

**BRAZOSPORT  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
AUGUST 31, 2010**

**KENNEMER, MASTERS & LUNSFORD, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
8 WEST WAY COURT  
LAKE JACKSON, TEXAS 77566**

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# BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report  
For the Year Ended August 31, 2010*

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## **INTRODUCTORY SECTION**

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**CERTIFICATE OF BOARD**

Brazosport Independent School District  
Name of School District

Brazoria  
County

020-905  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the 4<sup>th</sup> day of January, 2011.

*Bob J. Sharp*  
Signature of Board Secretary

*[Signature]*  
Signature of Board President

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

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## **FINANCIAL SECTION**

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# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS  
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## Independent Auditor's Report

December 17, 2010

Board of Trustees  
Brazosport Independent School District  
Freeport, Texas 77541

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brazosport Independent School District (the "District") as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Board of Trustees  
Brazosport Independent School District  
December 17, 2010  
Page 2

The management's discussion and analysis and budgetary comparison information on pages 13 through 24 and 68, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, except for Exhibit J-3 (Fund Balance and Cash Flow Worksheet) which is marked **UNAUDITED** and on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Kennemer, Masters & Burdford, LLC*

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*AUGUST 31, 2010*

As management of the Brazosport Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2010. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent period by \$ 31,713,693 (*net assets*). Of this amount, \$ 11,029,964 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 24,368,733. Approximately 50 percent of this total amount, \$ 12,152,333, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 12,152,333, or 14 percent of the total general fund expenditures.

**Overview of the Financial Statements**

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

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

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

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 26 through 27 of this report.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
AUGUST 31, 2010

**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 requirements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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, government 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 government'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 government's near-term financing decisions. Both the government 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 forty-eight 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 capital projects fund, all of which are considered to be major funds. Data from the other forty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 28 through 31 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded dental and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 32 through 34 of this report.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010**

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets that can be found on pages 35 through 36. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 through 66 of this report.

**Other 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. Required supplementary information can be found on page 68 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 70 through 85 and 86 through 88 of this report.

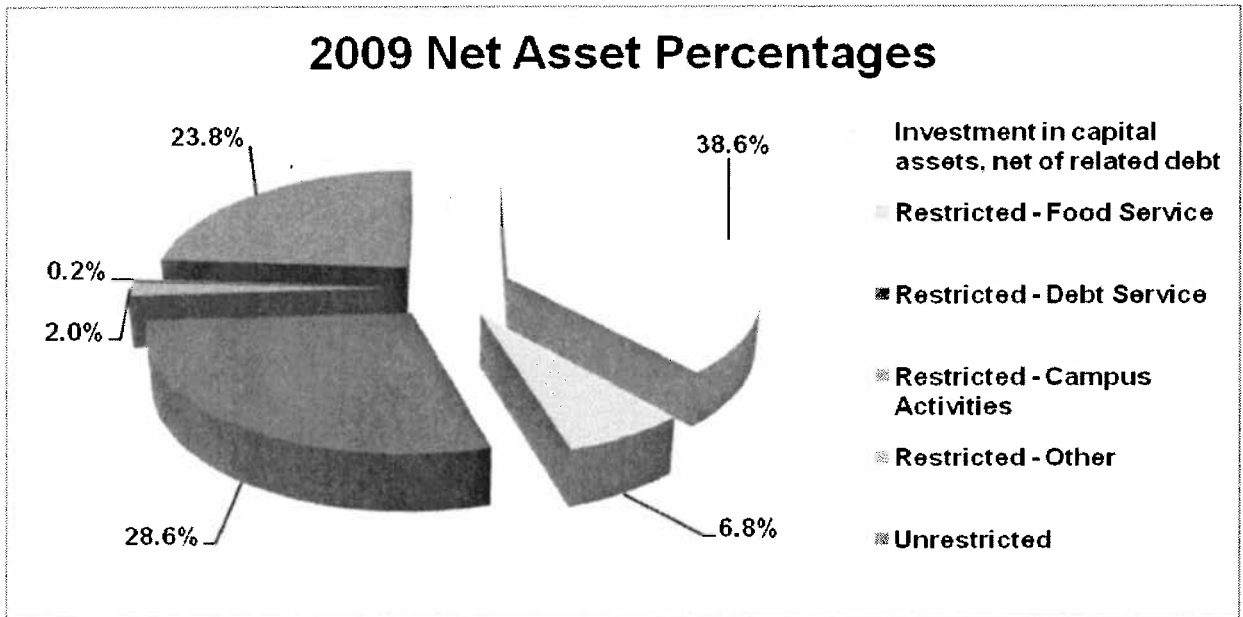
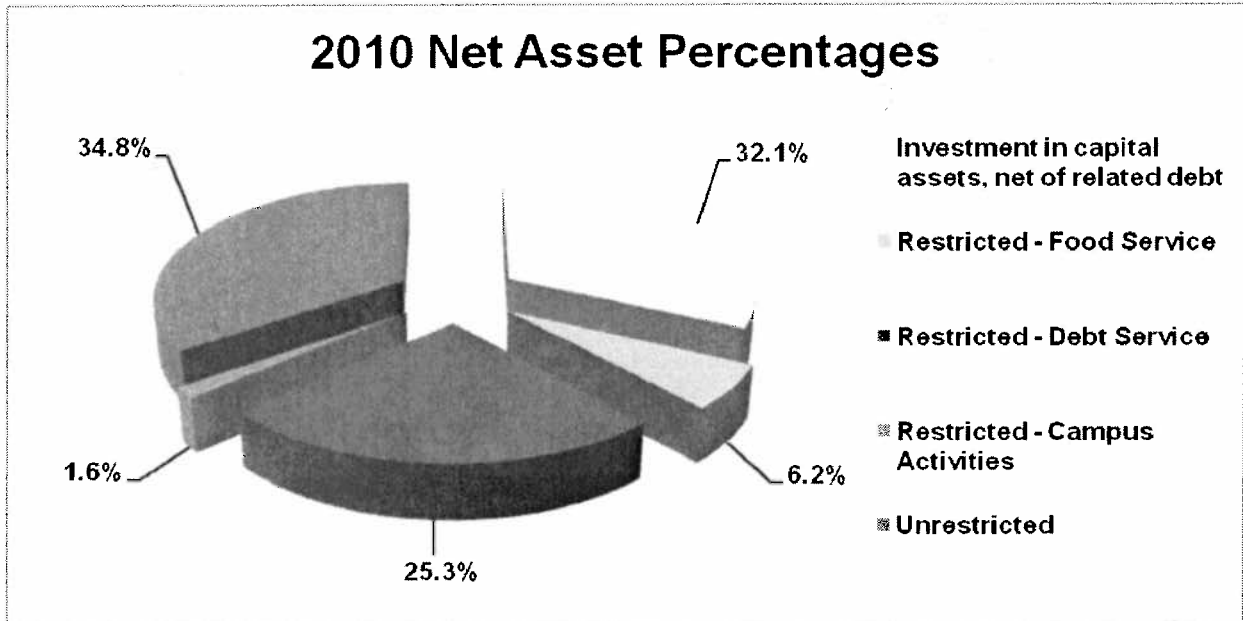
**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 31,713,693 as of August 31, 2010. Net assets of the District's governmental activities increased by \$ 8,593,243, from \$ 23,120,450 to \$ 31,713,693.

**The District's Net Assets**

	<u>2010</u>	(Restated) <u>2009</u>	(Restated) <u>2008</u>
Current and other assets	\$ 34,109,786	\$ 30,756,943	\$ 21,490,966
Capital assets	<u>146,036,507</u>	<u>149,986,673</u>	<u>154,773,332</u>
Total assets	<u>180,146,293</u>	<u>180,743,616</u>	<u>176,264,298</u>
Long-term liabilities outstanding	140,940,580	146,785,424	153,106,872
Other liabilities	<u>7,492,020</u>	<u>10,837,742</u>	<u>8,778,844</u>
Total liabilities	<u>148,432,600</u>	<u>157,623,166</u>	<u>161,885,716</u>
Net assets:			
Invested in capital assets, net of related debt	10,183,930	8,949,377	7,797,828
Restricted	10,499,799	8,663,314	5,874,335
Unrestricted	<u>11,029,964</u>	<u>5,507,759</u>	<u>706,419</u>
Total net assets	<u>\$ 31,713,693</u>	<u>\$ 23,120,450</u>	<u>\$ 14,378,582</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010**



Investment in capital assets (e.g., land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 10,183,930. 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. An additional portion of the District's net assets \$ 10,499,799 approximately 33 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$ 11,029,964 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.



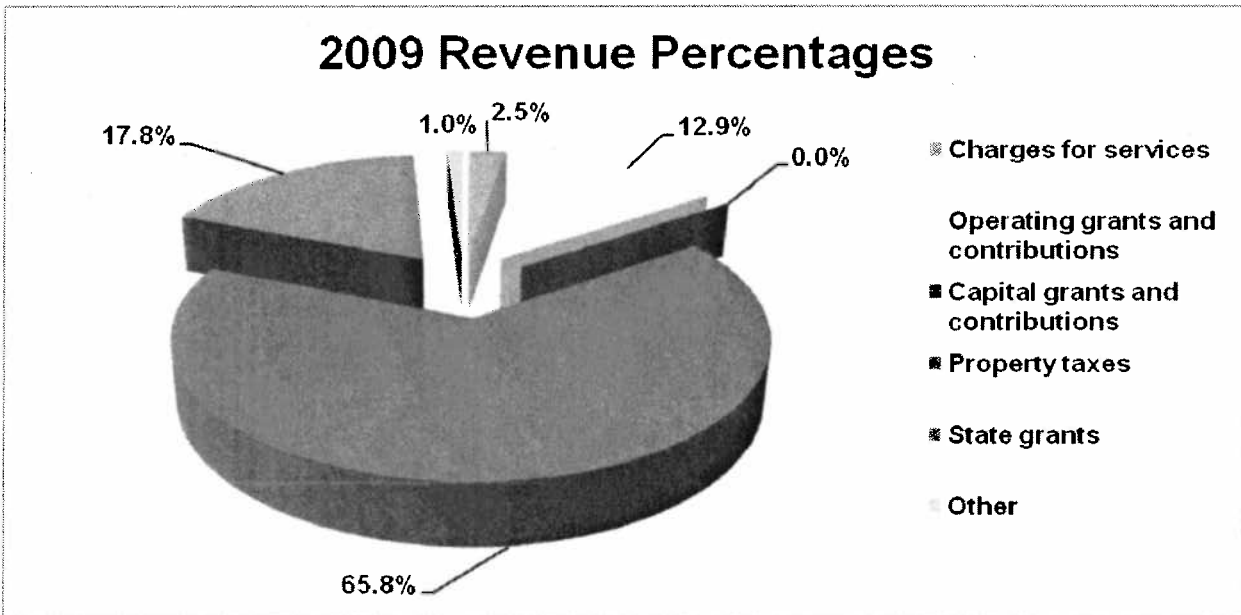
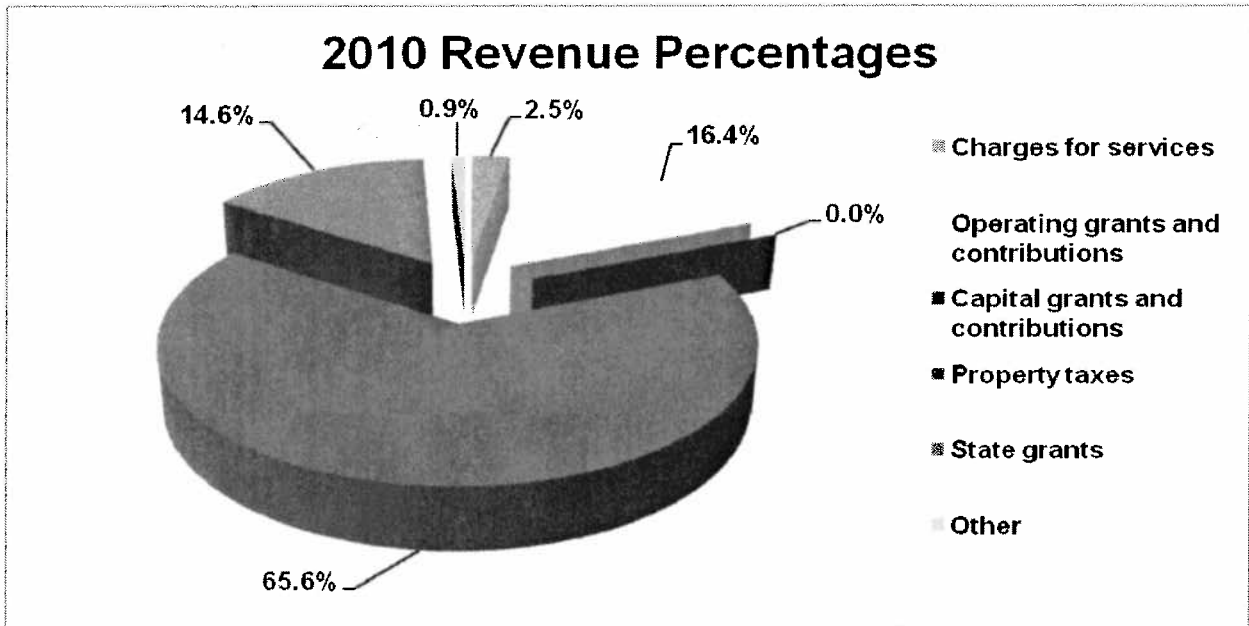
**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
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**AUGUST 31, 2010**

