152,684	-	152,684
Total capital assets, not being depreciated	10,254,937	152,684	-	10,407,621
Capital assets, being depreciated				
Buildings and improvements	258,033,270	305,238	-	258,338,508
Furniture and equipment	15,511,915	758,794	(74,885)	16,195,824
Total capital assets, being depreciated	273,545,185	1,064,032	(74,885)	274,534,332
Less accumulated depreciation on:				
Buildings and improvements	56,435,597	5,768,250	52,364	62,256,211
Furniture and equipment	10,918,613	988,253	(104,739)	11,802,127
Total accumulated depreciation	67,354,210	6,756,503	(52,375)	74,058,338
Governmental activities capital assets, net	<u>\$216,445,912</u>	<u>\$ (5,539,787)</u>	<u>\$ (22,510)</u>	<u>\$210,883,615</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	\$ 4,716,122
Instructional resources and media services	1,424
School leadership	88
Student (pupil) transportation	188,321
Food services	99,651
Co-curricular/extracurricular activities	677,431
General administration	72,240
Plant maintenance and operations	514,287
Data processing services	481,766
Community service	5,173
	<hr/>
Total depreciation expense	<u><u>\$ 6,756,503</u></u>

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:

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

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

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

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 61,817,590
Proprietary funds	1,897,861
Fiduciary funds	<u>616,351</u>
	<u><u>\$ 64,331,802</u></u>

Cash and investments as of June 30, 2014 consist of the following:

Deposits with financial institutions	\$ 60,988,245
Investments	<u>3,343,557</u>
	<u><u>\$ 64,331,802</u></u>

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2014, the District had the following investments:

Investment Type	Amount	Weighted Average Maturity	Minimum Legal Rating	Rating as of June 30, 2014
TexPool	\$ 924,599	44 days	AAA	AAAm
Lone Star Investment Pool	1,668,958	51 days	AAA	AAA
Certificates of Deposit	<u>750,000</u>	83 days	N/A	Not rated
	<u><u>\$ 3,343,557</u></u>			

As of June 30, 2014 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

The investment policy of the District requires 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, 2014, 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 \$123,474,586.
- C. Largest cash, savings and time deposit combined account balance amounted to \$91,127,874 and occurred during the month of February 2014.
- D. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

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

NOTE 6. DEPOSITS AND INVESTMENTS – CONTINUED

Investment in State Investment Pools

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

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

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.

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

NOTE 7. RETIREMENT PLAN – CONTINUED

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 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013, and 6.0% for fiscal year 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.8% contribution for the period of September 2013 through June 2014 and 6.4% for the period July 2012 through August 2013. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2014, 2013 and 2012 were approximately \$3.0 million, \$2.7 million and \$2.0 million, respectively. The District paid additional state contributions for the years ended June 30, 2014, 2013 and 2012 in the amount of approximately \$650,000, \$550,000, and \$500,000, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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.

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

NOTE 8. SCHOOL DISTRICT RETIREE HEALTH PLAN – CONTINUED

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 for fiscal year 2014, 0.5% and 0.65% for fiscal years 2013, and 1.0% and 0.65% for fiscal year 2012, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. 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, 2014, 2013 and 2012, the State's contributions to TRS-Care were approximately \$450,000, \$225,000 and \$450,000, respectively, the active member contributions were approximately \$300,000, \$300,000, and \$300,000, respectively, and the school district's contributions were approximately \$250,000, \$250,000, and \$250,000, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$130,080, \$113,683 and \$111,906, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds 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.

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

NOTE 9. RISK MANAGEMENT – CONTINUED

Settled claims have not exceeded the aggregate coverage in any year the plan has been in effect. Insurance coverage has not been reduced for the year from the prior year. Accrued claims payable of \$661,268 as of June 30, 2014, 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, 2014 and 2013 are as follows:

	2014	2013
Liability, beginning of year	\$ 576,536	\$ 433,076
Current year claims and changes in estimates	617,957	649,100
Claim payments	(533,225)	(505,640)
Liability, end of year	\$ 661,268	\$ 576,536

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.

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

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, 2014, 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	\$ -	\$ 636,940	\$ 74,732	\$ 711,672
Special revenue	449,437	8,925	-	458,362
Debt service	-	-	19,548	19,548
Total	\$ 449,437	\$ 645,865	\$ 94,280	\$ 1,189,582

NOTE 12. UNEARNED REVENUE

Unearned revenue at June 30, 2014 consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Funding received in advance of expenditures	\$ 47,976	\$ -	\$ 176,160	\$ 224,136
Total	\$ 47,976	\$ -	\$ 176,160	\$ 224,136

NOTE 13. DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources at June 30, 2014 consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Deferred tax revenue	\$ 1,476,805	\$ 387,521	\$ -	\$ 1,864,326
Total	\$ 1,476,805	\$ 387,521	\$ -	\$ 1,864,326

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

NOTE 14. INTERFUND BALANCES AND ACTIVITIES

Interfund balances at June 30, 2014 consisted of the following individual fund balances:

Due to Fund	Due from Fund	Amount	Purpose
General fund	Nonmajor fund	\$ 601,474	Reimbursement of expenditures
General fund	Capital projects fund	391,561	Reimbursement of expenditures
General fund	Internal service fund	468,885	Reimbursement of expenditures
General fund	Trust and agency fund	7,047	Reimbursement of scholarship checks
Nonmajor fund	General fund	280,717	Reimbursement of expenditures
Nonmajor fund	Capital projects fund	705,354	Reimbursement of expenditures
Capital projects fund	General fund	458,003	Reimbursement of expenditures
Internal service fund	General fund	23,422	
Internal service fund	Nonmajor fund	14	Reimbursement of expenditures
Trust and agency fund	General fund	<u>2,925</u>	Reclass of deficit cash
		<u>\$2,939,402</u>	

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

NOTE 15. 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, 2014. The imputed interest on the leases is not readily determinable.

Rental expenditures for the year ended June 30, 2014 amounted to \$353,693.

NOTE 16. RESTATEMENT OF BEGINNING NET POSITION

As further discussed in Note 1, the District adopted GASB 65 during 2014, which requires a restatement of net position to write-off previously capitalized bond issuance costs. The District's capitalized bond issue costs totaled \$1,782,018 as of June 30, 2013.

Net Position, June 30, 2013, as previously reported	\$74,557,253
Write-off bond issuance costs under GASB 65	<u>1,782,018</u>
Net Position, July 1, 2013, as restated	<u>\$72,775,235</u>

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

NOTE 17. SUBSEQUENT EVENTS

In September 2014, the District sold \$99,675,000 in Unlimited School Building Bonds, Series 2014. The bonds consist of \$54,670,000 of serial bonds maturing in varying amounts from 2015 through 2034 with coupons ranging from 1.50% to 5.00%, as well as \$45,005,000 in term bonds maturing on February 15, 2039 with a coupon of 5.00%. Proceeds from the sale of the bonds will be used to acquire, construct and equip school buildings in the District, purchase new school busses and pay the costs of issuing the bonds. Additionally, the District plans to sale \$6M of refunding bonds during November 2014.

REQUIRED SUPPLEMENTARY INFORMATION

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT G-1

Data Control Codes	General Fund				
	2014				
	Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)	
REVENUES					
5700	Local and intermediate sources	\$70,096,310	\$69,518,122	\$69,958,004	\$ 439,882
5800	State program revenues	5,719,241	5,674,782	5,376,477	(298,305)
5900	Federal program revenues	850,000	1,268,624	1,284,878	16,254
	Total revenues	76,665,551	76,461,528	76,619,359	157,831
EXPENDITURES					
0011	Instruction	35,250,917	34,319,631	34,035,721	283,910
0012	Instruction resources and media services	496,978	430,655	397,925	32,730
0013	Curriculum and instructional staff development	329,284	459,851	440,843	19,008
0021	Instructional administration	1,221,754	1,156,203	1,140,458	15,745
0023	School administration	3,986,509	3,922,908	3,885,109	37,799
0031	Guidance and counseling services	1,995,465	2,003,582	1,984,179	19,403
0032	Social work service	194,442	201,949	194,303	7,646
0033	Health services	760,953	733,946	721,546	12,400
0034	Student (pupil) transportation	2,980,025	3,002,423	2,883,581	118,842
0036	Co-curricular/extracurricular activities	1,298,765	1,299,775	1,257,448	42,327
0041	General administration	3,079,509	2,979,993	2,817,984	162,009
0051	Plant maintenance and operations	8,017,777	7,930,914	7,704,953	225,961
0052	Security and monitoring services	548,754	535,167	533,664	1,503
0053	Data processing services	1,403,391	1,307,638	1,243,579	64,059
0061	Community services	69,600	62,492	52,840	9,652
Intergovernmental:					
0091	Contracted instructional services	17,659,996	17,853,115	17,754,454	98,661
0093	Payments to fiscal agent	12,765	14,634	14,633	1
0095	Payments to juvenile justice alt. ed. prgm.	19,620	19,620	19,620	-
0097	Payments to tax incremental fund	950,000	1,253,630	1,253,630	-
0099	Other intergovernmental charges	685,000	685,000	661,254	23,746
6030	Total expenditures	80,961,504	80,173,126	78,997,724	1,175,402
1100	Excess of revenues over (under) expenditures	(4,295,953)	(3,711,598)	(2,378,365)	1,333,233
OTHER FINANCING SOURCES AND (USES)					
7919	Extraordinary item - Insurance recovery	-	-	-	-
7080	Total other financing sources and (uses)	-	-	-	-
1200	Net change in fund balance	(4,295,953)	(3,711,598)	(2,378,365)	1,333,233
0100	FUND BALANCE - JULY 1	33,194,397	33,194,397	33,194,397	-
3000	FUND BALANCE - JUNE 30	\$ 28,898,444	\$ 29,482,799	\$ 30,816,032	\$ 1,333,233

See notes to required supplementary information.