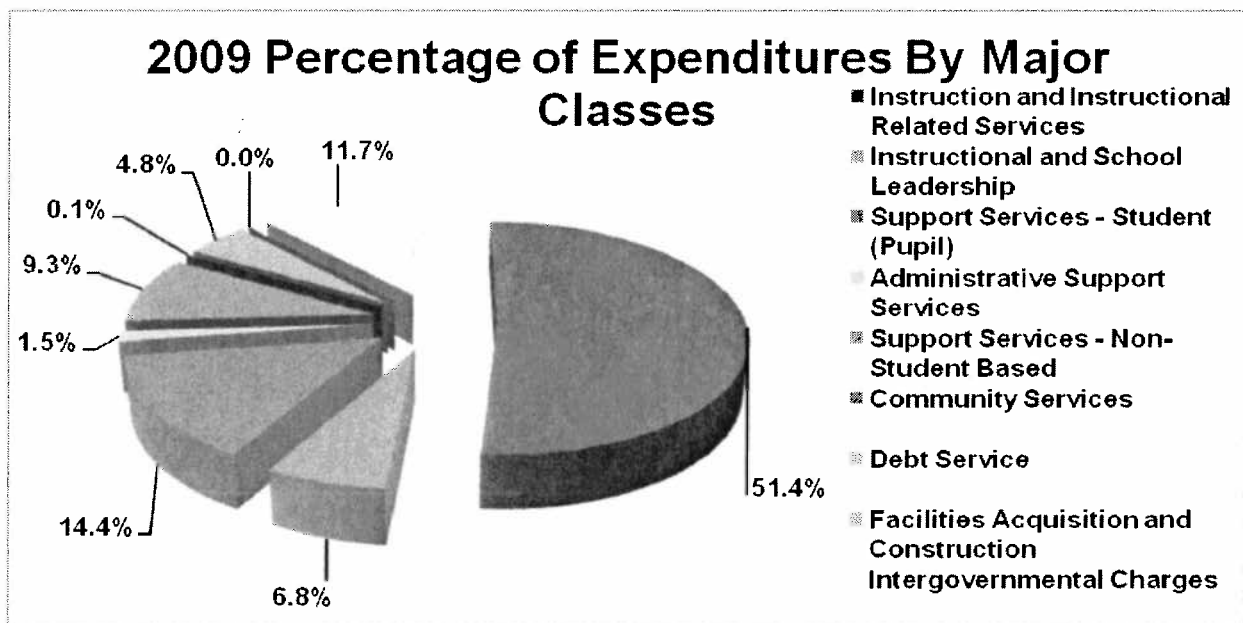
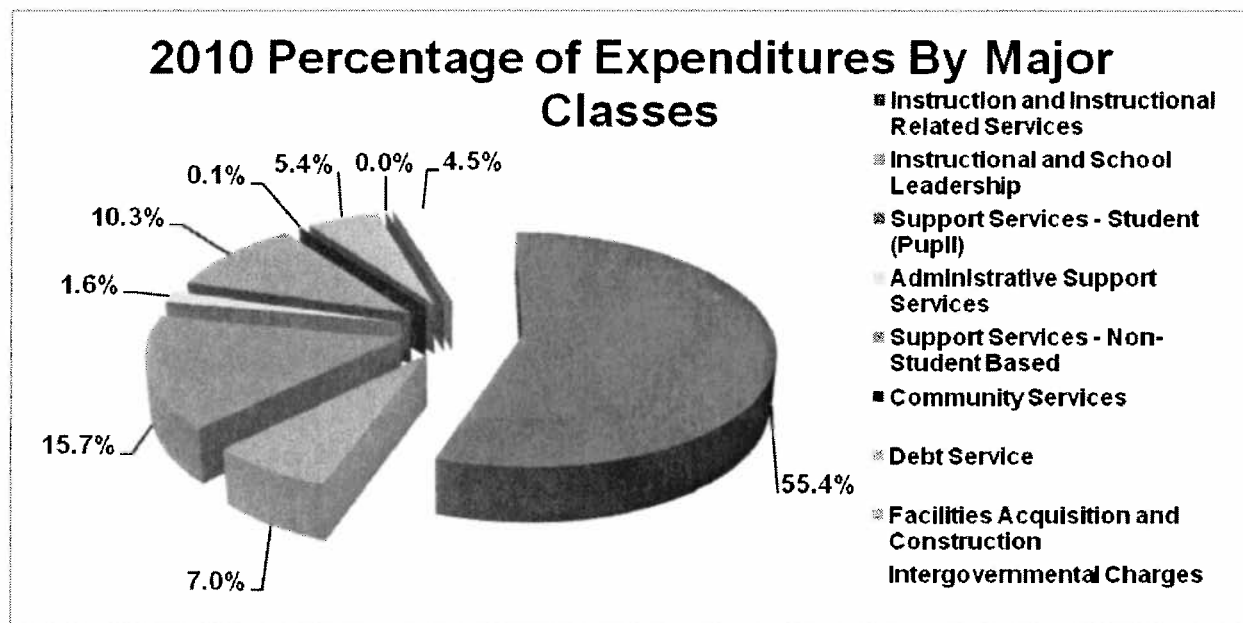
**Governmental activities.** The District's total net assets increased \$ 8,593,243. The total cost of all *governmental activities* this year was \$ 118,529,293. The amount that our taxpayers paid for these activities through property taxes was \$ 83,301,073 or 70 percent.

**Changes in the District's Net Assets**

	<u>2010</u>	(Restated) <u>2009</u>	(Restated) <u>2008</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 3,222,735	\$ 3,278,529	\$ 6,119,807
Operating grants & contributions	20,903,620	17,132,786	16,141,056
Capital grants & contributions	43,454	45,121	574,841
General Revenues:			
Property taxes	83,301,073	87,402,839	78,142,620
State grants	18,551,352	23,671,302	25,350,115
Other	<u>1,100,302</u>	<u>1,295,450</u>	<u>3,075,411</u>
Total revenues	<u>127,122,536</u>	<u>132,826,027</u>	<u>129,403,850</u>
Expenses:			
Instruction	61,875,331	60,597,028	63,511,957
Instructional resources & media services	2,189,609	2,135,076	2,325,015
Curriculum & staff development	1,444,415	1,116,133	1,607,642
Instructional leadership	1,838,021	1,843,110	2,249,407
School leadership	6,517,673	6,622,612	6,566,739
Guidance, counseling & evaluation services	3,717,661	3,916,005	4,207,123
Social work services	305,669	307,545	216,060
Health services	1,240,149	1,178,870	1,164,745
Student (pupil) transportation	2,415,353	2,215,104	2,862,007
Food services	6,418,644	6,386,771	6,997,280
Co-curricular/extracurricular activities	4,504,082	3,815,168	3,627,011
General administration	1,892,008	1,801,942	2,563,700
Plant maintenance and operations	10,387,206	9,902,435	14,293,840
Security and monitoring services	473,296	361,376	400,801
Data processing services	1,397,821	1,259,713	1,370,836
Community services	159,441	145,555	179,497
Debt service-interest and fees long-term debt	6,396,830	5,962,485	6,809,949
Facilities acquisition and construction	451	4,184	144,264
Contracted instructional services between public schools	1,492,254	9,965,207	7,684,853
Payments to shared services arrangements	3,093,728	3,761,833	69,849
Payments to juvenile justice alternative Education	154,000	189,810	212,515
Other governmental	<u>615,651</u>	<u>596,197</u>	<u>                    </u>
Total expenses	<u>118,529,293</u>	<u>124,084,159</u>	<u>129,065,090</u>
Increase in net assets	8,593,243	8,741,868	338,760
Beginning net assets (Restated)	<u>23,120,450</u>	<u>14,378,582</u>	<u>14,039,822</u>
Ending net assets	<u>\$ 31,713,693</u>	<u>\$ 23,120,450</u>	<u>\$ 14,378,582</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010**





**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*AUGUST 31, 2010*

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

**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, undesignated fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 24,368,733, an increase of \$ 6,340,007. Approximately 50 percent of this total amount \$ 12,152,333 constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed 1) for inventory \$ 634,683, 2) for prepaid items \$ 703,597, 3) for encumbrances \$ 205,587, 4) for food service \$ 1,975,209, 5) to pay debt service \$ 8,158,288, 6), other reserves \$ 26,607, and 7) other designations \$ 512,429.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$ 12,152,333, while the total fund balance was \$ 13,619,073. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 13.7 percent of the total general fund expenditures, while total fund balance represents 15.4 percent of that same amount.

The fund balance of the District's general fund increased \$4,433,825 during the current fiscal year. Key factors related to this change are as follows:

- Actual weighted average daily attendance exceeded the budgeted amount by sixty (60) which based on funding formulas allowed the District to generate and retain additional funding through a combination of property taxes, state revenues and a reduction in recapture payments.
- Actual funding from the state totaled \$ 819,480 less than budgeted due to lower than anticipated "On-behalf" payments of \$ 328,422 and a reduction in "Additional State Aid for Property Tax Reduction" of \$ 491,058 as a result of better than anticipated property tax collections.
- Favorable federal funding variances were a result of SHARS settle up payments from prior years received in 2009-10.
- The delay of certain planned expenditures resulted in favorable expenditure variances in several functions.
- Numerous functional expenditures were less than amounts originally budgeted, primarily due to lower than budgeted payroll costs due to unfilled vacancies occurring throughout the year.

The debt service fund has a total reserve for debt service (fund balance) of \$ 8,158,288. The net increase in reserve for debt service during the current year in the debt service fund was \$ 1,376,311. Following are factors contributing to this change:

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*AUGUST 31, 2010*

- The District currently has two QZAB bonds outstanding, which require annual payments totaling \$ 779,580 to be made into a sinking fund. Funding necessary to make the payments is received from property tax collections. Tax collections are recorded as revenues, which increase fund balance, however, payments into the sinking fund are not considered expenditures until the bonds mature.

The capital projects fund has substantially no total fund balance due to the conclusion of construction projects.

**Proprietary funds.** As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at August 31, 2010 amounted to \$ 528,153. The total increase in net assets was \$ 285,831. Effective September 1, 2008, the District transitioned to TRS Active Care to help control health care costs.

**General Fund Budgetary Highlights**

The District made the following amendments to budgeted revenue.

- \$ 344,079 reclassification of technology funding to Special Revenue Fund.
- \$ 3,428,448 reclassification of Federal Stabilization funding to Special Revenue Fund.
- \$ 402,239 increase of General Fund revenue as a result of additional E-Rate funding.

Following is a summary of amendments made to appropriations:

- \$ 344,079 reclassification of technology expenditures to Special Revenue Fund.
- \$ 3,428,448 reclassification of Federal Stabilization expenditures to Special Revenue Fund.
- \$ 489,841 increase of General Fund technology expenditures made possible by additional E-Rate funding.
- \$ 238,810 in purchases authorized in prior year but received until fiscal year 2009-2010.
- \$ 26,587 made available from remaining High School allotment funds that the State mandated to be combined with the General Fund.
- \$ 519,140 of contingency fund use for the purchase of vehicle, software, uniforms and an increase in JJAEP funding.
- \$ 11,960, \$25,000 and \$80,000 increase to purchase auditorium equipment, fund an additional resource officer and make ditch/safety improvements, respectively.
- Re-alignments between functions for revisions in estimates.