**LA PORTE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

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, 2013. 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, 2014**

EXHIBIT H-1

Data Control Codes	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	237 ESEA Title IV SDFS	240 Child Nutrition	244 Voc. Ed. Basic Grant	255 ESEA Title II Part A, TPTR
ASSETS:							
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -	\$ 1,295,384	\$ -
Receivables:							
1240	Due from other governments	91,075	198,634	5,823	24,267	59,558	8,834
1260	Due from other funds	-	32,662	-	-	816,129	-
1300	Inventories, at cost	-	-	-	-	25,697	-
Other Current Assets							
1400	Deferred Expenditures	-	-	-	-	-	-
1000	Total assets	<u>\$ 91,075</u>	<u>\$ 231,296</u>	<u>\$ 5,823</u>	<u>\$ 24,267</u>	<u>\$ 2,196,768</u>	<u>\$ 8,834</u>
LIABILITIES:							
Current liabilities:							
2110	Accounts payable	\$ 3,289	\$ 892	\$ -	\$ 18,667	\$ 11,596	\$ -
2160	Accrued wages payable	21,528	51,709	1,647	-	60,347	-
2170	Due to other funds	66,258	178,695	4,176	5,600	161,859	8,834
2300	Unearned revenues	-	-	-	-	48,301	-
2000	Total liabilities	<u>91,075</u>	<u>231,296</u>	<u>5,823</u>	<u>24,267</u>	<u>282,103</u>	<u>8,834</u>
FUND BALANCE:							
3410	Non-spendable - inventories	-	-	-	-	25,697	-
3450	Restricted for grant funds	-	-	-	-	1,888,968	-
3545	Committed for local special revenue funds	-	-	-	-	-	-
3000	Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,914,665</u>	<u>-</u>
4000	Total liabilities and fund equity	<u>\$ 91,075</u>	<u>\$ 231,296</u>	<u>\$ 5,823</u>	<u>\$ 24,267</u>	<u>\$ 2,196,768</u>	<u>\$ 8,834</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014
(CONTINUED)**

EXHIBIT H-1

Data Control Codes	263 Title III, Part A LEP & Immigrant	272 Medicaid Administrative Claims	289 Summer School LEP	397 AP/IB Incentive Program	404 Accelerated Reading/Math	410 Textbook Fund	429 TEA Disaster Relief and License Plate Program	
ASSETS:								
1110	Cash and temporary investments	\$ -	\$ 42,570	\$ 3,192	\$ 14,226	\$ -	\$ 219,879	\$ 4,140,504
	Cash and temporary investments		-					
1241	Due from other governments	18,791	10,340	-	-	-	6,973	-
1260	Due from other funds	-	-	-	-	-	-	-
1300	Inventories, at cost	-	-	-	-	-	-	-
	Other Current Assets							
1400	Deferred Expenditures	-	-	-	-	581	-	-
1000	Total assets	<u>\$ 18,791</u>	<u>\$ 52,910</u>	<u>\$ 3,192</u>	<u>\$ 14,226</u>	<u>\$ -</u>	<u>\$ 227,433</u>	<u>\$ 4,140,504</u>
LIABILITIES:								
	Current liabilities:							
2110	Accounts payable	\$ 800	\$ -	\$ -	\$ 12,941	\$ -	\$ 156,360	\$ -
2160	Accrued wages payable	-	1,370	-	-	-	-	-
2170	Due to other funds	17,991	-	-	-	-	-	-
2300	Unearned revenues	-	51,540	3,192	-	-	71,073	-
2000	Total liabilities	18,791	52,910	3,192	12,941	-	227,433	-
FUND BALANCE:								
3410	Non-spendable - inventories	-	-	-	-	-	-	-
3450	Restricted for grant funds	-	-	-	-	-	-	-
3545	Committed for local special revenue funds	-	-	-	1,285	-	-	4,140,504
3000	Total fund equity	-	-	-	1,285	-	-	4,140,504
4000	Total liabilities and fund equity	<u>\$ 18,791</u>	<u>\$ 52,910</u>	<u>\$ 3,192</u>	<u>\$ 14,226</u>	<u>\$ -</u>	<u>\$ 227,433</u>	<u>\$ 4,140,504</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014
(CONTINUED)**

EXHIBIT H-1

Data Control Codes	461 Campus Activity Funds	480 Student Drug Testing	481 La Porte Education Foundation	482 SCORE	483 Local Grants & Donations	491 Admin Laptop Program	Total June 30, 2014	
ASSETS:								
1110	Cash and temporary investments	\$ 485,215	\$ 986	\$ 12,806	\$ 2,623	\$ 20,175	\$ -	\$6,237,560
	Cash and temporary investments							
1241	Due from other governments	-	-	-	1,952	-	-	458,362
1260	Due from other funds	-	-	-	-	137,280	-	986,071
1300	Inventories, at cost	-	-	-	-	-	-	25,697
	Other Current Assets							
1400	Deferred Expenditures	-	-	-	-	-	-	581
1000	Total assets	<u>\$ 485,215</u>	<u>\$ 986</u>	<u>\$ 12,806</u>	<u>\$ 4,575</u>	<u>\$ 20,175</u>	<u>\$ 137,280</u>	<u>\$7,708,271</u>
LIABILITIES:								
	Current liabilities:							
2110	Accounts payable	\$ 29,935	\$ -	\$ 10,751	\$ -	\$ 212	\$ -	\$ 255,088
2160	Accrued wages payable	17,451	-	-	421	-	-	157,679
2170	Due to other funds	-	-	-	1,531	137,280	-	601,488
2300	Unearned revenues	-	-	2,054	-	-	-	176,160
2000	Total liabilities	47,386	-	12,805	1,952	212	137,280	1,190,415
FUND BALANCE:								
3410	Non-spendable - inventories	-	-	-	-	-	-	25,697
3450	Restricted for grant funds	-	-	-	-	-	-	1,888,968
3545	Committed for local special revenue funds	437,829	986	1	2,623	19,963	-	4,603,191
3000	Total fund equity	<u>437,829</u>	<u>986</u>	<u>1</u>	<u>2,623</u>	<u>19,963</u>	<u>-</u>	<u>6,517,856</u>
4000	Total liabilities and fund equity	<u>\$ 485,215</u>	<u>\$ 986</u>	<u>\$ 12,806</u>	<u>\$ 4,575</u>	<u>\$ 20,175</u>	<u>\$ 137,280</u>	<u>\$7,708,271</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, 2014**

EXHIBIT H-2

Data Control Codes		211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	237 ESEA Title IV SDFS	240 Child Nutrition	244 Voc. Ed. Basic Grant	255 ESEA Title II Part A, TPTR
REVENUES:								
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ 1,666,759	\$ -	\$ -
5800	State program revenues	-	-	-	-	23,279	-	-
5900	Federal program revenues	843,171	1,409,870	44,508	89,600	2,336,229	67,989	237,904
5020	Total revenues	843,171	1,409,870	44,508	89,600	4,026,267	67,989	237,904
EXPENDITURES:								
0011	Instruction	770,615	871,222	41,977	89,600	-	67,989	37,406
0012	Instructional resources and media services	1,895	-	-	-	-	-	-
0013	Curriculum and instructional staff development	56,519	-	-	-	-	-	194,245
0021	Instructional administration	280	20,634	-	-	-	-	1,690
0023	School administration	3,673	1,500	-	-	-	-	4,563
0031	Guidance and counseling services	587	410,029	2,305	-	-	-	-
0032	Social work services	350	-	-	-	-	-	-
0033	Health services	-	-	226	-	-	-	-
0035	Food service	-	-	-	-	3,777,314	-	-
0036	Co-curricular/extracurricular activities	-	-	-	-	-	-	-
0041	General administration	-	150	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	49,439	-	-
0052	Security and monitoring services	-	-	-	-	-	-	-
0061	Ancillary services	9,252	-	-	-	-	-	-
0093	Payments to fiscal agent	-	106,335	-	-	-	-	-
6030	Total expenditures	843,171	1,409,870	44,508	89,600	3,826,753	67,989	237,904
1200	Net change in fund balance	-	-	-	-	199,514	-	-
0100	Fund balance - July 1 (beginning)	-	-	-	-	1,715,151	-	-
3000	Fund balance - June 30 (ending)	\$ -	\$ -	\$ -	\$ -	\$ 1,914,665	\$ -	\$ -

**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, 2014
(CONTINUED)**

EXHIBIT H-2

	263 Title III, Part A LEP & Immigrant	272 Medicaid Administrative Claims	289 Summer School LEP	397 AP/IB Incentive Program	404 Accelerated Reading/Math	410 Textbook Fund	429 TEA Disaster Relief and License Plate Program
REVENUES:							
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,469
State program revenues	-	-	-	13,500	3,615	822,997	564
Federal program revenues	76,169	16,256	11,404	-	-	-	-
Total revenues	76,169	16,256	11,404	13,500	3,615	822,997	9,033
EXPENDITURES:							
Instruction	63,444	16,256	11,404	429	3,615	812,612	-
Instructional resources and media services	-	-	-	-	-	-	317
Curriculum and instructional staff development	12,725	-	-	3,344	-	10,385	-
Instructional administration	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-
Guidance and counseling services	-	-	-	12,941	-	-	-
Social work services	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-
Co-curricular/extracurricular activities	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-
Plant maintenance and operations	-	-	-	-	-	-	-
Security and monitoring services	-	-	-	-	-	-	6,967
Ancillary services	-	-	-	-	-	-	-
Payments to fiscal agent	-	-	-	-	-	-	-
Total expenditures	76,169	16,256	11,404	16,714	3,615	822,997	7,284
Net change in fund balance	-	-	-	(3,214)	-	-	1,749
Fund balance - July 1 (beginning)	-	-	-	4,499	-	-	4,138,755
Fund balance - June 30 (ending)	\$ -	\$ -	\$ -	\$ 1,285	\$ -	\$ -	\$ 4,140,504

**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, 2014
(CONTINUED)**

EXHIBIT H-2

	461 Campus Activity Funds	480 Student Drug Testing	481 La Porte Education Foundation	482 SCORE	483 Local Grants and Donations	491 Admin Laptop Program	Total June 30, 2014
REVENUES:							
Local and intermediate sources	\$ 425,669	\$ -	\$ 92,095	\$ 31,615	\$ 31,592	\$ -	\$ 2,256,199
State program revenues	-	-	-	-	500	-	864,455
Federal program revenues	-	-	-	-	-	-	5,133,100
Total revenues	425,669	-	92,095	31,615	32,092	-	8,253,754
EXPENDITURES:							
Instruction	166,051	-	91,584	19,606	660	-	3,064,470
Instructional resources and media services	57,067	-	-	-	321	-	59,600
Curriculum and instructional staff development	3,063	-	-	339	9,358	-	289,978
Instructional administration	-	-	-	719	-	-	23,323
School administration	3,236	-	-	-	-	-	12,972
Guidance and counseling services	19,922	-	511	10,687	-	-	456,982
Social work services	-	-	-	-	-	-	350
Health services	327	-	-	287	13,656	-	14,496
Food service	-	-	-	-	-	-	3,777,314
Co-curricular/extracurricular activities	171,991	-	-	-	500	-	172,491
General administration	-	-	-	-	-	-	150
Plant maintenance and operations	785	-	-	-	-	-	50,224
Security and monitoring services	1,428	-	-	-	-	-	8,395
Ancillary services	-	-	-	-	-	-	9,252
Payments to fiscal agent	-	-	-	-	-	-	106,335
Total expenditures	423,870	-	92,095	31,638	24,495	-	8,046,332
Net change in fund balance	1,799	-	-	(23)	7,597	-	207,422
Fund balance - July 1 (beginning)	436,030	986	1	2,646	12,366	-	6,310,434
Fund balance - June 30 (ending)	\$ 437,829	\$ 986	\$ 1	\$ 2,623	\$ 19,963	\$ -	\$ 6,517,856

REQUIRED TEA SCHEDULES

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2014**

Year Ended June 30	Tax Rates		Assessed Value	Beginning Balance 7/1/2013
	Maintenance	Debt Service		
2004 and Prior	Various	Various	Various	\$ 384,056
2005	1.5000	0.2335	4,448,428,710	170,913
2006	1.5000	0.2335	4,530,862,526	151,610
2007	1.3700	0.2650	4,936,217,370	125,149
2008	1.0400	0.2650	5,518,631,433	82,634
2009	1.0400	0.2850	6,015,684,028	169,216
2010	1.0400	0.2850	5,966,362,279	236,228
2011	1.0400	0.2850	5,789,629,020	189,648
2012	1.0400	0.3150	6,004,563,235	249,937
2013	1.0400	0.2900	6,208,701,705	879,559
2014	1.0400	0.2900	6,601,456,565	-
1000		Totals		<u>\$ 2,638,950</u>
9000	Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code		<u>\$ 77,139,691</u>	<u>\$ 58,767</u>

EXHIBIT J-1

Current Year Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2014
\$ -	\$ 35,691	\$ 3,820	\$ (174,788)	\$ 169,757
-	4,690	730	(1,447)	164,046
-	4,583	713	(2,572)	143,742
-	6,592	1,275	(2,628)	114,653
-	8,579	2,186	(2,381)	69,488
-	(5,413)	(1,483)	(21,189)	154,923
-	24,382	6,682	6,162	211,326
-	36,137	9,903	5,722	149,329
-	69,420	21,026	(21,405)	138,086
-	263,888	72,939	(247,915)	294,818
<u>87,799,374</u>	<u>67,778,656</u>	<u>19,167,545</u>	<u>378,385</u>	<u>1,231,557</u>
<u>\$ 87,799,374</u>	<u>\$ 68,227,206</u>	<u>\$ 19,285,336</u>	<u>\$ (84,056)</u>	<u>\$ 2,841,726</u>
			Taxes receivable per exhibit C-1	<u>\$ 2,841,726</u>
<u>\$ 1,280,083</u>	<u>\$ 1,253,630</u>	<u>\$ -</u>	<u>\$ (31,882)</u>	<u>\$ 53,338</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT J-2

<u>Data Control Codes</u>	<u>Child Nutrition</u>			
	<u>2014</u>			
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
5700 Local and intermediate sources	\$1,436,500	\$1,436,500	\$1,666,759	\$ 230,259
5800 State program revenues	23,000	23,000	23,279	279
5900 Federal program revenues	2,333,000	2,333,000	2,336,229	3,229
Total revenues	3,792,500	3,792,500	4,026,267	233,767
EXPENDITURES				
Support services - student (pupil)				
0035 Food service	4,055,387	4,612,137	3,777,314	834,823
0051 Plant maintenance and operations	62,588	62,588	49,439	13,149
Total support services - student (pupil)	4,117,975	4,674,725	3,826,753	847,972
6030 Total expenditures	4,117,975	4,674,725	3,826,753	847,972
1200 Net change in fund balance	(325,475)	(882,225)	199,514	1,081,739
0100 FUND BALANCE - JULY 1	1,715,151	1,715,151	1,715,151	-
3000 FUND BALANCE - JUNE 30	<u>\$1,389,676</u>	<u>\$ 832,926</u>	<u>\$1,914,665</u>	<u>\$1,081,739</u>

**LA PORTE INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT J-3

		Debt Service Fund			
		2014			
Data Control Codes		Original Budget	Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$19,013,288	\$19,013,288	\$19,376,347	\$ 363,059
	Total Revenues	19,013,288	19,013,288	19,376,347	363,059
EXPENDITURES					
0070	Debt Service				
0071	Principal	8,255,000	8,255,000	8,255,000	-
0071	Interest	8,748,929	8,748,929	8,748,930	(1)
0073	Bond issuance cost and fees	20,000	20,000	4,850	15,150
6030	Total debt service	17,023,929	17,023,929	17,008,780	15,149
1200	Net change in fund balance	1,989,359	1,989,359	2,367,567	378,208
0100	FUND BALANCE - JULY 1	6,407,019	6,407,019	6,407,019	-
3000	FUND BALANCE - JUNE 30	\$ 8,396,378	\$ 8,396,378	\$ 8,774,586	\$ 378,208

STATISTICAL SECTION

FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time.

**SCHEDULE 1
LA PORTE INDEPENDENT SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED**

Fiscal Year	30-Jun 2014	30-Jun 2013	30-Jun 2012	30-Jun 2011	30-Jun 2010	30-Jun 2009	30-Jun 2008	30-Jun 2007	31-Aug 2006	31-Aug 2005
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 49,715,550	\$ 61,780,754	\$ 59,397,384	\$ 50,203,269	\$ 47,802,639	\$ 42,870,280	\$ 36,871,644	\$ 41,726,096	\$ 38,076,580	\$ 37,841,785
Restricted for Grant Funds	7,899,261	5,177,592	4,044,889	8,856,190	9,331,393	9,291,435	6,514,721	5,577,516	2,273,027	1,978,439
Unrestricted	13,511,147	7,598,907	14,213,315	7,787,870	15,439,706	19,073,416	30,861,085	21,616,562	13,772,816	11,707,655
Total Governmental Activities Net Position	71,125,958	74,557,253	77,655,588	66,847,329	72,573,738	71,235,131	74,247,450	68,920,174	54,122,423	51,527,879
Primary Government										
Invested in Capital Assets, Net of Related Debt	49,715,550	61,780,754	59,397,384	50,203,269	47,802,639	42,870,280	36,871,644	41,726,096	38,076,580	37,841,785
Restricted	7,899,261	5,177,592	4,044,889	8,856,190	9,331,393	9,291,435	6,514,721	5,577,516	2,273,027	1,978,439
Unrestricted	13,511,147	7,598,907	14,213,315	7,787,870	15,439,706	19,073,416	30,861,085	21,616,562	13,772,816	11,707,655
Total Primary Government Net Position	\$ 71,125,958	\$ 74,557,253	\$ 77,655,588	\$ 66,847,329	\$ 72,573,738	\$ 71,235,131	\$ 74,247,450	\$ 68,920,174	\$ 54,122,423	\$ 51,527,879

Source: La Porte Independent School District's Audit Reports

**SCHEDULE 2
LA PORTE INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS)
UNAUDITED**

Fiscal Year	30-Jun 2014	30-Jun 2013	30-Jun 2012	30-Jun 2011	30-Jun 2010	30-Jun 2009	30-Jun 2008	30-Jun 2007	31-Aug 2006	31-Aug 2005
Expenses										
Governmental Activities:										
Instruction	\$ 42,995,224	\$ 41,356,893	\$ 41,910,445	\$ 43,789,099	\$ 30,595,268	\$ 43,878,909	\$ 40,071,072	\$ 33,710,533	\$ 36,708,324	\$ 33,630,022
Instructional Resources and Media Services	482,710	501,443	727,755	825,891	1,188,805	1,018,526	1,102,922	726,025	752,263	803,475
Curriculum and Staff Development	734,170	641,689	585,541	671,220	659,289	582,394	611,718	560,154	548,803	1,066,199
Instructional Leadership	1,170,527	1,142,625	994,257	1,026,317	1,128,163	1,123,646	982,524	634,331	707,460	968,612
School Leadership	3,913,052	3,681,792	3,625,048	3,752,183	4,095,558	3,583,093	3,601,706	2,785,768	3,072,541	3,181,497
Guidance and Counseling	2,456,356	2,253,409	2,130,352	2,432,240	2,711,579	2,472,916	2,495,934	1,674,008	1,236,091	1,360,433
Social Work Services	195,190	165,195	162,220	181,588	161,929	145,073	149,541	69,080	79,489	78,194
Health Services	736,101	691,172	745,019	815,913	820,900	773,131	681,841	517,998	496,684	456,300
Student (Pupil) Transportation	3,109,273	3,078,612	2,855,000	3,151,946	3,245,909	2,921,995	2,950,245	2,604,071	2,558,226	2,351,512
Food Services	3,879,868	3,821,034	3,750,711	3,765,475	3,664,602	3,496,932	3,204,119	2,830,115	3,137,690	3,204,358
Co-curricular/Extracurricular Activities	2,130,598	1,863,511	1,889,910	2,248,364	2,272,727	2,370,621	2,335,095	861,432	2,797,829	2,016,302
General Administration	3,103,491	2,946,863	3,127,086	3,441,371	3,221,504	2,855,781	2,922,338	2,527,577	2,611,288	3,062,515
Plant Maintenance and Operations	10,193,730	10,146,172	9,276,851	9,498,226	2,879,643	9,409,774	9,439,975	8,280,634	7,269,531	6,641,618
Security and Monitoring Services	542,011	519,364	548,739	609,179	668,566	543,100	505,853	457,370	438,245	429,861
Data Processing Services	2,518,335	2,584,811	2,614,906	1,757,198	233,706	1,982,639	1,790,481	1,224,879	1,898,602	1,903,590
Ancillary Services	68,500	52,049	60,520	85,274	62,136	53,482	53,768	53,409	92,461	128,879
Debt Service - Interest and Fees	8,474,442	8,788,707	8,787,513	9,807,789	8,651,042	9,237,907	4,520,153	4,364,066	4,493,301	3,638,128
Facilities Acquisition and Construction	73,997	232,769	784,746	1,432,410	25,858,090	120,134	410,598	1,125,685		56,601
Contracted Instructional Services	17,754,454	16,808,844	17,321,383	15,406,248	15,963,897	20,406,215	17,682,435	23,744,596	25,613,468	24,354,524
Incremental costs related to WADA						238,558	199,282	164,364	215,479	259,946
Payments to fiscal agent	120,968	99,000	87,265	89,793	80,739	119,576	90,053	75,775	77,848	56,335
Payments to Juvenile Justice Alternative Ed. Programs	19,620	19,620	19,620	20,790	18,900			1,800	1,791	2,700
Payments to tax increment fund	1,253,630	877,868	934,600	1,110,264	1,088,059	804,807	55,709			
Other Intergovernmental Charges	661,254	660,402	655,091	644,788	651,956	389,793	497,231			
Total Governmental Activities Expenses	106,587,501	102,933,844	103,594,578	106,563,566	109,922,967	108,529,002	96,354,593	88,993,670	94,807,414	89,651,601
Program Revenues:										
Governmental Activities:										
Charges for Services										
Instruction	36,253	53,863	20,509	27,886	26,398	51,431	49,889	53,997	84,442	50,306
Student Transportation										
Food Service	1,664,048	1,705,036	1,765,220	1,847,263	1,807,115	1,807,115	1,866,204	1,628,363	1,723,782	1,732,589
Curricular/Extracurricular Activities	106,928	134,466	155,870	111,767	131,114	130,730	790,348	765,711	892,382	684,095
General Administration										
Plant Maintenance and Operations	98,187	114,583	58,838	50,931	32,869	34,741	26,073	14,959	107,116	
Construction							6,660	6,645		
Operating Grants and Contributions	10,043,558	9,441,913	10,022,070	12,287,750	21,772,771	10,262,526	8,077,816	7,455,991	8,411,387	6,966,568
Total Governmental Activities Program Revenues	11,948,974	11,449,861	12,022,507	14,325,597	23,770,267	12,286,543	10,816,990	9,925,666	11,219,109	9,433,558
Net (Expense)/Revenues										
Governmental Activities:										
Business-Type Activities:	(94,638,527)	(91,483,983)	(91,572,071)	(92,237,969)	(86,152,700)	(96,242,459)	(85,537,603)	(79,068,004)	(83,588,306)	(80,218,043)
Total Primary Government Net (Expense)/Revenues	\$ (94,638,527)	\$ (91,483,983)	\$ (91,572,071)	\$ (92,237,969)	\$ (86,152,700)	\$ (96,242,459)	\$ (85,537,603)	\$ (79,068,004)	\$ (83,588,306)	\$ (80,218,043)