This positive variance in expenditures is the result of delays of certain planned expenditures along with lower than expected payroll and related costs and overestimates of TRS On-Behalf Payments.

**Capital Asset and Debt Administration**

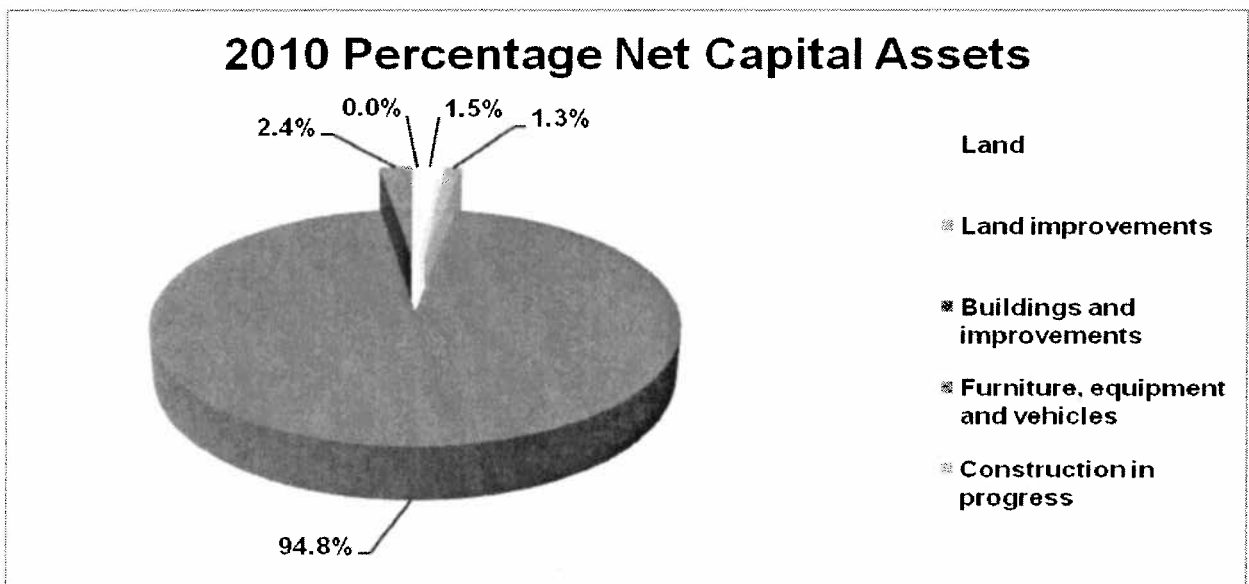
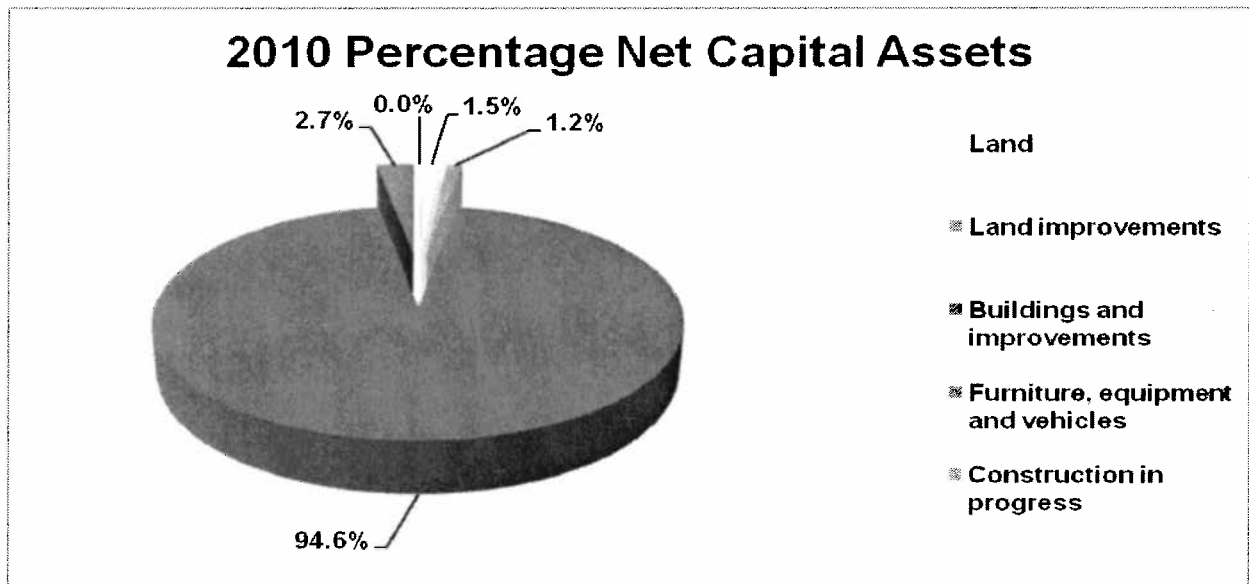
**Capital assets.** The District's investments in capital assets for its governmental activities as of August 31, 2010 amounts to \$ 146,036,507 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, furniture, equipment and vehicles, and construction in progress.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010**

**District's Capital Assets**  
**(net of depreciation)**

	2010	2009	2008
Land	\$ 2,260,973	\$ 2,260,973	\$ 2,260,973
Land improvements	1,726,428	1,965,695	2,192,460
Buildings and improvements	138,105,331	142,136,914	146,177,339
Furniture, equipment and vehicles	3,897,888	3,577,204	4,096,673
Construction in progress	<u>45,887</u>	<u>45,887</u>	<u>45,887</u>
Total at historical cost (net)	<u>\$ 146,036,507</u>	<u>\$ 149,986,673</u>	<u>\$ 154,773,332</u>

Additional information on the District's capital assets can be found in Note 6 on pages 54 through 55 of this report.

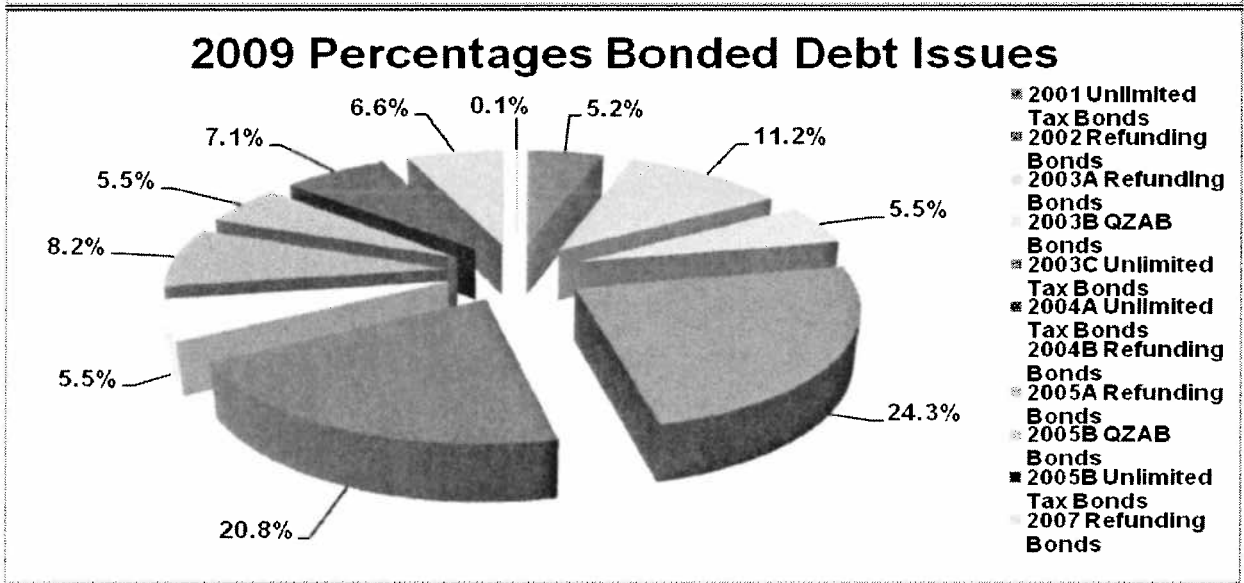
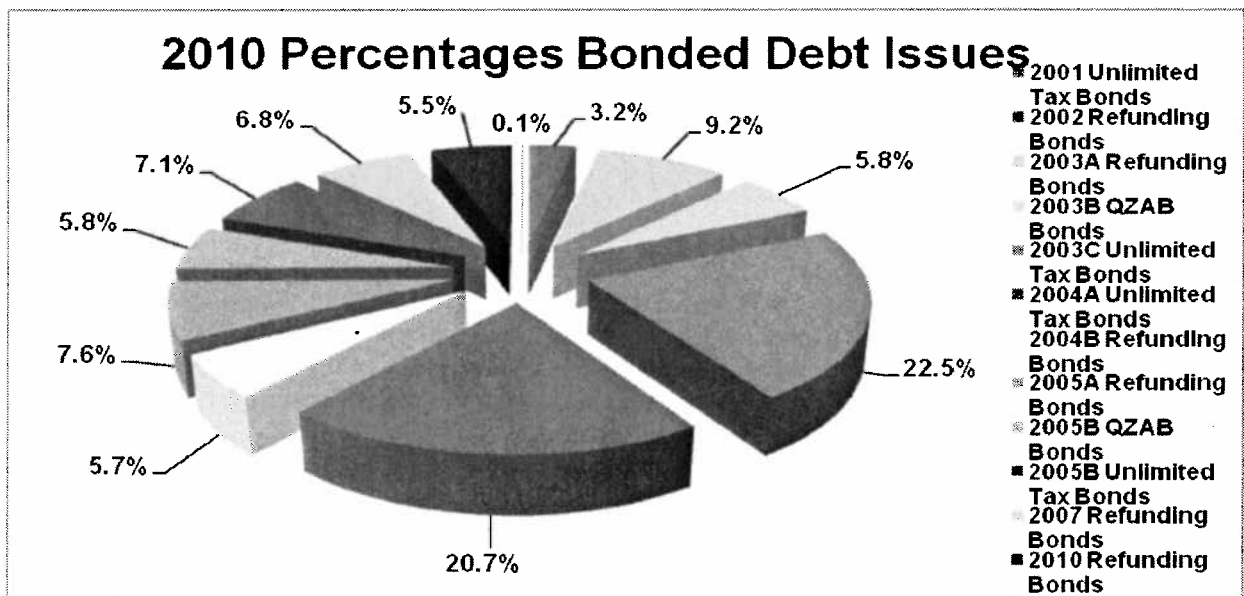


**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010**

**Long-term debt.** At August 31, 2010, the District had total long-term debt outstanding of \$ 140,940,580, a decrease of \$ 5,844,844 from the previous year. Long-term debt is made of general obligation bonds of \$ 138,305,034, capital leases of \$ 272,324, premium received on general obligation bonds of \$ 2,132,985, and accrued interest of \$ 230,237.

**District's Long-Term Debt:**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General obligations bonds	\$ 138,305,034	\$ 144,537,904	\$ 150,686,391
Capital leases	272,324	342,284	325,657
Components of Long-Term Debt:			
Premium (discount) general obligation bonds	2,132,985	1,647,500	1,828,059
Accrued interest payable	<u>230,237</u>	<u>257,736</u>	<u>266,765</u>
<b>Total long-term debt</b>	<b><u>\$ 140,940,580</u></b>	<b><u>\$ 146,785,424</u></b>	<b><u>\$ 153,106,872</u></b>



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*AUGUST 31, 2010*

Moody's Aaa rating on the District's bonded indebtedness is provided by a guarantee of the Texas Permanent School Fund for timely payment of principal and interest in the event the District is unable to meet debt service requirements. Moody's Aa3 underlying rating is representative of the District's sizable but highly concentrated tax base, low debt levels, and modest financial reserves.