**SCHEDULE 2 – CONTINUED
LA PORTE INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS)
UNAUDITED**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Revenues:										
Governmental Activities:										
Property Taxes - General	\$ 67,863,048	\$ 63,383,117	\$ 62,322,911	\$ 60,018,204	\$ 61,352,576	\$ 62,801,676	\$ 57,923,992	\$ 68,461,940	\$ 67,872,225	\$ 67,635,160
Property Taxes - Debt Service	20,270,780	18,932,619	18,615,934	16,423,702	16,874,731	17,195,734	14,696,223	12,962,919	10,557,824	10,508,015
State Aid - Grants and Contributions not Restricted	1,984,397	3,594,602	16,129,685	7,313,766	6,255,294	14,736,552	15,434,532	8,630,498	3,309,984	3,848,731
Investment Earnings	96,660	134,986	139,912	148,288	341,475	2,185,309	2,488,848	3,443,264	3,915,100	921,174
SHARS/JROTC	1,197,777	1,177,535	1,237,971	770,963	674,840	247,800	-	-	-	-
Special Item-gain or (loss) on the disposal of capital assets	-	-	(113,453)	(530,318)	-	(6,424,241)	-	-	-	-
Grants and contributions not restricted	-	-	3,040,289	-	-	-	-	-	333,813	207,265
Miscellaneous	1,576,588	1,162,789	1,068,263	2,366,955	2,036,388	2,487,310	321,284	367,135	193,904	667,074
Transfers (net)	-	-	(61,182)	-	(43,997)	-	-	-	-	-
Total Governmental Activities General Revenues	92,989,250	88,385,648	102,380,330	86,511,560	87,491,307	93,230,140	90,864,879	93,865,756	86,182,850	83,787,419
Changes in Net Position										
Governmental Activities:	(1,649,277)	(3,098,335)	10,808,259	(5,726,409)	1,338,607	(3,012,319)	5,327,276	14,797,752	2,594,544	3,569,376
Business-Type Activities:	-	-	-	-	-	-	-	-	-	-
Implementation of GASB 65*	(1,782,018)	-	-	-	-	-	-	-	-	-
Total Primary Government	\$ (3,431,295)	\$ (3,098,335)	\$ 10,808,259	\$ (5,726,409)	\$ 1,338,607	\$ (3,012,319)	\$ 5,327,276	\$ 14,797,752	\$ 2,594,544	\$ 3,569,376

Source: La Porte Independent School District's Audit Reports

*As a result of implementing GASB 65 the District retroactively restated its beginning net position, see Note 1 in Notes to Basic Financial Statements.

**SCHEDULE 3
LA PORTE INDEPENDENT SCHOOL DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	30-Jun 2014	30-Jun 2013	30-Jun 2012	30-Jun 2011	30-Jun 2010	30-Jun 2009	30-Jun 2008	30-Jun 2007	31-Aug 2006	31-Aug 2005
General Fund										
Nonspendable	\$ 1,320,438	\$ 1,612,141	\$ 83,910	\$ 85,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	2,059,320	2,016,430	1,931,661	1,980,372	-	-	-	-	-	-
Assigned	-	-	44,651	-	-	-	-	-	-	-
Unassigned	27,436,274	29,565,826	33,127,599	21,746,547	-	-	-	-	-	-
Designated	-	-	-	-	2,900,127	2,734,122	2,902,876	2,871,692	3,269,177	1,303,214
Reserved	-	-	-	-	1,037,264	1,582,656	240,407	480,714	432,458	71,960
Unreserved	-	-	-	-	22,918,219	21,886,293	24,646,178	24,260,475	16,066,539	16,419,367
Total General Fund	<u>30,816,032</u>	<u>33,194,397</u>	<u>35,187,821</u>	<u>23,812,470</u>	<u>26,855,610</u>	<u>26,203,071</u>	<u>27,789,461</u>	<u>27,612,881</u>	<u>19,768,174</u>	<u>17,794,541</u>
All Other Governmental Funds										
Nonspendable										
Inventories	25,697	48,189	53,679	54,749	-	-	-	-	-	-
Prepaid Items	57,768	56,924	56,751	49,293	-	-	-	-	-	-
Restricted										
Grant Funds	1,888,968	1,666,962	1,438,989	1,218,644	-	-	-	-	-	-
Capital acquisitions	8,195,876	12,691,463	20,684,431	29,148,114	-	-	-	-	-	-
Retirement of long term debt	8,774,566	6,407,019	5,284,442	10,956,433	-	-	-	-	-	-
Committed										
Compensated Absences	-	-	-	-	-	-	-	-	-	-
Self Insurance	-	-	-	-	-	-	-	-	-	-
Local Special Revenue	4,603,191	4,595,283	5,123,908	5,055,950	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Reserved										
Food Service	-	-	-	-	8,618,103	979,491	873,185	874,789	847,767	2,277,133
Capital acquisitions	-	-	-	-	15,540,934	34,809,320	86,816,919	25,620,524	56,120,489	2,497,098
Retirement of long term debt	-	-	-	-	11,314,332	9,860,701	7,708,196	4,704,331	1,430,270	712,918
Unreserved	-	-	-	-	-	799,338	771,188	822,875	410,112	399,365
Total All Other Governmental Funds	<u>\$ 23,546,066</u>	<u>\$ 25,465,840</u>	<u>\$ 32,642,200</u>	<u>\$ 46,483,183</u>	<u>\$ 35,473,369</u>	<u>\$ 46,448,850</u>	<u>\$ 96,169,488</u>	<u>\$ 32,022,519</u>	<u>\$ 58,808,638</u>	<u>\$ 5,886,514</u>

Source: La Porte Independent School District's Audit Reports

**SCHEDULE 4
LA PORTE INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

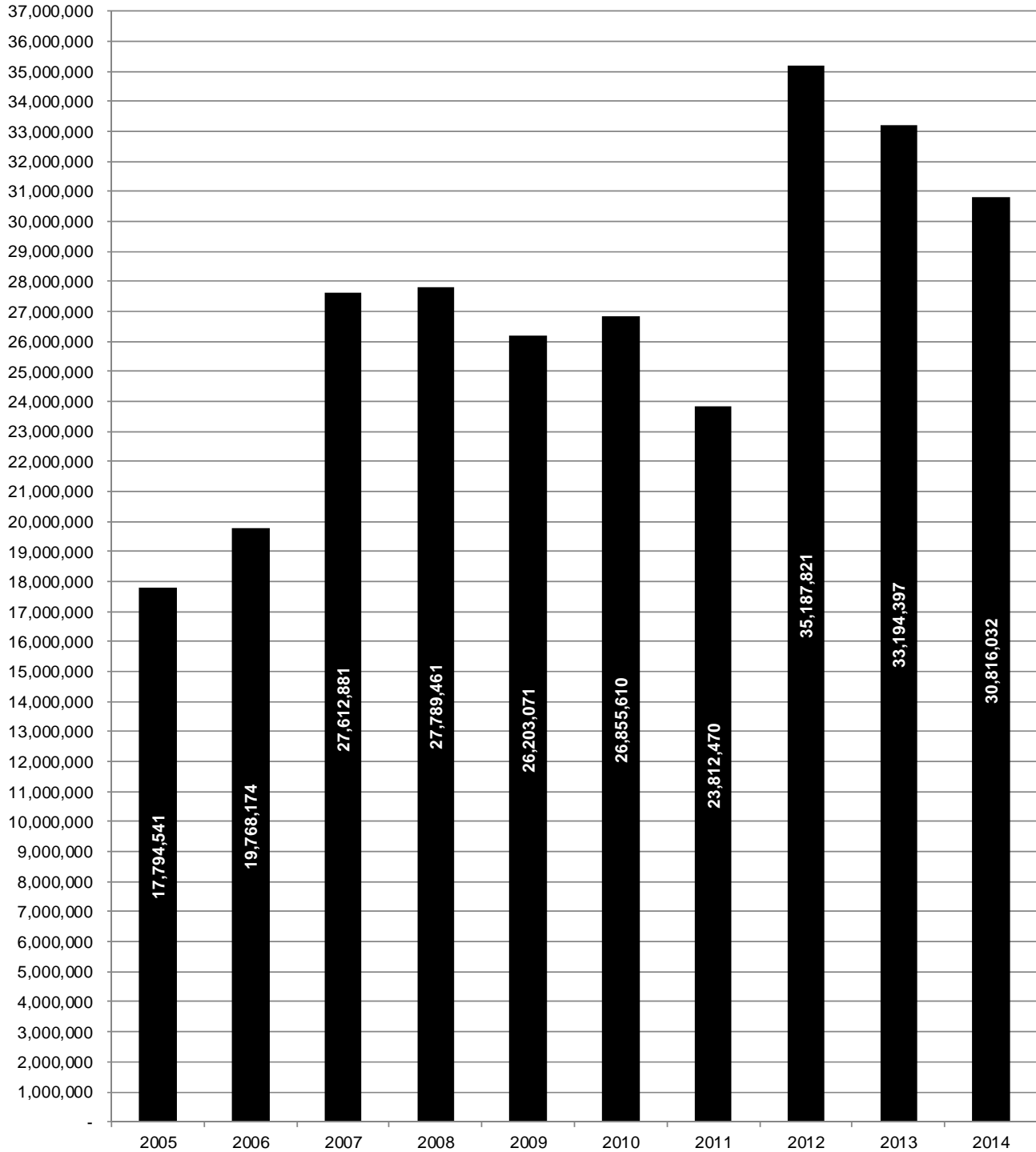
	30-Jun 2014	30-Jun 2013	30-Jun 2012	30-Jun 2011	30-Jun 2010	30-Jun 2009	30-Jun 2008	30-Jun 2007	31-Aug 2006	31-Aug 2005
REVENUES										
Local and Intermediate Sources	\$ 92,060,038	\$ 86,324,262	\$ 84,896,434	\$ 81,473,480	\$ 89,127,430	\$ 82,953,052	\$ 77,606,948	\$ 86,494,676	\$ 85,173,557	\$ 82,044,943
State Program Revenues	6,240,932	6,882,569	19,455,261	11,450,986	19,865,831	19,352,942	18,682,735	12,058,322	6,788,840	7,038,743
Federal Program Revenues	6,417,978	6,784,709	7,216,160	8,168,383	8,468,030	5,271,260	4,829,614	4,028,168	5,266,344	3,983,822
Total Revenues	104,718,948	99,991,540	111,567,855	101,092,849	117,461,291	107,577,254	101,119,297	102,581,166	97,228,741	93,067,508
EXPENDITURES										
11 Instruction	37,956,249	36,703,186	38,257,864	41,364,695	42,117,065	41,601,026	37,902,243	31,904,981	35,830,328	31,770,537
12 Instructional Resources & Media Services	481,502	499,708	727,947	840,162	1,178,508	1,018,616	1,084,774	719,803	750,858	793,791
13 Curriculum & Instructional Staff Development	730,821	641,380	586,159	680,217	657,914	583,578	612,494	559,876	615,155	1,070,800
21 Instructional Administration	1,164,769	1,134,434	997,049	1,049,824	1,121,204	1,129,045	970,589	633,465	742,290	964,171
23 School Administration	3,913,097	3,668,061	3,633,863	3,839,423	4,068,569	3,604,716	3,616,165	2,779,321	3,130,973	3,073,930
31 Guidance and Counseling	2,447,110	2,249,211	2,137,025	2,487,147	2,697,581	2,487,817	2,502,175	1,681,056	1,250,189	1,347,278
32 Social Work Services	194,897	164,796	162,440	184,084	161,289	145,915	149,800	68,982	79,589	77,914
33 Health Services	736,770	691,033	747,347	835,669	816,045	778,021	684,020	517,213	497,602	453,991
34 Student (Pupil) Transportation	2,921,010	2,835,617	3,804,994	2,981,265	2,995,348	2,620,131	3,176,052	2,718,648	2,131,837	2,524,555
35 Food Services	4,312,726	3,870,741	3,862,600	3,824,108	3,641,157	3,464,807	3,213,157	2,809,373	3,137,532	3,073,035
36 Co-curricular/Extracurricular Activities	1,476,177	1,490,065	1,531,135	1,920,415	1,921,559	2,030,409	2,097,642	1,818,366	2,117,341	1,831,559
41 General Administration	2,993,062	2,922,056	2,733,142	3,138,540	3,318,237	3,092,872	3,164,122	2,488,634	2,580,805	2,981,274
51 Plant Maintenance and Operations	9,695,257	9,627,818	8,942,257	9,508,406	10,188,508	9,454,247	9,537,746	8,222,994	7,260,306	6,678,831
52 Security and Monitoring Services	542,059	519,360	550,351	615,768	670,124	544,731	510,506	455,692	437,886	423,041
53 Data Processing Services	2,119,760	2,249,310	2,817,503	1,428,274	2,521,175	2,132,315	1,733,592	1,503,542	1,886,130	1,792,684
61 Ancillary Services	62,092	46,876	55,661	80,101	56,962	67,890	53,768	53,409	92,461	128,871
70 Debt Service										
71 Principal	8,255,000	8,210,000	7,725,000	7,290,000	7,430,000	6,205,000	7,010,000	7,185,000	7,010,000	6,705,000
72 Interest	8,748,930	8,653,933	9,787,163	9,565,232	8,772,064	7,965,740	4,717,351	2,663,029	4,654,070	3,468,586
73 Bond Issuance Cost and Fees	4,850	4,850	405,182	291,512	513,883	4,459	993,163	-	-	6,961
81 Facilities Acquisition and Construction	451,003	4,513,155	1,926,056	11,027,305	44,840,376	47,993,998	21,552,994	28,752,659	2,977,254	56,601
90 Other Intergovernmental Charges	19,809,926	18,465,734	19,017,959	17,271,883	17,803,551	21,958,949	18,524,710	23,986,535	25,908,586	24,673,505
Total Expenditures	109,017,067	109,161,324	110,408,697	120,224,030	157,491,119	158,884,282	123,807,063	121,522,578	103,091,192	93,896,915
Excess of Revenues Over (Under) Expenditures	(4,298,119)	(9,169,784)	1,159,158	(19,131,181)	(40,029,828)	(51,307,028)	(22,687,766)	(18,941,412)	(5,862,451)	(829,407)
OTHER FINANCING SOURCES AND (USES)										
Refunding Bonds Issued	-	-	-	-	19,500,000	-	-	-	4,070,000	10,755,000
Capital-Related Debt Issuance	-	-	40,685,000	26,660,000	29,480,000	-	85,895,000	-	59,630,000	-
Premium or Discount on Issuance of Bonds	-	-	4,008,196	437,855	1,745,271	-	1,116,321	-	1,149,060	495,470
Sale of Real or Personal Property	-	-	-	-	-	-	-	-	-	-
Prepaid Interest	-	-	-	-	-	-	-	-	-	-
Extraordinary item - Insurance recovery	-	-	3,040,289	-	-	-	-	-	-	-
Other resources/(uses)	-	-	(51,297,093)	-	(20,974,388)	-	-	-	(4,090,852)	(11,250,470)
Transfers in	-	-	-	1,525	336,892	-	-	355,000	2,620,873	-
Transfers Out	-	-	(61,182)	(1,525)	(380,889)	-	-	(355,000)	(2,620,873)	-
Total Other Financing Sources and (Uses)	-	-	(3,624,790)	27,097,855	29,706,886	-	87,011,321	-	60,758,208	-
Net Change in Fund Balances	\$ (4,298,119)	\$ (9,169,784)	\$ (2,465,632)	\$ 7,966,674	\$ (10,322,942)	\$ (51,307,028)	\$ 64,323,555	\$ (18,941,412)	\$ 54,895,757	\$ (829,407)
Debt Service as a percentage of noncapital expenditures*	15.67%	16.12%	16.52%	15.70%	14.84%	12.78%	12.44%	10.62%	11.65%	10.85%

Source: La Porte Independent School District's Audit Reports

* The ratio of debt service expenditures to noncapital expenditures is calculated using total expenditures from the schedule above less capital outlay from the reconciliation between the government-wide statement of activities and the statement of revenues, expenditures, and changes in fund balance.

General Fund Balances

Last Ten Fiscal Years



Unaudited
Source: District's Audit Reports

REVENUE CAPACITY INFORMATION

These schedules contain information to help assess the factors affecting the District's most significant local revenue source, the property tax.

**SCHEDULE 5
LA PORTE INDEPENDENT SCHOOL DISTRICT
PROPERTY-TAX RATES – DIRECT AND ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>School District</u>										
Maintenance & Operations	\$ 1.0400	\$ 1.0400	\$ 1.0400	\$ 1.0400	\$ 1.0400	\$ 1.0400	\$ 1.0400	\$ 1.3700	\$ 1.5000	\$ 1.5000
Debt Service	0.2900	0.2900	0.3150	0.2850	0.2850	0.2850	0.2650	0.2650	0.2335	0.2335
La Porte ISD Total	1.3300	1.3300	1.3550	1.3250	1.3250	1.3250	1.3050	1.6350	1.7335	1.7335
<u>County</u>										
Chambers ⁽¹⁾	0.5221	0.4968	0.4968	0.4968	0.4968	0.4968	0.4968	0.4968	0.5032	0.5179
Harris	0.4146	0.4002	0.3912	0.3881	0.3892	0.3924	0.4024	0.3999	0.3999	0.3880
Harris County Department of Education	0.0064	0.0066	0.0066	0.0060	0.0058	0.0059	0.0063	0.0063	0.0063	0.0063
Harris County Flood Control District	0.0283	0.0281	0.0281	0.0292	0.0308	0.0310	0.0324	0.0332	0.0332	0.0417
Port of Houston Authority	0.0172	0.0195	0.0186	0.1640	0.0177	0.0144	0.0130	0.0147	0.0167	0.0200
San Jacinto Jr. College District	0.1856	0.1856	0.1856	0.1708	0.1634	0.1454	0.1454	0.1543	0.1391	0.1391
<u>Cities</u>										
Deer Park	0.7200	0.7200	0.7200	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200	0.7000
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
Morgan's Point	0.6362	0.6460	0.6460	0.6460	0.6460	0.6410	0.5510	0.5420	0.5400	0.4600
Pasadena	0.5916	0.5916	0.5916	0.5620	0.5620	0.5670	0.5670	0.5670	0.5670	0.5670
<u>Water Districts</u>										
Clear Lake City Water Authority	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2900	0.2900	0.2900

Rates are per \$100 of Assessed Valuation

Source: Texas Municipal Reports/RBC Capital

Harris County Appraisal District - Chambers County Appraisal District

⁽¹⁾ 100% of the property located in Chambers County is submerged.

The District has no facilities and does not serve any students in Chambers County.