Additional information on the District's long-term debt can be found in Notes 7 and 8 on pages 56 through 59 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Certified tax values for fiscal year 2011 decreased by approximately \$ 481 million, or 7.04% from fiscal year 2010.
- The District's 2010-2011 refined average daily attendance and attendance rate are expected to remain stable at 11,869 and 95%, respectively.
- Based on provisions of HB 3646 (81<sup>st</sup> Session) the District anticipates receiving no additional funding during the second year of the biennium. HB 3646, however does require a raise to teachers, nurses, counselors, librarians, and speech pathologist.
- No change in the maintenance and operations portion of the tax rate of \$ 1.04.
- Required wealth equalization payments for the 2010-2011 budget are estimated to be \$ 1.2 million versus approximately \$ 1.6 million for 2009-2010 due to reduction in property values (wealth).

These indicators were taken into account when adopting the General Fund budget for 2011-2012. The District has appropriated revenues and expenditures in the 2010-2011 budget of \$ 95,178,671 and \$ 95,132,160, respectively. Total budgeted revenues decreased from the 2009-2010 budget primarily due to reductions in property tax values. Total expenditures increased due to the 1% raise provided to all employees, offset partially by continued staff reductions and lower recapture payments.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director of Business Services, Brazosport Independent School District, P.O. Drawer Z, Freeport, Texas, 77542.



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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2010**

Exhibit A-1  
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>ASSETS:</b>	
1110	Cash and cash equivalents	\$ 20,136,080
1225	Property taxes receivables	1,628,087
1230	Allowance for uncollectible taxes	( 909,425)
1240	Due from other governments	10,155,295
1290	Other receivables (net)	606,131
1300	Inventories	634,683
1410	Deferred expenses	703,597
1420	Bond issuance costs (net)	1,155,338
	Capital Assets:	
1510	Land and improvements (net)	3,987,401
1520	Building and improvements (net)	138,105,331
1530	Furniture, equipment and vehicles (net)	3,897,888
1580	Construction in progress	<u>45,887</u>
1000	Total assets	<u>180,146,293</u>
	<b>LIABILITIES:</b>	
2110	Accounts payable	1,871,526
2150	Payroll deductions and withholdings	1,139,989
2160	Accrued wages payable	3,589,361
2165	Accrued liabilities	596,249
2180	Due to other governments	29,392
2300	Deferred revenue	265,503
	Noncurrent Liabilities:	
2501	Due within one year	7,332,770
2502	Due in more than one year	<u>133,607,810</u>
2000	Total liabilities	<u>148,432,600</u>
	<b>NET ASSETS:</b>	
3200	Invested in capital assets, net of related debt	10,183,930
	Restricted For:	
3840	Food service	1,975,209
3850	Debt service	8,012,161
3870	Campus activities	512,429
3900	Unrestricted	<u>11,029,964</u>
3000	Total net assets	<u>\$ 31,713,693</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit B-1  
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>						
11	Instruction	\$ 61,875,331	\$ 430,897	\$ 10,034,649	\$	\$( 51,409,785 )
12	Instructional resources and media services	2,189,609	14,634	142,715		( 2,032,260 )
13	Curriculum and staff development	1,444,415	5,560	725,856		( 712,999 )
21	Instructional leadership	1,838,021	10,418	538,169		( 1,289,434 )
23	School leadership	6,517,673	48,454	2,045,584		( 4,423,635 )
31	Guidance, counseling, and evaluation services	3,717,661	26,128	705,784		( 2,985,749 )
32	Social work services	305,669	2,003	91,166		( 212,500 )
33	Health services	1,240,149	8,816	175,676		( 1,055,657 )
34	Student transportation	2,415,353	24,175	85,249		( 2,305,929 )
35	Food service	6,418,644	2,309,653	4,365,431	43,454	299,894
36	Extracurricular activities	4,504,082	263,717	795,852		( 3,444,513 )
41	General administration	1,892,008	8,422	167,019		( 1,716,567 )
51	Plant maintenance and operations	10,387,206	60,324	557,487		( 9,769,395 )
52	Security and monitoring services	473,296	402	36,698		( 436,196 )
53	Data processing services	1,397,821	7,579	353,760		( 1,036,482 )
61	Community services	159,441	1,553	82,525		( 75,363 )
72	Interest on long-term debt	5,479,508				( 5,479,508 )
73	Bond issuance costs and fees	917,322				( 917,322 )
81	Facilities acquisition and construction	451				( 451 )
91	Contracted instructional services between public schools	1,492,254				( 1,492,254 )
93	Payments related to shared services arrangements	3,093,728				( 3,093,728 )
95	Payments to juvenile justice alternative education programs	154,000				( 154,000 )
99	Other intergovernmental	615,651				( 615,651 )
TG	Total governmental activities	<u>\$ 118,529,293</u>	<u>\$ 3,222,735</u>	<u>\$ 20,903,620</u>	<u>\$ 43,454</u>	<u>\$( 94,359,484 )</u>
<b>General Revenues:</b>						
<b>Taxes:</b>						
MT	Property taxes, levied for general purposes					\$ 70,028,261
DT	Property taxes, levied for debt service					13,272,812
SF	State aid-formula grants					17,402,715
GC	Grants and contributions not restricted to specific programs					1,148,637
IE	Investment earnings					210,224
MI	Miscellaneous					876,478
S1	Special item – gain on sale of assets					13,600
TG	Total general revenues, special items, and transfers					<u>102,952,727</u>
CN	Change in net assets					8,593,243
NB	Net assets – beginning (Restated)					<u>23,120,450</u>
NE	Net assets – ending					<u>\$ 31,713,693</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AUGUST 31, 2010**

Exhibit C-1  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>					
1110	Cash and cash equivalents	\$ 10,345,662	\$ 8,121,501	\$ 544,515	\$ 19,011,678
1220	Taxes receivable	1,417,434	210,653		1,628,087
1230	Allowance for uncollectible taxes	( 809,092 )	( 100,333 )		( 909,425 )
1240	Receivables from other governments	7,044,055		3,221,458	10,265,513
1260	Due from other funds	2,749,077	10,577	2,666,812	5,426,466
1290	Other receivables	14,534		17,301	31,835
1300	Inventories	530,969		103,714	634,683
1410	Deferred expenditures	703,597			703,597
1000	Total assets	<u>\$ 21,996,236</u>	<u>\$ 8,242,398</u>	<u>\$ 6,553,800</u>	<u>\$ 36,792,434</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
2110	Accounts payable	\$ 1,185,684	\$	\$ 685,842	\$ 1,871,526
2150	Payroll deductions and withholdings	1,139,989			1,139,989
2160	Accrued wages payable	3,178,192		411,169	3,589,361
2170	Due to other funds	2,218,048		2,744,340	4,962,388
2180	Due to other governments	29,392			29,392
2300	Deferred revenue	625,858	84,110	121,077	831,045
2000	Total liabilities	<u>8,377,163</u>	<u>84,110</u>	<u>3,962,428</u>	<u>12,423,701</u>
Fund Balances:					
Reserved For:					
3410	Inventories	530,969		103,714	634,683
3430	Prepaid items	703,597			703,597
3440	Encumbrances	205,587			205,587
3450	Food service			1,975,209	1,975,209
3480	Debt service		8,158,288		8,158,288
3490	Other	26,587		20	26,607
Designated For:					
3590	Other purposes			512,429	512,429
3600	Unreserved	12,152,333			12,152,333
3000	Total fund balances	<u>13,619,073</u>	<u>8,158,288</u>	<u>2,591,372</u>	<u>24,368,733</u>
4000	Total liabilities and fund balances	<u>\$ 21,996,236</u>	<u>\$ 8,242,398</u>	<u>\$ 6,553,800</u>	<u>\$ 36,792,434</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS**  
**AUGUST 31, 2010**

Exhibit C-1R  
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 24,368,733
<b>Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 202,347,413 in assets less \$ 56,310,906 in accumulated depreciation.	146,036,507
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 481,432 and \$ 84,110, respectively.	565,542
Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Net bond issuance costs were \$ 1,155,338 (issuance costs of \$ 1,786,598 less amortization of \$ 631,260).	1,155,338
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 2,132,985 (premium on sale of bonds of \$ 3,292,136 less amortization of \$ 1,159,151).	( 2,132,985)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	528,153
Payables for bond principal are not reported in the funds.	( 138,305,034)
Payables for bond interest are not reported in the funds	( 230,237)
Payables for capital lease principal are not reported in the funds.	<u>( 272,324)</u>
Net assets of governmental activities – statement of net assets (A-1)	<u>\$ 31,713,693</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit C-2  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>					
5700	Local and intermediate sources	\$ 71,143,079	\$ 13,437,697	\$ 2,992,813	\$ 87,573,589
5800	State program revenues	21,187,928		721,960	21,909,888
5900	Federal program revenues	557,425		16,304,161	16,861,586
5020	Total revenues	<u>92,888,432</u>	<u>13,437,697</u>	<u>20,018,934</u>	<u>126,345,063</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	51,350,002		8,063,436	59,413,438
0012	Instructional resources and media services	1,878,623		58,786	1,937,409
0013	Curriculum and staff development	690,486		737,843	1,428,329
0021	Instructional leadership	1,290,938		508,188	1,799,126
0023	School leadership	4,323,790		1,961,046	6,284,836
0031	Guidance, counseling, and evaluation services	3,061,378		601,490	3,662,868
0032	Social work services	215,381		89,056	304,437
0033	Health services	1,081,377		133,281	1,214,658
0034	Student transportation	1,813,873			1,813,873
0035	Food Service			6,073,543	6,073,543
0036	Extracurricular activities	3,221,009		686,819	3,907,828
0041	General administration	1,766,194		91,079	1,857,273
0051	Plant maintenance and operations	10,168,576		89,596	10,258,172
0052	Security and monitoring services	456,625		16,425	473,050
0053	Data processing services	1,505,263		301,657	1,806,920
0061	Community services	80,019		78,467	158,486
0071	Principal on long-term debt	164,960	6,455,000		6,619,960
0072	Interest on long-term debt	41,978	5,600,134		5,642,112
0073	Bond issuance costs and fees		143,826		143,826
0081	Facilities acquisition and construction			451	451
0091	Contracted instructional services between public schools	1,492,254			1,492,254
0093	Payments related to shared services arrangements	3,093,728			3,093,728
0095	Payments to juvenile justice alternative education programs	154,000			154,000
0099	Other intergovernmental	615,653			615,653
6030	Total expenditures	<u>88,466,107</u>	<u>12,198,960</u>	<u>19,491,163</u>	<u>120,156,230</u>
1100	Excess (deficiency) of revenues over expenditures	<u>4,422,325</u>	<u>1,238,737</u>	<u>527,771</u>	<u>6,188,833</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of real and personal property	11,500		2,100	13,600
7913	Proceeds from bonds		7,696,990		7,696,990
7916	Premium on bonds		705,728		705,728
8949	Payment to escrow agent		( 8,265,144 )		( 8,265,144 )
	Total other financing sources and (uses)	<u>11,500</u>	<u>137,574</u>	<u>2,100</u>	<u>151,174</u>
1200	Net change in fund balances	4,433,825	1,376,311	529,871	6,340,007
0100	Fund balances – beginning (restated)	<u>9,185,248</u>	<u>6,781,977</u>	<u>2,061,501</u>	<u>18,028,726</u>
3000	Fund balances – ending	<u>\$ 13,619,073</u>	<u>\$ 8,158,288</u>	<u>\$ 2,591,372</u>	<u>\$ 24,368,733</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT,**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit C-2R  
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 6,340,007
<b>Amounts reported for governmental activities in the statement of activities (B-1) are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$ 5,176,298 exceeded capital outlay \$ 1,226,131 in the current period.	( 3,950,167 )
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by \$ 39,541 and the debt service fund increased by \$ 6,537.	46,078
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt \$ 6,550,000; and capital lease of \$ 69,960.	6,619,960
Debt issuance costs on the issuance of bonds is an expenditure in the governmental funds, but the costs increase long-term assets in the statement of net assets. This amount is amortized over the life of the bond. Net bond issuance costs were \$ 26,648. (Additional costs of \$ 136,248 less current year amortization of \$ 109,600).	26,648
Long-term debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the governmental activities statement of net assets. Long-term debt proceeds from bonds in the governmental fund were \$ 7,696,990 less \$ 7,465,000 decreased through refunding.	( 231,990 )
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$( 485,483). (Premium on bonds issued of \$ 705,728 less current amortization of \$ 220,245).	( 485,483 )
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	27,499
Internal service funds are used by management to charge the costs of insurance, health and worker's compensation to individual funds. The net revenue (expense) of the internal service funds is reported in the governmental activities statement of activities (see D-2)	285,831
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	( 85,140 )
Change in net assets of governmental activities (see B-1)	<u>\$ 8,593,243</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**AUGUST 31, 2010**