**SCHEDULE 6
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Year Ended (August 31 *) June 30	Real Property Assessed Actual Value	Personal Property Assessed Actual Value	Total Assessed Actual Value	Total Direct Rate*
2005 *	\$ 3,468,378,000	\$ 782,900,680	\$ 4,251,278,680	\$ 1.7335
2006 *	3,530,315,765	914,149,343	4,444,465,108	1.7335
2007	3,697,785,418	1,035,710,226	4,733,495,644	1.6350
2008	4,072,108,292	1,066,107,021	5,138,215,313	1.3050
2009	4,214,693,845	1,125,558,721	5,340,252,566	1.3250
2010	4,320,266,575	1,328,157,500	5,648,424,075	1.3250
2011	4,267,635,156	1,210,543,418	5,478,178,574	1.3250
2012	4,595,325,342	1,168,218,050	5,763,543,392	1.3550
2013	4,519,433,505	1,030,342,901	5,549,776,406	1.3300
2014	4,593,760,958	606,555,209	5,200,316,167	1.3300

* Per \$100 of assessed value

Source: Harris County Appraisal District/City of La Porte Tax Office

**SCHEDULE 7
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT YEAR AND TEN YEARS AGO
 (UNAUDITED)**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Value
Equistar Chemicals LP	\$ 375,252,292	1	7.22%	\$ 337,349,250	1	7.94%
Air Liquide	295,086,462	2	5.67%	147,919,470	4	3.48%
Albemarle Catalysts Co LP	155,494,840	3	2.99%			
Kuraray America Inc	155,092,520	4	2.98%			
Celanese LTD	137,555,964	5	2.65%	257,779,910	2	6.06%
Lyondell Chemical Co	123,868,397	6	2.38%	132,895,830	6	
Conoco Phillips Co	108,971,408	7	2.10%	144,163,020	5	3.39%
Air Products Incorporated	104,337,383	8	2.01%	59,345,090	9	1.40%
Haldor Topsoe Inc.	96,378,173	9	1.85%			
Braskem America Inc.	89,637,732	10	1.72%			
Basell USA Inc				160,800,240	3	3.78%
Akzo Nebel Catalysts LLC				126,810,640	7	2.98%
Aristech Chemical Corp				103,752,980	8	2.44%
Engelhard Corporation				53,436,210	10	1.26%
						0.00%
	<u>\$ 1,641,675,171</u>		<u>31.57%</u>	<u>\$ 1,524,252,640</u>		<u>35.85%</u>
Total Taxable Assessed Value	\$ 5,200,316,167			\$ 4,251,278,680		

Source: City of La Porte Tax Office

**SCHEDULE 8
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 77,113,512	\$ 76,173,847	98.78%	\$ 566,105	\$ 76,739,952	99.52%
2006	78,542,502	77,535,604	98.72%	1,028,770	78,564,374	100.03%
2007	80,707,154	79,360,418	98.33%	2,036,949	81,397,367	100.86%
2008	71,798,054	70,032,113	97.54%	1,754,085	71,786,198	99.98%
2009	79,707,814	74,255,050	93.16%	5,242,472	79,497,522	99.74%
2010	78,794,784	77,853,757	98.81%	984,788	78,838,545	100.06%
2011	76,443,809	75,804,968	99.16%	912,025	76,716,993	100.36%
2012	81,069,091	80,319,639	99.08%	958,303	81,277,942	100.26%
2013	82,575,734	81,772,811	99.03%	780,461	82,553,272	99.97%
2014	87,799,374	87,324,586	99.46%		87,324,586	99.46%

Source: Harris County Tax Assessor/Collector and City of La Porte Tax Office

**SCHEDULE 9
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	Year of Collection										TT Sub Col
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
2005	\$ 9,311	\$ 1,563	\$ 4,404	\$ 15,443	\$ 30,573	\$ 79,488	\$ 34,702	\$ 107,769	\$ 282,852	\$ 76,173,847	\$ 76,739,952
2006	8,558	8,426	8,431	26,386	46,805	125,336	137,652	667,176	77,535,604		78,564,374
2007	11,973	11,672	76,571	85,445	481,724	281,918	1,087,646	79,360,418			81,397,367
2008	17,930	22,939	72,071	66,245	458,522	1,116,378	70,032,113				71,786,198
2009	35,156	100,379	62,519	178,043	4,866,375	74,255,050					79,497,522
2010	47,993	64,029	104,661	768,105	77,853,757						78,838,545
2011	64,415	201,740	645,870	75,804,968							76,716,993
2012	191,447	766,856	80,319,639								81,277,942
2013	780,461	81,772,811									82,553,272
2014	87,324,586										87,324,586

DEBT CAPACITY INFORMATION

These schedules present information to help assess the affordability of the District's current debt burden and its ability to issue additional debt in the future.

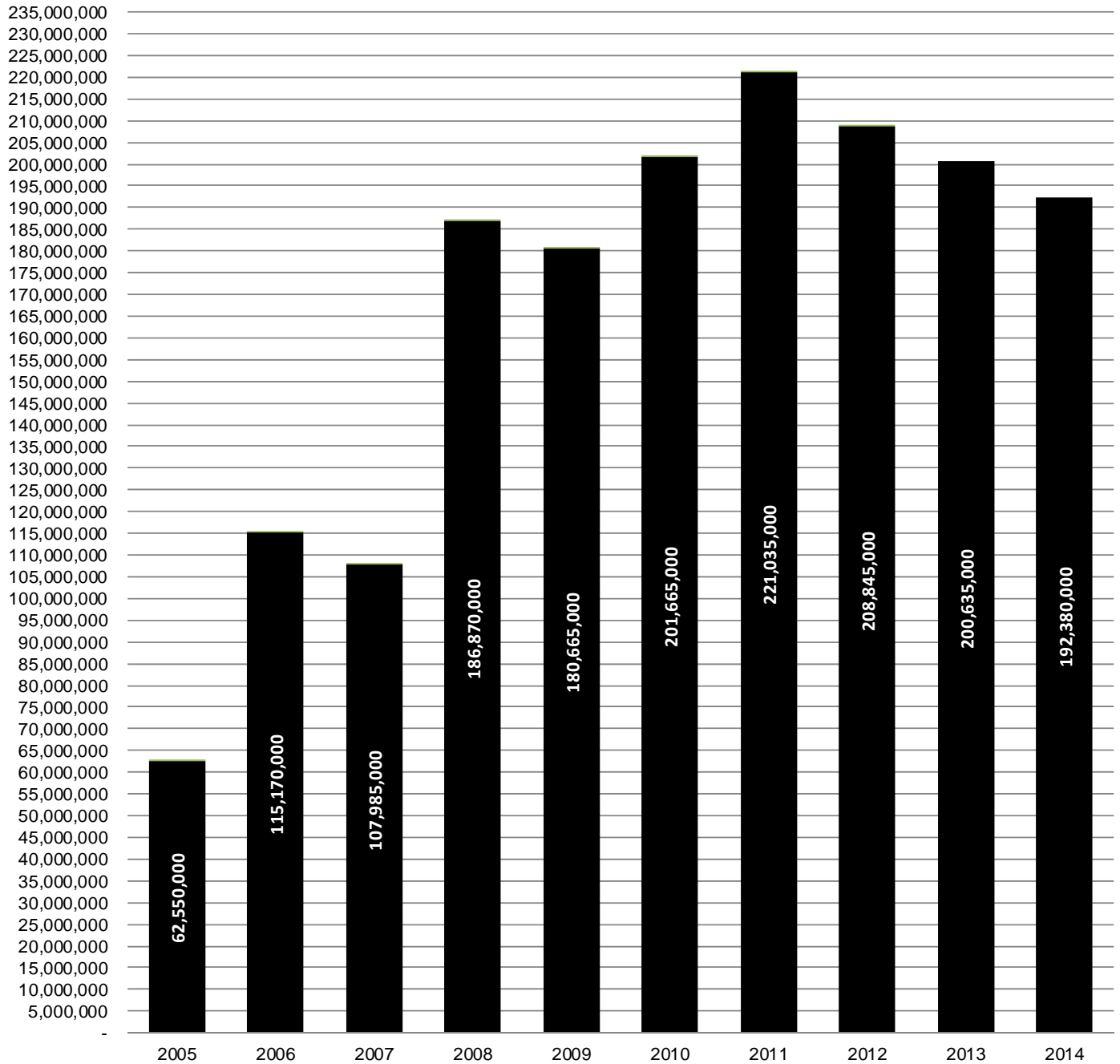
**SCHEDULE 10
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Year Ended August 31 * June 30	Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Personal Income*	Ratio of Net Bonded Debt Per ADA	Ratio of Net Bonded Debt Per Capita
2005	* \$ 4,448,428,710	\$ 62,550,000	\$ 712,918	\$ 61,837,082	2.27%	\$ 8,480	\$ 1,846
2006	* 4,530,862,526	115,170,000	1,430,270	113,739,730	1.37%	15,343	3,305
2007	4,936,217,370	107,985,000	4,704,331	103,280,669	1.52%	14,060	3,028
2008	5,518,631,433	186,870,000	7,708,196	179,161,804	0.97%	24,078	5,255
2009	6,015,684,028	180,665,000	9,860,701	170,804,299	0.88%	22,503	4,996
2010	5,966,362,279	201,665,000	11,314,332	190,350,668	0.88%	26,184	5,176
2011	5,789,629,020	221,035,000	10,956,433	210,078,567	0.89%	29,034	5,636
2012	6,004,563,235	208,845,000	5,284,442	203,560,558	0.98%	28,033	5,379
2013	6,208,701,705	200,635,000	6,407,019	194,227,981	0.94%	26,909	5,605
2014	6,601,456,565	192,380,000	8,774,586	183,605,414	1.00%	25,754	5,298

* Personal income information was only available through 2012 therefore the same personal income amount was used in calculating the 2013 & 2014 ratios. Refer to Schedule 13 for personal income data.

Outstanding Bonds

Last Ten Fiscal Years



Unaudited
Source: District's Audit Reports

**SCHEDULE 11
LA PORTE INDEPENDENT SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value	\$ 6,601,456,565
Debt Limit (Percent of 2013 - 2014 School Year Assessed Value)*	10.00%
Maximum Legal Debt	<u>660,145,657</u>
Amount of Debt Applicable to Debt Limit**	<u>183,605,414</u>
Legal Debt Margin	<u><u>\$ 476,540,243</u></u>

*This debt limit is established by law as stated in Vernon's Statutes, Article 835p.

**Does not include capital lease obligations and is net of reserve for retirement of bonded debt

	<u>Debt Limit</u>	<u>Amount of Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Total Net Debt Applicable to the Limit as a Percentage of Debt Limit</u>
2005	\$ 444,842,871	\$ 61,837,082	\$ 383,005,789	13.90%
2006	453,086,253	113,739,730	339,346,523	25.10%
2007	493,621,737	103,280,669	390,341,068	20.92%
2008	551,863,143	179,161,804	372,701,339	32.46%
2009	601,568,403	170,804,299	430,764,104	28.39%
2010	596,636,228	190,350,668	406,285,560	31.90%
2011	578,962,902	210,078,567	368,884,335	36.29%
2012	600,456,324	203,560,558	396,895,766	33.90%
2013	620,870,171	194,227,981	426,642,190	31.28%
2014	660,145,657	183,605,414	476,540,243	27.81%

Source: District's Audit Reports

**SCHEDULE 12
LA PORTE INDEPENDENT SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2014
(UNAUDITED)**

	<u>Gross Debt</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
<u>County</u>			
Chambers	\$ 21,716,522	0.03%	\$ 6,515
Harris	2,415,028,704	2.20%	53,130,631
Harris County Department of Education	7,410,000	2.20%	163,020
Harris County Flood Control District	129,525,000	2.20%	2,849,550
Port of Houston Authority	717,624,397	2.20%	15,787,737
San Jacinto Jr. College District	288,044,848	16.02%	46,144,785
<u>Cities</u>			
Deer Park	41,827,417	16.36%	6,842,965
La Porte	22,121,712	100.00%	22,121,712
Morgan's Point	1,834,591	100.00%	1,834,591
Pasadena	101,235,074	4.68%	4,737,801
<u>Water Districts</u>			
Clear Lake City Water Authority	86,020,000	17.34%	14,915,868
Total Estimated Overlapping Debt			\$ 168,535,175
District Direct Debt	192,380,000	100.00%	192,380,000
Total Overlapping and Direct Debt			\$ 360,915,175

Source: Texas Municipal Reports

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules provide demographic and economic indicators to help in understanding the environment in which the District operates and to facilitate in comparisons over time.

**SCHEDULE 13
LA PORTE INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Population Information:

<u>Year</u>	<u>Estimated Population</u>	<u>Land Area</u>	<u>Density Per Square Mile</u>	<u>Population Change</u>
2005	33,500	55	609	-0.2%
2006	34,411	55	626	2.6%
2007	34,109	55	620	-0.9%
2008	34,092	55	620	0.0%
2009	34,191	55	622	0.3%
2010	36,776	55	669	7.0%
2011	37,275	55	678	1.3%
2012	37,845	55	688	1.5%
2013	34,654	55	630	-9.2%
2014*	34,654	55	630	0.0%

Source: United States Census Bureau

*Estimated Population is only available through 2013 therefore the same data was used for 2014

	<u>Harris County 2010</u>	<u>Texas 2010</u>	<u>U.S. 2010</u>
<u>Population:</u>			
% School Age	% 28	% 27.3	% 24
% Working Age	% 55.7	% 54.7	% 56.5
%65 and Over	% 8.1	% 10.3	% 13
Persons Per Household	2.85	2.78	2.59
<u>Income:</u>			
Median Family Income	\$ 51,444	\$ 49,646	\$ 51,914
% Below Poverty Level	% 16.8	% 16.8	% 13.8
Per Capita Income	\$ 26,788	\$ 24,870	\$ 27,334
<u>Housing:</u>			
% Owner Occupied	% 64.8	% 64.8	% 66.6
Owner Occupied Median Value	\$ 128,642	\$ 105,779	\$ 170,000
Median Gross Rent	\$ 737	\$ 661	\$ 808
Occupied Housing Units	1,598,698	9,977,436	131,704,730

Source: United States Census Bureau

**SCHEDULE 14
LA PORTE INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year Ended June 30 (August 31*)	Harris County				Percent Unemployed County	Percent Unemployed State
	Civilian Labor Force	Total Unemployment	Personal Income* (in Thousands)	Per Capita Personal* Income		
2005 *	1,827,969	103,368	154,562,127	41,980	5.7%	5.4%
2006 *	1,872,684	95,028	172,397,186	45,279	5.1%	4.9%
2007	1,894,908	81,447	177,325,118	45,899	4.3%	4.4%
2008	1,930,853	92,934	200,623,591	50,938	4.8%	4.9%
2009	1,981,383	148,474	177,928,025	44,098	7.5%	7.5%
2010	2,017,775	171,899	186,858,066	45,487	8.5%	8.2%
2011	2,054,028	168,145	209,326,788	50,154	8.2%	7.9%
2012	2,090,791	144,443	224,617,980	52,805	6.9%	6.8%
2013	2,136,256	133,030	224,617,980	52,805	6.2%	6.3%
2014	2,180,334	117,836	224,617,980	52,805	5.4%	5.5%

* Personal & per capital information is only available through 2012 therefore the same data was used through 2014

Source: Texas Workforce Commission (TRACER System) & U.S. Department of Commerce, Bureau of Economic Analysis

**SCHEDULE 15
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 PRINCIPAL EMPLOYERS
 PRIOR YEAR AND NINE YEARS AGO
 (UNAUDITED)**

Employer	2013		2006	
	Employees	Percentage of Total Employment	Approximate Range of Number of Employees	Percentage of Total Employment
La Porte Independent School District	1083	6.19%	1000	5.96%
City of La Porte	380	2.17%	368	2.19%
International Plant Svcs LLC	376	2.15%		
Sulzer Turbo Svcs Houston Inc	330	1.88%		
A&L Industrial Services Inc	300	1.71%	300	1.79%
CCC Group Inc	300	1.71%	300	1.79%
Evergreen Environmental Svcs LLC	275	1.57%		
Amber LP	250	1.43%		
Cat-Spec Ltd	250	1.43%		
Contech Control Services Inc	250	1.43%		
Total	3794		1968	
Total City of La Porte Employment	17,507		16,788	

Source: City of La Porte Comprehensive Annual Financial Report for the Year Ended September 30, 2013.
 Current year ended September 30, 2014 is not available

Note: Employment data prior to 2006 was not available

OPERATING INFORMATION

These schedules provide information about the District's operations and resources to assist in using the financial statement information to better understand and assess the District's economic condition.

**SCHEDULE 16
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 FULL TIME EQUIVALENT STAFF INFORMATION
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Teachers	464.0	461.8	467.00	495.40	506.40	507.90	501.80	480.20	477.80	461.40
Professional Support	90.0	89.1	87.40	107.10	105.60	113.80	110.30	92.80	84.80	77.30
Campus Administration (School Leadership)	30.0	30.0	29.10	28.80	31.00	30.80	32.00	29.00	38.00	40.30
Central Administration	10.0	11.0	11.00	13.00	13.00	12.00	10.00	10.90	5.00	5.60
Educational Aides	105.6	103.0	107.90	110.30	106.80	102.60	105.30	111.30	109.00	98.50
Auxiliary Staff	291.5	292.8	301.00	318.90	403.20	320.90	383.30	356.50	354.70	367.20
Total Employees	991.1	987.7	1,003.4	1,073.5	1,166.0	1,088.0	1,142.7	1,080.7	1,069.3	1,050.3

Sources:
 Texas Education Agency Website - AEIS report
 and TAPR

**SCHEDULE 17
LA PORTE INDEPENDENT SCHOOL DISTRICT
FULL TIME EQUIVALENT STAFF INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Enrollment	Operating Expenditures*	Cost Per Student	Percentage Change	Government Wide Expenses**	Cost Per Student	Percentage Change	Teaching Staff	Student Teacher Ratio	Percentage of Students in Free/Reduced Lunch Program
2005	7,623	\$ 81,696,308	\$ 10,717	0.08%	\$ 89,651,601	\$ 11,761	-0.35%	461	17	34%
2006	7,807	83,318,392	10,672	-0.42%	94,807,414	12,144	3.26%	478	16	37%
2007	7,811	79,060,346	10,122	-5.16%	88,993,670	11,393	-6.18%	480	16	37%
2008	7,940	85,265,801	10,739	6.10%	96,354,593	12,135	6.51%	502	16	43%
2009	7,914	91,067,652	11,507	7.16%	108,529,002	13,714	13.01%	508	16	40%
2010	7,847	90,225,734	11,498	-0.08%	109,922,967	14,008	2.15%	506	16	45%
2011	7,816	88,981,366	11,385	-0.99%	106,563,566	13,634	-2.67%	495	16	47%
2012	7,768	83,621,658	10,765	-5.44%	103,594,578	13,336	-2.19%	482	16	48%
2013	7,747	83,950,073	10,836	0.66%	102,933,844	13,287	-0.37%	461	16	48%
2014	7,628	91,557,284	12,003	10.76%	106,587,501	13,973	5.16%	464	16	48%

N/A = Not Available

* Operating expenditures are total expenditures less debt service and facilities acquisition & construction from Changes in Fund Balance Schedule

** Government Wide Expenses are total expenses from Statement of Activities Schedule

Source: Nonfinancial information from district records

**SCHEDULE 18
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 TEACHER BASE SALARIES
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	Minimum Salary	Maximum Salary	Region Average Salary	Statewide Average Salary
2005	\$ 37,100	\$ 53,600	\$ 43,107	\$ 41,011
2006	37,100	53,600	43,852	41,744
2007	42,000	65,000	46,675	44,897
2008	42,500	65,000	48,053	46,179
2009	43,700	73,984	49,186	47,159
2010	44,900	68,315	50,129	48,263
2011	44,900	70,606	50,616	48,638
2012	44,900	71,607	50,383	48,375
2013	46,250	70,432	50,968	48,821
2014	48,950	72,795	52,222	49,692

Sources:
 District Records
 Texas Education Agency Website - AEIS report

* Amounts do not include additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, disability, etc.

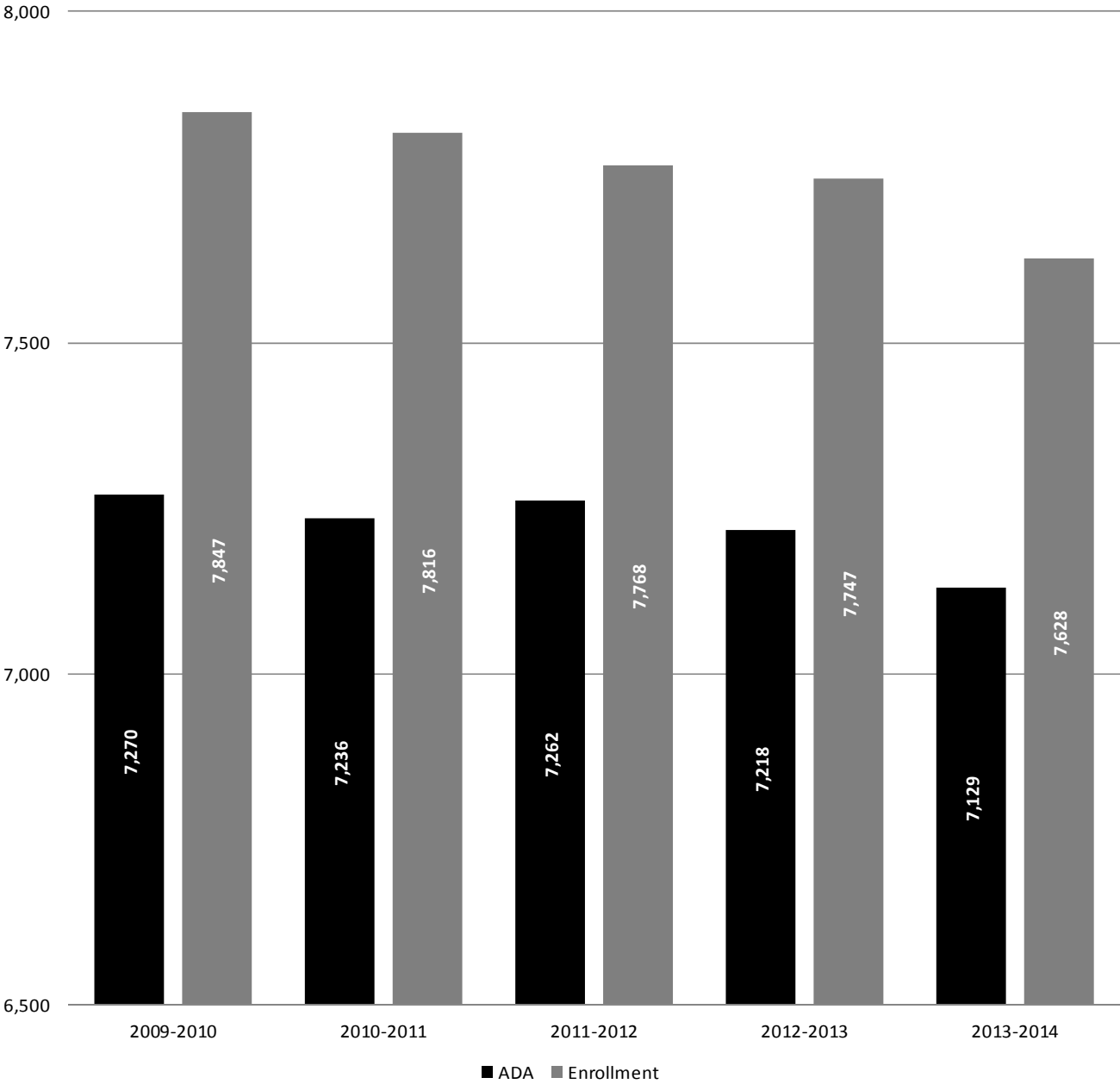
**SCHEDULE 19
 LA PORTE INDEPENDENT SCHOOL DISTRICT
 ATTENDANCE DATA
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year	Total Enrollment	Average Daily Attendance		
		Amount	Percent Increase (Decrease)	Percent of Membership
2005	7,623	7,292	-0.45%	95.66%
2006	7,807	7,413	1.66%	94.96%
2007	7,811	7,346	-0.91%	94.04%
2008	7,940	7,441	1.30%	93.71%
2009	7,914	7,590	2.01%	95.91%
2010	7,847	7,270	-4.22%	92.64%
2011	7,816	7,236	-0.47%	92.57%
2012	7,768	7,262	0.36%	93.48%
2013	7,747	7,218	-0.60%	93.17%
2014	7,628	7,129	-1.23%	93.46%