Exhibit D-1  
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	ASSETS:	
	Current Assets:	
1110	Cash and cash equivalents	\$ <u>1,124,402</u>
	Total current assets	1,124,402
	Noncurrent Assets:	
	Total noncurrent assets	<u>                    </u>
	Total assets	<u>1,124,402</u>
	LIABILITIES:	
	Current Liabilities:	
2165	Accrued expenses payable	<u>596,249</u>
	Total current liabilities	596,249
	Noncurrent Liabilities:	
	Total noncurrent liabilities	<u>                    </u>
	Total liabilities	<u>596,249</u>
	NET ASSETS:	
3900	Unrestricted net assets	<u>528,153</u>
	Total net assets	<u>\$ 528,153</u>

The notes to the financial statements are an integral part of this statement.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit D-2  
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>1,216,224</u>
Total operating revenues	<u>1,216,224</u>
Operating Expenses:	
Insurance claims and expenses	<u>931,655</u>
Total operating expenses	<u>931,655</u>
Operating income (loss)	<u>284,569</u>
Nonoperating Revenues (Expenses):	
Interest and investment revenue	<u>1,262</u>
Total nonoperating revenues (expenses)	<u>1,262</u>
Income (loss) before contributions and transfers	285,831
Contributions and transfers	<u>                    </u>
Changes in net assets	285,831
Net assets – beginning	<u>242,322</u>
Net assets – ending	\$ <u><u>528,153</u></u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit D-3  
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,216,894
Payments to other funds	( 60,016 )
Claims paid	<u>( 1,049,202 )</u>
Net cash provided by operating activities	<u>107,676</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Net cash provided (used) by noncapital financing activities	<u>-0-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Net cash provided (used) by capital and related financing activities	<u>-0-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	<u>1,262</u>
Net cash provided by investing activities	<u>1,262</u>
Net increase in cash and cash equivalents	108,938
Balances – beginning of year	<u>1,015,464</u>
Balances – end of year	<u>\$ 1,124,402</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 284,569
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Changes in Assets and Liabilities:	
Due from other funds	671
Accounts payable	( 117,548 )
Due to other funds	<u>( 60,016 )</u>
Net cash provided by operating activities	<u>\$ 107,676</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2010**

Exhibit E-1  
Page 1 of 1

	<u>Private- Purpose Trusts</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ 56,230	\$ 925,959
Receivables:		
Other receivables		167
Due from other funds		6,976
Deferred expenditures		<u>1,484</u>
Total receivables	<u>-0-</u>	<u>8,627</u>
Total assets	<u>56,230</u>	<u>\$ 934,586</u>
LIABILITIES:		
Accounts payable		\$ 31,126
Amounts due to student and employee groups		437,143
Due to other funds	<u>4,737</u>	<u>466,317</u>
Total liabilities	<u>4,737</u>	<u>\$ 934,586</u>
NET ASSETS:		
Held in trust for other purposes	<u>51,493</u>	
Total net assets	<u>\$ 51,493</u>	

The notes to the financial statements are an integral part of this financial statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit E-2  
Page 1 of 1

	<u>Private- Purpose Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ <u>-0-</u>
Investment Earning:	
Interest	<u>27</u>
Total investment earnings	27
Less investment expense	<u>          </u>
Net investment earnings	<u>27</u>
Total additions	<u>27</u>
DEDUCTIONS:	
Instruction	<u>14,851</u>
Total deductions	<u>14,851</u>
Change in net assets	( 14,824 )
NET ASSETS	
Net assets – beginning of the year	<u>66,317</u>
Net assets – end of the year	<u>\$ 51,493</u>

The notes to the financial statements are an integral part of this statement.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "*The Reporting Entity*." There are no component units included within the reporting entity.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

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 instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis Of Accounting, and Financial Statement Presentation**  
**(Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas 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.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the 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 amount.

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources 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 and state government, food service, debt service, and capital projects.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)**

The *debt service* fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded dental insurance plan provided for the benefit of eligible employees and its self-funded worker's compensation program. The revenues of these funds are received from both the general and special revenue funds, and District employees and the expenses are comprised of claims paid on behalf of the District and its employees. The general fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. See Note 13 for additional discussion of the District's self-funded insurance plans.

The dental insurance plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. As of August 31, 2010, liabilities totaled \$ 56,423 and net assets of the dental insurance plan was \$ 168,587.

The worker's compensation program provides for incurred but not reported costs for worker's compensation claims through the establishment of undiscounted liability accounts and net assets. As of August 31, 2010, undiscounted liabilities totaled \$ 539,826 and net assets of the worker's compensation program was \$ 359,566.

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



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis Of Accounting, and Financial Statement Presentation**  
**(Continued)**

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations for endowments received from individuals and/or organizations for specified donor purposes for which the principal and earned interest or revenue may be used.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

**Cash and Investments**

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

**Interfund Receivables, Payables and Transfers**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 5 for additional discussion of interfund receivables, payables and transfers.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value (adjusted) of the property tax roll on January 1, 2009, upon which the levy for the 2009-10 fiscal year was based, was \$ 6,666,775,818. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2010, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0400 and \$ 0.1855 per \$ 100 valuation, respectively, for a total of \$ 1.2285 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2010 were 99.85% of the year-end adjusted tax levy. 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 on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2010, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 608,342 and \$ 110,320 for the general and debt service funds, respectively.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their market value is recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

**Capital Assets and Depreciation**

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	40-50
Furniture, equipment and vehicles	5-15

**Compensated Absences**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. 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.

**Budgetary Data**

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required governmental funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the food service (special revenue fund). The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

The Official Budget was prepared for adoption for the general fund, food service (special revenue fund) and debt service fund prior to August 30, 2009. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Data (Continued)**

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final budget amendment on August 24, 2010.

**Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances at August 31, 2010 that were subsequently provided for in the 2009-10 budget as a September amendment for Board approval totaled \$ 205,587. The entire amount is reflected as a reserve of fund balance in the general fund.

**Fund Equity**

Unreserved undesignated fund equity for governmental funds indicates available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Board Resolution for specific purposes and are therefore not available for general expenditures to be appropriated in the following period unless amended by future Board action. As of August 31, 2010, there is no unreserved designated fund equity in the general fund and \$ 512,429 designated for subsequent years expenditures in the other governmental funds (Special Revenue Funds). Reserved fund balance is that portion of fund equity, which is not available for appropriation or which has been legally separated for specific purposes. As of August 31, 2010, reserved general fund balance includes \$ 530,969 for inventories, \$ 703,597 for prepaid items, \$ 26,587 for other purposes, and \$ 205,587 for encumbrances. The food service (special revenue fund) reserves \$ 103,714 for inventories, and \$ 1,975,209 for food service. Debt service fund reserves total \$ 8,158,288 for retirement of funded indebtedness as of August 31, 2010. Capital projects fund reserves total \$ 20 for other purposes at August 31, 2010.

**Data Control Codes**

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

## **BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2010*

#### **NOTE 2. NEW PRONOUNCEMENTS**

GASB No. 51, "Accounting and Financial Reporting for Intangible Assets", was issued June 2007. This statement provides guidance for financial reporting of intangible assets for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The statement was implemented and did not have a material effect on the financial statements of the District.

GASB No. 52, "Land and Other Real Estate Held as Investments by Endowments", was issued November 2007. This statement does not apply to the District as it holds no endowment funds. This statement is effective for periods beginning after June 15, 2008. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", was issued June 2008. This statement provides guidance for financial reporting of derivative instruments for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2010.

GASB No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", was issued April 2009. This statement is effective immediately and had no affect on the District's financial statements.

GASB No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", was issued April 2009. This statement is effective immediately and had no affect on the District's financial statements.

GASB No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", was issued December 2009. This statement is effective immediately and had no affect on the District's financial statements.

GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies", was issued December 2009. This statement is effective for periods beginning after June 15, 2009. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 59, "Financial Instrument Omnibus", was issued December 2009. The management of the District does not believe that the implementation of this statement will affect the financial statements of the District. This statement is effective for periods beginning after June 15, 2010.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES**

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net assets at August 31, 2010 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary (Internal Service) Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 5,180	\$	\$ 1,100	\$ 6,280
Financial Institution Deposits:				
Demand deposits	2,934,248	1,124,402	968,018	5,026,668
Repurchase agreement	5,269,061			5,269,061
Public Funds Investment Pool:				
Lone Star	<u>10,803,189</u>	<u>                    </u>	<u>13,071</u>	<u>10,816,260</u>
	<u>\$ 19,011,678</u>	<u>\$ 1,124,402</u>	<u>\$ 982,189</u>	<u>\$ 21,118,269</u>

**Deposits**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2010, in addition to petty cash of \$ 6,280, the carrying amount of the District's cash, savings, and time deposits was \$ 5,026,668. The financial institutions balances were \$ 5,787,998 at August 31, 2010. Financial institution balances of \$ 250,000 were covered by federal depository insurance, and \$ 5,537,998 were covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated financial institutions, which act as the pledging bank's agent.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Deposits (Continued)**

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

Depository:

- a. Name of bank: Texas Gulf Bank, Freeport, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 21,856,983.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 18,429,460 and occurred on February 11, 2010.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

**Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Investments (Continued)**

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the U.S. or its agencies and instrumentalities;
2. Obligations of the State of Texas or its agencies;
3. Other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
5. Guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas;
6. Fully collateralized repurchase agreements; and,
7. Public funds investment pool meeting the requirements of Government Code 2256.016-2256.019.

The District participates in two investment services repurchase agreement of U.S. Government securities agreement with the JP Morgan for the purpose of investing funds to pay future matured bonds. This agreement governs the sale and purchase of U.S. Government-backed securities by and between the District and the depository on scheduled dates.

These agreements are not considered deposits and are not insured by federal deposit insurance or any other insurance. These investments have a custodial risk as uninsured and unregistered, with securities held by the financial institution's trust department or agent in the District's name.

The District entered into these agreements for the purpose of repaying bonds. These agreements shall not be terminable upon demand. The District will participate in these agreements until completion of terms with interest rates guaranteed to provide sufficient funds to repay the 2003 and 2005 QZAB bonds. The District will repay these bonds with these investments.

The District participates in one Local Government Investment Pool (LGIP): Lone Star Investment Pool. The Lone Star Investment Pool (the Pool) was established on July 25, 1991, as a public funds investment pool in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. Lone Star is a 2(a)7 like fund, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Standard and Poor's has assigned its "aaa" bond fund risk rating and "AAAF" credit quality rating to the Pool's U.S. Government Fund and Liquidity Plus

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Investments (Continued)**

Fund, respectively. The “aaa” rating is the highest possible ranking and indicates each fund’s low sensitivity to changing market conditions. The “AAAF” credit quality rating reflects the high credit quality of the U.S. Government Fund’s and the Liquidity Plus Fund’s eligible investments and counterparts. Standard and Poor’s has also assigned its “AAAm” money market fund rating to the Pool’s Liquidity Fund. The “AAAm” is the highest possible ranking and indicates the Liquidity Fund’s low sensitivity to changing market conditions. Standard and Poor’s reviews investments of the U.S. Government Fund and Liquidity Plus Fund monthly. Investments of the Liquidity Fund are reviewed weekly.

At August 31, 2010 Lone Star Investment Pool had a weighted average maturity of 52 days. Although Lone Star Investment Pool had a weighted average maturity of 52 days, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The District’s investment in LGIP are insured, registered, or the District’s agent holds the securities in the District’s name; therefore, the District is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the District at August 31, 2010:

	<u>Market Value</u>
Repurchase agreement	\$ 5,269,061
Local Government Investment Pools:	
Lone Star Investment Pool	<u>10,816,260</u>
Total investments	<u>\$ 16,085,321</u>

Credit Risk – As of August 31, 2010, the LGIPs are rated AAAs by Standard and Poor’s. The Repurchase Agreement is invested in direct obligations of the United States of America backed by the full faith and credit of the United States of America.