Source: La Porte Independent School District's PEIMS Data

Average Daily Attendance & Enrollment

Last Five Fiscal Years



Unaudited
Source: District PEIMS Data

**SCHEDULE 20
LA INDEPENDENT SCHOOL DISTRICT'
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Building	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Elementary Schools										
Bayshore Elementary										
Square Footage	111,000	111,000	111,000	111,000	111,000	8,683	8,683	8,683	8,683	8,683
Capacity	750	750	750	750	750	750	525	525	525	525
Enrollment	530	577	561	532	340	375	450	397	476	444
College Park Elementary										
Square Footage	75,301	75,301	75,301	75,301	75,301	74,001	74,001	74,001	74,001	74,001
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	461	465	487	474	493	505	480	762	746	636
Heritage Elementary										
Square Footage	100,000	100,000	100,000	100,000	100,000	100,000	100,000	-	-	-
Capacity	750	750	750	750	750	750	750	-	-	-
Enrollment	599	610	642	647	701	639	542	-	-	-
Jennie Reid Elementary										
Square Footage	72,450	72,450	72,450	72,450	72,450	72,450	72,450	72,450	72,450	72,450
Capacity	600	600	600	600	600	600	600	600	600	600
Enrollment	486	487	494	515	537	537	558	553	522	541
La Porte Elementary										
Square Footage	94,064	94,064	94,064	94,064	94,064	94,064	94,064	94,064	94,064	94,064
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	491	502	525	523	588	579	554	650	638	660
Lomax Elementary										
Square Footage	86,495	86,495	86,495	86,495	86,495	86,495	86,495	86,495	86,495	86,495
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	519	523	548	536	591	586	600	603	574	587
Rizzuto Elementary										
Square Footage	85,563	85,563	85,563	85,563	85,563	85,563	85,563	85,563	85,563	85,563
Capacity	750	750	750	750	750	750	750	750	750	750
Enrollment	588	582	584	587	612	641	635	754	765	724
Intermediate Schools										
Baker 6th Grade Campus										
Square Footage	140,060	140,060	140,060	140,060	140,060	140,060	140,060	140,060	140,060	140,060
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	533	625	551	608	579	559	585	611	538	570
Junior High Schools										
La Porte Junior High School										
Square Footage	148,044	148,044	148,044	148,044	148,044	139,004	139,004	139,004	139,004	139,004
Capacity	725	725	725	725	725	600	600	600	600	600
Enrollment	555	536	566	553	540	594	622	621	624	631
Lomax Junior High School										
Square Footage	125,645	125,645	125,645	125,645	125,645	125,645	112,995	112,995	112,995	112,995
Capacity	780	780	780	780	780	780	630	630	630	630
Enrollment	608	611	628	581	578	612	573	531	551	528
High Schools										
La Porte High School										
Square Footage	504,652	504,652	502,332	502,332	502,332	502,332	484,547	471,261	471,261	471,261
Capacity	2,923	2,923	2,923	2,923	2,923	2,923	2,923	2,723	2,723	2,723
Enrollment	2,190	2,168	2,121	2,188	2,209	2,195	2,267	2,233	2,283	2,214
Alternative Schools										
DeWalt Alternative School										
Square Footage	37,796	37,796	37,796	37,796	37,796	37,796	37,796	37,796	37,796	37,796
Capacity	250	250	250	250	250	250	250	250	250	250
Enrollment	68	61	61	72	79	92	74	96	90	88
Total Square Footage	1,581,070	1,581,070	1,578,750	1,578,750	1,578,750	1,466,093	1,435,658	1,322,372	1,322,372	1,322,372
Total Capacity	10,278	10,278	10,278	10,278	10,278	10,153	9,778	8,828	8,828	8,828
Total Enrollment	7,628	7,747	7,768	7,816	7,847	7,914	7,940	7,811	7,807	7,623

Source: District Records

* Bayshore (old) was destroyed in Hurricane Ike, new Bayshore built close by and opened in Jan. 2010. Students zoned to Bayshore were housed by grade level at different campuses throughout district

**SCHEDULE 21
LA PORTE INDEPENDENT SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2014
(UNAUDITED)**

Coverage	Limits/Values	Deductible	Agent	Company & Policy Number	Expiration Date	Annual Premium
Property - Building & Contents	Bldgs & Contents - \$408,510,248, A & V - \$10,000,000, Windsorm/Hail - 20,000,000	Property: \$100,000, Named Windstorm: 5% TIV per location w/ Min \$250K per occurrence, all others \$100,000	Lockton Companies, LLC	Multiple	3/6/2015	\$1,838,521
Flood	Buildings - \$500,000, Contents - \$500,000	\$ 1,000	Lockton Companies, LLC	Wright National Flood Insurance Company	3/11/2015	\$ 57,403
Boiler & Machinery	Total Limit per Breakdown - \$100,000,000	\$ 1,000	Lockton Companies, LLC	Hartford Steam & Boiler Inspection Co.	3/6/2015	\$ 10,128
Misc. Property - Underground Storage	1,000,000 Per Claim	\$ 25,000	Lockton Companies, LLC	Berkley Environmental/CST152124013	7/1/2015	\$ 740
General Liability	\$1,000,000 per Occurance Limit	\$ 500	William Gammon	TAPS	9/1/2015	\$ 4,953
Educators Legal Liability	\$1,000,000 per Occurance Limit/\$1,000,000 Annual Aggregate	\$ 2,500	William Gammon	TAPS	9/1/2015	\$ 29,938
Vehicle Coverage	Fleet Liability - \$100,000 Liability Combined Single Limit, \$300,000 per accident limit, \$100,000 per accident Property Damage, \$1,000,000 out of state limit	\$ 500	William Gammon	TAPS	9/1/2015	\$ 69,319
Crime	\$100,000 & \$50,000 Limits	\$ 1,000	William Gammon	TAPS	9/1/2015	\$ 1,536

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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 17, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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 the District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
November 17, 2014

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

An unmodified opinion was issued on compliance for major programs.

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

Identification of major programs:

84.010
84.027
84.173

Title I, Part A – Improving Basic Programs
IDEA - Part B, Formula
IDEA - Part B, Preschool

**LA PORTE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)**

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

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, 2014**

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	\$ 1,685,966
*School Breakfast Program (240.00.5921)	10.553	71401101	590,461
Direct Program:			
*USDA Donated Commodities	10.555	101916	146,903
Total U.S. Department of Agriculture			2,423,330
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A (211) Improving Basic Programs</i>	84.010A	13610101101916	13,540
<i>ESEA Title I Part A (211) Improving Basic Programs</i>	84.010A	14610101101916	829,631
Total CFDA Number 84.010A			843,171
**IDEA - Part B, Formula (224)	84.027A	136600011019166600	7,118
**IDEA - Part B, Formula (224)	84.027A	146600011019166600	1,402,752
Total CFDA Number 84.027A			1,409,870
**IDEA - Part B, Preschool (225)	84.173A	136610011019166610	230
**IDEA - Part B, Preschool (225)	84.173A	146610011019166610	44,278
Total CFDA Number 84.173A			44,508
<i>ESEA Title II, Part A (255)</i>	84.367A	13694501101916	650
<i>ESEA Title II, Part A (255)</i>	84.367A	14694501101916	237,253
Total CFDA Number 84.367A			237,903
<i>ESEA Title III, LEP (263)</i>	84.365A	13671001101916	4,428
<i>ESEA Title III, LEP (263)</i>	84.365A	14671001101916	71,741
Total CFDA Number 84.365A			76,169
<i>ESEA Title IV - Safe and Drug-Free Schools and Comm. Act (237)</i>	84.186A	SF-13-J20-25509.01	9,333
<i>ESEA Title IV - Safe and Drug-Free Schools and Comm. Act (237)</i>	84.186A	SF-14-J20-25509.02	80,267
Total CFDA Number 84.186A			89,600
<i>Career and Technology Education - Carl D. Perkins (244)</i>	84.048A	14420006101916	67,989
<i>Title VI - LEP Summer School (289)</i>	84.369A	65991302	11,404
Total Passed Through State Department of Education:			2,780,614
Total U.S. Department of Education			2,780,614
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Medicaid Administrative Claims (272.00.5932)</i>	93.778	N/A	16,256
Total U.S. Department of Health and Human Services			16,256
<u>U.S. DEPARTMENT OF DEFENSE</u>			
<i>JROTC (199.00.5949)</i>	12.401	N/A	63,158
Total U.S. Department of DEFENSE			63,158
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,283,358

* Clustered programs as required by March 2014 Compliance Supplement (Child Nutrition Cluster)

** Clustered programs as required by March 2014 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 asset, deferred outflows, current liabilities and deferred inflows 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 \$146,903 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	\$	5,283,358
SHARS payments		1,134,620
Reconciled balance	\$	6,417,978
Related expenditures on Exhibit C-3		
General fund	\$	1,284,878
Non-major funds		5,133,100
	\$	6,417,978