Interest rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District’s cash flow requirements.

At August 31, 2010, 100% of the investment portfolio was invested in obligations of the United States of America or obligations backed by the full faith and credit of the United States of America.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES**

**Receivables and Allowances**

Receivables as of August 31, 2010, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 1,417,434	\$ 210,653		\$ 1,628,087
Receivables from other governments	7,044,055		3,221,458	10,265,513
Other receivables	<u>14,534</u>		<u>17,301</u>	<u>31,835</u>
Gross receivables	8,476,023	210,653	3,238,759	11,925,435
Less: allowance for uncollectibles	<u>809,092</u>	<u>100,333</u>		<u>909,425</u>
Net receivables	<u>\$ 7,666,931</u>	<u>\$ 110,320</u>	<u>\$ 3,238,759</u>	<u>\$ 11,016,010</u>

**Receivables/Payables from/to Other Governments**

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. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of August 31, 2010 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General fund	\$ 6,962,192	\$ 4,603	\$ 77,260	\$ 7,044,055
Other funds	<u>4,886</u>	<u>3,147,816</u>	<u>68,756</u>	<u>3,221,458</u>
Total	<u>\$ 6,967,078</u>	<u>\$ 3,152,419</u>	<u>\$ 146,016</u>	<u>\$ 10,265,513</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2010

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES  
(Continued)**

**Receivables/Payables from/to Other Governments (Continued)**

Amounts due to federal, state, and local governments as of August 31, 2010 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General fund	\$ <u>29,392</u>	\$ _____	\$ _____	\$ <u>29,392</u>
Total	\$ <u>29,392</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>29,392</u>

For the year ended August 31, 2010, the District was determined to be subject to Chapter 10 under the Texas Education Code (TEC). During the year ended August 31, 2010, the District was required to pay \$ 1,508,906 to the state and at August 31, 2010, the District had paid the state \$ 1,479,514. The under payment in the amount of \$ 29,392 is recorded as a payable to other governments. The amount incurred as Chapter 41 costs of \$ 1,492,254 is reported as expenditures under Function 91 - Contracted Instructional Services Between Public Schools. The District will continue to be classified as a Chapter 41 District for the 2010-2011 year.

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of August 31, 2010, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 481,432	\$
Delinquent property taxes receivable (debt service fund)	84,110	
State foundation		144,426
Federal food commodities		93,232
Local grants and contributions	_____	<u>27,845</u>
Total deferred/unearned revenue from governmental funds	\$ <u>565,542</u>	\$ <u>265,503</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Interfund Receivables and Payables**

Interfund balances at August 31, 2010 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 2,744,340	\$ 2,200,495
Debt Service Fund		10,577
Fiduciary Funds	<u>4,737</u>	<u>6,976</u>
Total general fund	<u>2,749,077</u>	<u>2,218,048</u>
Special Revenue Funds:		
General Fund:		
Title IV, Part A - Safe and Drug Free Schools and Communities Act		12,955
Title I, Part A - Improving Basic Programs		1,101,946
Title I, Part C – Education of Migratory Children		23,178
IDEA - Part B, Formula		395,896
IDEA - Part B, Preschool		16,780
National School Breakfast and Lunch Program	2,158,677	
Vocational Education - Basic Grant		15,076
Title II, Part A - Teacher and Principal Training and Recruiting		79,017
Enhancing Education Technology		3,890
Title III, Part A - English Language Acquisition and Language Enhancement		22,641
State/Federal Stabilization Funds		622,930
Title II, Part D ARRA		2,098
Smaller Learning Communities		5,990
ARRA IDEA-B – Formula		212,965
ARRA Preschool		10,341
School to Careers		85,358
FEMA – Ike		13,541
Visually Impaired		6,750
Non-educational Community - Based Support		400
Optional Extended-Year Program		4,886
Accelerated Reading Program		53,110
Texas High School Completion Success Program	41,818	
Technology Allotment		13,531
Region XIII-Mentor		1,324
Campus Activity Funds		39,737
Agency Fund	<u>466,317</u>	
	<u>2,666,812</u>	<u>2,744,340</u>

(continued)

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

**Interfund Receivables and Payables (Continued)**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Debt Service Fund:		
General Fund	\$ <u>10,577</u>	\$ _____
Fiduciary Funds:		
Trust Fund:		
General Fund	_____	_____ <u>4,737</u>
Agency Funds:		
General Fund	6,976	
Special Revenue Fund	_____	_____ <u>466,317</u>
Total	\$ <u>5,433,442</u>	\$ <u>5,433,442</u>

**Interfund Transfers**

There were no Interfund transfers for the year ended August 31, 2010.

**NOTE 6. CAPITAL ASSETS**

**Changes in Capital Assets and Accumulated Depreciation**

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2010:

	<u>September 1, 2009</u>	<u>Additions</u>	<u>Retirements &amp; Adjustments</u>	<u>August 31, 2010</u>
Non-Depreciated Capital Assets:				
Land	\$ 2,260,973	\$ _____	\$ _____	\$ 2,260,973
Construction in progress	<u>45,887</u>	_____	_____	<u>45,887</u>
Total non-depreciated	<u>2,306,860</u>	<u>-0-</u>	<u>-0-</u>	<u>2,306,860</u>
Depreciated Capital Assets:				
Land improvements	5,856,308			5,856,308
Buildings and improvements	181,384,758			181,384,758
Furniture, equipment & vehicles	<u>11,819,947</u>	<u>1,226,129</u>	<u>246,589</u>	<u>12,799,487</u>
Total depreciated	<u>199,061,013</u>	<u>1,226,129</u>	<u>246,589</u>	<u>200,040,553</u>
Total additions/retirements		\$ <u>1,226,129</u>	\$ <u>246,589</u>	

(continued)

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 6. CAPITAL ASSETS (Continued)**

**Changes in Capital Assets and Accumulated Depreciation (Continued)**

	<u>September 1,</u> <u>2009</u>	<u>Additions</u>	<u>Retirements &amp; Re- classifications</u>	<u>August 31,</u> <u>2010</u>
Accumulated Depreciated:				
Land and land improvements	\$ 3,890,613	\$ 239,268	\$	\$ 4,129,880
Buildings and improvements	39,247,844	4,031,583		43,279,427
Furniture, equipment & vehicles	<u>8,242,743</u>	<u>905,447</u>	<u>246,592</u>	<u>8,901,599</u>
 Total accumulated depreciation	 <u>51,381,200</u>	 <u>\$ 5,176,298</u>	 <u>\$ 246,592</u>	 <u>56,310,906</u>
 Net depreciated capital assets	 <u>147,679,813</u>			 <u>143,729,647</u>
 Net capital assets	 <u>\$149,986,673</u>			 <u>\$146,036,507</u>

See Note 1 for additional information regarding capital assets.

**Depreciation Expense**

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 2,682,177
0012	Instructional resources and media services	243,200
0013	Curriculum and staff development	12,667
0021	Instructional leadership	32,489
0023	School leadership	203,042
0031	Guidance, counseling, and evaluation services	38,727
0033	Health services	20,070
0034	Student transportation	586,614
0035	Food service	356,992
0036	Extracurricular activities	679,997
0041	General administration	29,557
0051	Plant maintenance and operations	278,316
0053	Data processing services	<u>12,450</u>
	 Total depreciation expense	 <u>\$ 5,176,298</u>

**Governmental Fund Construction Commitments**

At August 31, 2010, the District had no construction commitments.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 7. LONG-TERM DEBT**

**Loans**

Short-term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. The District did not borrow any funds through loan transactions during the year ended August 31, 2010.

**General Obligation Bonds**

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts are amortized using the effective interest method.

The following is a summary of the District's general obligation bonded debt as of August 31, 2010:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2001	\$ 820,000	2011	4.75	\$ 100,000
2002	10,910,000	2022	3.00-5.10	4,450,000
2003	23,985,000	2022	3.75-5.50	12,735,000
2003	8,000,000	2018	0.00	8,000,000
2003	39,450,000	2023	2.00-5.00	31,225,000
2004	35,000,000	2024	2.00-5.25	28,625,000
2004	8,265,000	2016	2.00-5.00	7,850,000
2005	14,530,000	2016	2.50-5.00	10,475,000
2005	8,000,000	2021	0.00	8,000,000
2005	13,000,000	2025	3.75-4.50	9,815,000
2007	8,010,000	2022	4.00	7,525,000
2007	1,682,270	2018	4.00	1,884,013
2010	6,985,000	2019	2.00-5.00	6,905,000
2010	<u>711,990</u>	2014	1.35-1.70	<u>716,022</u>
Total	\$ <u>179,349,260</u>			\$ <u>138,305,035</u>



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 7. LONG-TERM DEBT (Continued)**

**General Obligation Bonds (Continued)**

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2011	\$ 6,765,000	\$ 5,355,493	\$ 12,120,493
2012	6,920,000	5,093,089	12,013,089
2013	7,220,000	4,812,904	12,032,904
2014	7,510,000	4,502,628	12,012,628
2015	7,875,000	4,156,420	12,031,420
2016-2020	53,745,000	15,191,574	68,936,574
2021-2025	<u>48,965,000</u>	<u>3,711,042</u>	<u>52,676,042</u>
Totals	<u>\$ 139,000,000</u>	<u>\$ 42,823,150</u>	<u>\$ 181,823,150</u>

Difference in bond payable and future principal payments is due to \$ 694,965 of accretion, which will occur in future years prior to payment.

During the year ended August 31, 2010, the District issued \$ 7,465,000 of Unlimited Tax Refunding Bonds, Series 2010, for the advance partial refunding of previously issued outstanding bonds (Series 2002, 2003A and 2003C). The District placed the proceeds of the refunding issues in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issues being refunded. The difference between the cash flow required to service the new debt and complete the refunding at the date of the refunding was \$ 354,145.14. The economic gain resulting from the transaction was \$ 316,920.

The District entered into two repurchase agreements for 2003B Unlimited Tax School Building QZAB Bonds and the 2005 Unlimited Tax School Building QZAB Bonds. The 2003B Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 377,642 and will yield an interest rate of 4.21% with maturity date of August 15, 2018. The 2005 Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 401,939 and will yield an interest rate of 2.83% with maturity date of June 30, 2021. The total requirement deposited for the year ended August 31, 2010 was \$ 779,580. The sinking fund balance as of August 31, 2010 was \$ 5,269,061 (\$ 2,146,490 Series 2005 and \$ 3,122,571 Series 2003).

Presented below is a summary of the sinking fund requirements:

<u>Year Ended August 31</u>	<u>Series 2005</u>	<u>Series 2003</u>	<u>Total Requirements</u>
2011	\$ 401,938	\$ 377,642	\$ 779,580
2012	401,939	377,641	779,580
2013	401,939	377,642	779,581
2014	401,939	377,641	779,580
2015	401,939	377,641	779,580
2016-2020	2,009,695	1,132,926	3,142,621
2021	<u>401,939</u>	<u>                    </u>	<u>401,939</u>
Total minimum requirements	<u>\$ 4,421,328</u>	<u>\$ 3,021,133</u>	<u>\$ 7,442,461</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
 YEAR ENDED AUGUST 31, 2010

**NOTE 7. LONG-TERM DEBT (Continued)**

**General Obligation Bonds (Continued)**

Bond indebtedness of the District is recorded in the governmental activities statement of net assets, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

The District has entered into continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Brazosport Independent School District.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2010.

**Changes in Long-Term Liabilities**

Long-term liability activity for the governmental activities for the year ended August 31, 2010, was as follows:

	Balance 09-01-09	Additions	Reductions	Balance 08-31-10	Due Within One Year
Long-Term Debt:					
General obligation bonds	\$ 144,537,904	\$ 7,782,130	\$ 14,015,000	\$ 138,305,034	\$ 6,765,000
Capital leases	342,284		69,960	272,324	78,249
Components of Long-Term Debt:					
Premium (discount) on general obligation bond	1,647,500	705,730	220,245	2,132,985	259,284
Accrued interest	257,736	230,237	257,736	230,237	230,237
Totals	<u>\$ 146,785,424</u>	<u>\$ 8,718,097</u>	<u>\$ 14,562,941</u>	<u>\$ 140,940,580</u>	<u>\$ 7,332,770</u>

**NOTE 8. LEASES**

**Capital Leases**

The District leases various office machines under capital leases. During the year ended August 31, 2009, the District had \$ 83,252 of net additions of new office equipment through capital leases. The effective interest rates of the capital lease is 11.25%, expiring in 2013. The leased assets and related obligations are accounted for in the government activities column of the government-wide financial statements as capital assets and noncurrent liabilities. Current requirements for principal and interest expenditures accounted for in the General Fund, were \$ 104,932 and \$ 34,972, respectively.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 8. LEASES (Continued)**

**Capital Leases (Continued)**

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of August 31, 2010:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2011	\$ 104,932
2012	104,932
2013	104,932
2014	<u>8,746</u>
	323,542
Less amount representing interest	<u>51,218</u>
Net present value of minimum lease payments	<u>\$ 272,324</u>

**Operating Leases**

On March 15, 2004, the District entered into a non-cancelable lease agreement through February 28, 2009 for space to be used for records retention and a media center. This lease has expired and the District is currently operating in a "month to month" lease.

**NOTE 9. PENSION PLAN OBLIGATIONS**

*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 writing the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading.

*Funding Policy* - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 9. PENSION PLAN OBLIGATIONS (Continued)**

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's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. State law further provides a member contribution rate of 6.4% for fiscal years 2010, 2009 and 2008. In certain instances, the reporting District is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January through August 2010, and 6.58% for fiscal years 2009 and 2008. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2010, 2009 and 2008 were \$ 3,892,893, \$ 3,500,148 and \$ 4,173,503, respectively. The District paid additional state contributions for the years ended August 31, 2010, 2009 and 2008 in the amount of \$ 415,313, \$ 666,302 and \$ 556,369, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. Medicare part D contributions for the years ended August 31, 2010, 2009 and 2008 were \$ 177,454, \$ 157,878 and \$ 157,489, respectively. The District's total payroll for the years ended August 31, 2010, 2009 and 2008 were \$ 70,870,248, \$ 70,578,054 and \$ 72,691,198, respectively, of which \$ 63,744,507, \$ 63,320,351 and \$ 69,011,767 was covered payroll for this plan, respectively.

**NOTE 10. GENERAL FUND FEDERAL SOURCE REVENUES**

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 380,311
ROTC Program	12.000	62,814
Medicaid Administrative Claiming Program (MAC)	93.778	27,740
Indirect Costs:		
Title I, Part A – Improving Basic Programs	84.010A	28,790
Title I, Part A – School Improvement	84.010A	237
Title I, Part C – Education of Migratory Children	84.011	900
IDEA – Part B, Formula	84.027	28,911
Vocational Education – Basic	84.048	1,830
Title II, Part A – Teacher/Principal	84.367A	7,537
ARRA, IDEA – Part B, Formula	84.391A	18,226
ARRA, Title I, Part A – SIP	84.389A	<u>130</u>
		<u>\$ 557,426</u>

The School Health and Related Services (SHARS) funds are not considered federal financial assistance for inclusion in the Schedule of Federal Financial Assistance.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2010**

**NOTE 11. LOCAL AND INTERMEDIATE REVENUES**

During the current year, local and intermediate revenues for governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 69,565,480	\$ 13,203,060	\$	\$ 82,768,540
Food sales			2,263,210	2,263,210
Investment income	34,888	171,422	2,652	208,962
Penalties, interest and other tax related income	423,240	63,215		486,455
Co-curricular income	260,522			260,522
Other tuition and fees from patrons	1,143		14,225	15,368
Enterprising activities	13,476		700,150	713,626
Grants and contributions	11,100		12,576	23,676
Other	<u>833,230</u>			<u>833,230</u>
Total	<u>\$ 71,143,079</u>	<u>\$ 13,437,697</u>	<u>\$ 2,992,813</u>	<u>\$ 87,573,589</u>

**NOTE 12. 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; injuries to employees; and natural disasters. During fiscal 2010, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**NOTE 13. SELF-INSURED WORKERS' COMPENSATION**

Beginning September 1, 2001, the District established its self-funding Workers' Compensation program. The District met its statutory worker's compensation obligations by participating as a self-funded member of the TASB Risk Management Fund. The accrued liability for the Workers' Compensation self-insurance program is projected to be \$ 539,826 as of August 31, 2010.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2010. The District currently purchases specific excess coverage of \$ 325,000 per occurrence from Midwest Employers Casualty Company and \$ 1,000,000 in the aggregate. Claims administration is also provided by Texas Association of School Boards.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2010*

**NOTE 13. SELF-INSURED WORKERS' COMPENSATION (Continued)**

The accrued liability for Workers' Compensation self insurance of \$ 539,826 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2010, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

The following year-by-year exposure details the number of annual claims.

<u>Fiscal Year</u>	<u>Claims</u>
2003-04	152
2004-05	179
2005-06	200
2006-07	185
2007-08	173
2008-09	148
2009-10	112
7 Yr. Average	164

Changes in the workers' compensation claims liability amounts in fiscal 2008-2009 and 2009-2010 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2008-2009 Workers' Compensation	\$ 594,317	\$ 413,838	\$ 349,806	\$ 658,349
2009-2010 Workers' Compensation (restated)	\$ 658,349	\$ 338,948	\$ 457,471	\$ 539,826

**NOTE 14. UNEMPLOYMENT COMPENSATION POOL**

During the year ended August 31, 2010, Brazosport ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 14. UNEMPLOYMENT COMPENSATION POOL (Continued)**

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustee in February of the following year. The Fund's audited financial statements as of August 31, 2009 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**NOTE 15. LITIGATION AND CONTINGENCIES**

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2009 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 16. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS**

The District participates in a Shared Services Arrangement ("SSA") for teaching and services for the Juvenile Justice Alternative Education Program with seven other school districts. Although approximately 27% of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. Brazoria County is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District does not have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brazosport Independent School District. The District reimburses Brazoria County for expenditures attributable to their participation. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the expenditures attributable to the District's participation.

Expenditures:

6200	Professional and Contracted Services	\$	154,000
------	--------------------------------------	----	---------

The District participates in a Shared Services Arrangement ("SSA") for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. Although approximately 8% of the activity of the Shared Services Arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend Independent School District, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brazosport Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District's participation is not available.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 16. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS (Continued)**

The District reimburses Fort Bend Independent School District for their share of expenditures incurred which exceed the state funded portion. Local revenues are utilized to cover these expenditures. The District included the following expenditures in these financial statements.

Expenditures:		
6200	Professional and Contracted Services	\$ 107,173

The District participates in a shared services arrangement with Deer Park Independent School District for the supply of electricity and ancillary services to all facilities of the District. Deer Park Independent School District is the fiscal agent. All services are provided by the fiscal agent for the supply of electricity, the negotiation to purchase electricity, ancillary services, or other energy related products and services, and to encourage efficiency of operation and conservation on behalf of the buyer. The District does not account for revenues of expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Deer Park ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brazosport Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District included the following expenditures in these financial statements.

Expenditures:		
6400	Other Operating Costs	\$ 2,986,555

**NOTE 17. RESTATEMENT OF FUND BALANCE AND NET ASSETS**

During the year ended August 31, 2010, District personnel determined that certain campus activity funds were understated at the beginning of the current year. This balance was previously reported as a student activity fund balance and was not included in the fund balances or net assets of the District. At August 31, 2009, this campus activity fund had a balance of \$ 455,067 that has been restated as follows:

	Other Governmental Funds	Governmental Activities
	<u>                    </u>	<u>                    </u>
Balance at August 31, 2009	\$ 1,606,434	\$ 22,665,383
Reclassification of balance	<u>455,067</u>	<u>455,067</u>
Balance at August 31, 2009 (Restated)	\$ <u>2,061,501</u>	\$ <u>23,120,450</u>



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2010*

**NOTE 18. SUBSEQUENT EVENT**

The District has evaluated subsequent events through December 15, 2010, the date which the financial statements were available to be issued.

On November 30, 2010 the District issued \$ 9,330,000 of Taxable Series 2010Q, Maintenance Tax Qualified School Construction Notes, maturing in 2029. The bonds have stated interest rates ranging from 3.75% to 5.20%. The bonds are to be paid from annual ad valorem maintenance taxes levied. The District has irrevocably designated the Series 2010Q Bonds as "specified tax credit bonds" within the meaning of Section 6431(f)(3)(B) of the Internal Revenue Code. Therefore, the District will be eligible to receive a cash subsidy from the United States Treasury in connection with the election.

The Federal subsidy received by the District will not be pledged to payment of the Series 2010Q Bonds and may be used for any lawful purpose of the District, including but not limited to, the payment of debt service on the Series 2010Q Bonds. The following is a schedule of principal maturity for the Series 2010Q Bonds.

<u>Maturing August 15</u>	<u>Principal</u>
2020	\$ 4,635,000
2025	2,575,000
2029	<u>2,120,000</u>
Total	<u>\$ 9,330,000</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

Exhibit G-1  
Page 1 of 1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 69,848,309	\$ 70,250,548	\$ 71,143,079	\$ 892,531
5800	State program revenues	25,779,935	22,007,408	21,187,928	( 819,480 )
5900	Federal program revenues	<u>175,000</u>	<u>175,000</u>	<u>557,425</u>	<u>382,425</u>
5020	Total revenues	<u>95,803,244</u>	<u>92,432,956</u>	<u>92,888,432</u>	<u>455,476</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	53,920,674	52,661,118	51,350,002	1,311,116
0012	Instructional resources and media services	1,765,252	1,898,971	1,878,623	20,348
0013	Curriculum and staff development	733,931	713,081	690,486	22,595
0021	Instructional leadership	1,446,948	1,370,004	1,290,938	79,066
0023	School leadership	7,079,204	5,022,237	4,323,790	698,447
0031	Guidance, counseling, and evaluation services	3,551,276	3,560,021	3,061,378	498,643
0032	Social work services	115,725	215,725	215,381	344
0033	Health services	1,260,609	1,133,385	1,081,377	52,008
0034	Student transportation	2,629,511	2,179,511	1,813,873	365,638
0036	Extracurricular activities	2,877,736	3,435,595	3,221,009	214,586
0041	General administration	1,898,699	1,872,342	1,766,194	106,148
0051	Plant maintenance and operations	9,826,297	10,204,499	10,168,576	35,923
0052	Security and monitoring services	435,160	460,160	456,625	3,535
0053	Data processing services	1,252,078	1,530,262	1,505,263	24,999
0061	Community services	66,589	101,589	80,019	21,570
0071	Principal on long-term debt	164,960	164,960	164,960	
0072	Interest on long-term debt	41,980	41,980	41,978	2
0091	Contracted instructional services between public schools	1,620,772	1,620,772	1,492,254	128,518
0093	Payments related to shared services arrangements	3,500,336	3,500,336	3,093,728	406,608
0095	Payments to Juvenile Justice Alternative Education Programs	50,000	170,000	154,000	16,000
0099	Other intergovernmental	<u>635,000</u>	<u>635,000</u>	<u>615,653</u>	<u>19,347</u>
6030	Total expenditures	<u>94,872,737</u>	<u>92,491,548</u>	<u>88,466,107</u>	<u>4,025,441</u>
1100	Excess (deficiency) of revenues over expenditures	<u>930,507</u>	<u>( 58,592 )</u>	<u>4,422,325</u>	<u>4,480,917</u>
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real or personal property			<u>11,500</u>	<u>11,500</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>11,500</u>	<u>11,500</u>
1200	Net change in fund balances	930,507	( 58,592 )	4,433,825	4,492,417
0100	Fund balances – beginning	<u>9,185,248</u>	<u>9,185,248</u>	<u>9,185,248</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 10,115,755</u>	<u>\$ 9,126,656</u>	<u>\$ 13,619,073</u>	<u>\$ 4,492,417</u>

**OTHER SUPPLEMENTARY INFORMATION**

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2010**

Data Control Codes		Special				
		204 Title IV, Part A - Safe and Drug Free Schools and Communities Act	211 Title I Part A - Improving Basic Programs	212 Title I Part C - Education of Migratory Children	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments	15,386	1,212,627	24,461	558,375	20,366
1250	Other receivables		1,194		5	
1260	Due from other funds					
1310	Inventories					
1000	Total assets	<u>\$ 15,386</u>	<u>\$ 1,213,821</u>	<u>\$ 24,461</u>	<u>\$ 558,380</u>	<u>\$ 20,366</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 2,431	\$ 14,289	\$	\$ 23,930	\$
2160	Accrued wages payable		97,586	1,283	138,554	3,586
2170	Due to other funds	12,955	1,101,946	23,178	395,896	16,780
2300	Deferred revenues					
2000	Total liabilities	<u>15,386</u>	<u>1,213,821</u>	<u>24,461</u>	<u>558,380</u>	<u>20,366</u>
<b>Fund Balances:</b>						
<b>Reserved For:</b>						
3410	Inventory					
3450	Food service					
3480	Other					
<b>Designated For:</b>						
3590	Other purposes					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities and fund balances	<u>\$ 15,386</u>	<u>\$ 1,213,821</u>	<u>\$ 24,461</u>	<u>\$ 558,380</u>	<u>\$ 20,366</u>

Revenue Funds

240	244	255	262	263	266	279	281
Child Nutrition Fund	Vocational Education - Basic Grant	Title II Part A - Teacher and Principal Training and Recruiting	Title II, Part D, Subtitle I, Enhancing Education Through Technology	Title III, Part A - English Language Acquisition and Language Enhancement	State/ Federal Stabilization Funds	Title II Part D ARRA	Smaller Learning Communities
\$ 72,563	\$	\$	\$	\$	\$	\$	\$
151,458	15,037	84,400	3,890	29,794	622,930	3,708	7,158
15,333	369						
2,158,677							
<u>103,714</u>							
<u>\$ 2,501,745</u>	<u>\$ 15,406</u>	<u>\$ 84,400</u>	<u>\$ 3,890</u>	<u>\$ 29,794</u>	<u>\$ 622,930</u>	<u>\$ 3,708</u>	<u>\$ 7,158</u>
\$ 245,200	\$ 330	\$ 330	\$	\$	\$	\$ 1,610	\$ 1,168
84,391		5,053		7,153			
	15,076	79,017	3,890	22,641	622,930	2,098	5,990
<u>93,231</u>							
<u>422,822</u>	<u>15,406</u>	<u>84,400</u>	<u>3,890</u>	<u>29,794</u>	<u>622,930</u>	<u>3,708</u>	<u>7,158</u>
103,714							
1,975,209							
<u>2,078,923</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 2,501,745</u>	<u>\$ 15,406</u>	<u>\$ 84,400</u>	<u>\$ 3,890</u>	<u>\$ 29,794</u>	<u>\$ 622,930</u>	<u>\$ 3,708</u>	<u>\$ 7,158</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2010**

Data Control Codes		Special				
		283	284	285	286	288
		ARRA IDEA Part B Formula Stimulus	ARRA IDEA Part B Preschool Stimulus	ARRA Title I, Part A Improving Basic Programs	Public Assistance Grants (Hurricane Ike)	ESL Summer Program
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments	263,726	10,341	110,618	13,541	
1250	Other receivables					
1260	Due from other funds					
1310	Inventories					
1000	Total assets	<u>\$ 263,726</u>	<u>\$ 10,341</u>	<u>\$ 110,618</u>	<u>\$ 13,541</u>	<u>\$ -0-</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 570	\$	\$ 1,888	\$	\$
2160	Accrued wages payable	50,191		23,372		
2170	Due to other funds	212,965	10,341	85,358	13,541	
2300	Deferred revenues					
2000	Total liabilities	<u>263,726</u>	<u>10,341</u>	<u>110,618</u>	<u>13,541</u>	<u>-0-</u>
<b>Fund Balances:</b>						
<b>Reserved For:</b>						
3410	Inventory					
3450	Food service					
3480	Other					
<b>Designated For:</b>						
3590	Other Purposes					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities and fund balances	<u>\$ 263,726</u>	<u>\$ 10,341</u>	<u>\$ 110,618</u>	<u>\$ 13,541</u>	<u>\$ -0-</u>



Revenue Funds							
385	392	393	397	401	404	410	411
State Supplemental Visually Impaired (SSV)	Non-educational Community-Based Support	Texas Successful Schools Program	Advanced Placement Incentives	State Funded Optional Extended-Year Program	Accelerated Reading Program	Textbook Fund	Technology Allotment
\$ 8,985	\$ 400	\$ 13,323	\$ 15,897	\$ 4,886	\$ 53,110	\$ 277	\$ 13,922
<u>8,985</u>	<u>400</u>	<u>13,323</u>	<u>15,897</u>	<u>4,886</u>	<u>53,110</u>	<u>277</u>	<u>13,922</u>
\$ 6,750	\$ 400			\$ 4,886	\$ 53,110		\$ 13,531
<u>2,235</u>						<u>277</u>	<u>391</u>
<u>8,985</u>	<u>400</u>	<u>-0-</u>	<u>-0-</u>	<u>4,886</u>	<u>53,110</u>	<u>277</u>	<u>13,922</u>
		<u>13,323</u>	<u>15,897</u>				
<u>-0-</u>	<u>-0-</u>	<u>13,323</u>	<u>15,897</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>8,985</u>	<u>400</u>	<u>13,323</u>	<u>15,897</u>	<u>4,886</u>	<u>53,110</u>	<u>277</u>	<u>13,922</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2010**

		419	427	429	461	Special 480
Data Control Codes		Region XIII Mentor	Tobacco Compliance Grant	Read to Succeed	Campus Activity Funds	Lowe's Grant AP Beutel
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$	\$ 351	\$	\$	\$ 6,000
1240	Receivables from other governments	1,324				
1250	Other receivables					
1260	Due from other funds				508,135	
1310	Inventories					
1000	<b>Total assets</b>	<u>\$ 1,324</u>	<u>\$ 351</u>	<u>\$ -0-</u>	<u>\$ 508,135</u>	<u>\$ 6,000</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable					
2170	Due to other funds	1,324			39,737	
2300	Deferred revenues		351			6,000
2000	<b>Total liabilities</b>	<u>1,324</u>	<u>351</u>	<u>-0-</u>	<u>39,737</u>	<u>6,000</u>
<b>Fund Balances:</b>						
<b>Reserved For:</b>						
3410	Inventory					
3450	Food service					
3480	Other					
<b>Designated For:</b>						
3590	Other purposes				468,398	
3000	<b>Total fund balances</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>468,398</u>	<u>-0-</u>
4000	<b>Total liabilities and fund balances</b>	<u>\$ 1,324</u>	<u>\$ 351</u>	<u>\$ -0-</u>	<u>\$ 508,135</u>	<u>\$ 6,000</u>

Revenue Funds							
481	482	483	484	485	489	490	492
John & James Knight Foundation	PPCD Program	Dow Velasco Elementary	Toshiba American Fund Grant	Teacher Externship Program	Harris County Education Grant	Dow Education Grants	University of Houston Mentor Program
\$ 353	\$ 13,778	\$ 1,181	\$ 145	\$ 73	\$ 24	\$ 4,058	\$ 4,119
	400						
<u>\$ 353</u>	<u>\$ 14,178</u>	<u>\$ 1,181</u>	<u>\$ 145</u>	<u>\$ 73</u>	<u>\$ 24</u>	<u>\$ 4,058</u>	<u>\$ 4,119</u>
\$	\$	\$	\$	\$	\$	\$	\$
		<u>1,181</u>	<u>145</u>	<u>73</u>	<u>24</u>	<u>4,058</u>	<u>4,119</u>
<u>-0-</u>	<u>-0-</u>	<u>1,181</u>	<u>145</u>	<u>73</u>	<u>24</u>	<u>4,058</u>	<u>4,119</u>
<u>353</u>	<u>14,178</u>						
<u>353</u>	<u>14,178</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 353</u>	<u>\$ 14,178</u>	<u>\$ 1,181</u>	<u>\$ 145</u>	<u>\$ 73</u>	<u>\$ 24</u>	<u>\$ 4,058</u>	<u>\$ 4,119</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2010**

						Special Revenue
		493	494	495	496	497
Data Control Codes		NASA Grant M. Griffith	A+ Energy - Griffith	Adopt-A School Bus	Conoco Phillips Grant	African American Advisory
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$ 73	\$ 2,558	\$ 1,229	\$ 4,979	\$ 1,505
1240	Receivables from other governments					
1250	Other receivables					
1260	Due from other funds					
1310	Inventories					
1000	<b>Total assets</b>	<u>\$ 73</u>	<u>\$ 2,558</u>	<u>\$ 1,229</u>	<u>\$ 4,979</u>	<u>\$ 1,505</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$	\$ 555	\$	\$ 797	\$
2160	Accrued wages payable					
2170	Due to other funds					
2300	Deferred revenues	<u>73</u>	<u>2,003</u>	<u>1,229</u>	<u>4,182</u>	<u>1,505</u>
2000	<b>Total liabilities</b>	<u>73</u>	<u>2,558</u>	<u>1,229</u>	<u>4,979</u>	<u>1,505</u>
<b>Fund Balances:</b>						
<b>Reserved For:</b>						
3410	Inventory					
3450	Food service					
3480	Other					
<b>Designated For:</b>						
3590	Other purposes					
3000	<b>Total fund balances</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	<b>Total liabilities and fund balances</b>	<u>\$ 73</u>	<u>\$ 2,558</u>	<u>\$ 1,229</u>	<u>\$ 4,979</u>	<u>\$ 1,505</u>

<u>Funds</u>		<u>699</u>	
499			
<u>Wal-Mart Literacy Grant</u>	<u>Total Special Revenue Funds</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental (See C-2)</u>
\$ 280	\$ 151,751	\$ 392,764	\$ 544,515
	3,221,458		3,221,458
	17,301		17,301
	2,666,812		2,666,812
	<u>103,714</u>		<u>103,714</u>
<u>\$ 280</u>	<u>\$ 6,161,036</u>	<u>\$ 392,764</u>	<u>\$ 6,553,800</u>
\$	\$ 293,098	\$ 392,744	\$ 685,842
	411,169		411,169
	2,744,340		2,744,340
	<u>121,077</u>		<u>121,077</u>
<u>-0-</u>	<u>3,569,684</u>	<u>392,744</u>	<u>3,962,428</u>
	103,714		103,714
	1,975,209		1,975,209
		20	20
<u>280</u>	<u>512,429</u>		<u>512,429</u>
<u>280</u>	<u>2,591,352</u>	<u>20</u>	<u>2,591,372</u>
<u>\$ 280</u>	<u>\$ 6,161,036</u>	<u>\$ 392,764</u>	<u>\$ 6,553,800</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

Data Control Codes		Special				
		204 Title IV, Part A - Safe and Drug Free Schools and Communities Act	211 Title I Part A - Improving Basic Programs	212 Title I Part C - Education of Migratory Children	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					
5900	Federal program revenues	<u>36,627</u>	<u>2,479,248</u>	<u>77,790</u>	<u>2,294,163</u>	<u>86,609</u>
5020	Total revenues	<u>36,627</u>	<u>2,479,248</u>	<u>77,790</u>	<u>2,294,163</u>	<u>86,609</u>
<b>EXPENDITURES:</b>						
Current:						
0011	Instruction	10,201	2,124,151	5,742	1,964,078	86,609
0012	Instructional resources and media services		15,485			
0013	Curriculum and staff development	8,643	46,625	1,941	44,080	
0021	Instructional leadership	967	69,353	48,116	8,486	
0023	School leadership					
0031	Guidance, counseling and evaluation services	270	84,009		274,362	
0032	Social work services		67,120	21,861	75	
0033	Health services				3,050	
0035	Food services					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0052	Security and monitoring services	16,425				
0053	Data processing services					
0061	Community services	121	72,505	130	32	
0081	Facilities acquisition and construction					
6030	Total expenditures	<u>36,627</u>	<u>2,479,248</u>	<u>77,790</u>	<u>2,294,163</u>	<u>86,609</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
7912	Sale of real and personal property					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
0100	Fund balances - beginning					
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds							
240	244	255	262	263	266	279	281
Child Nutrition Fund	Vocational Education - Basic Grant	Title II Part A - Teacher and Principal Training and Recruiting	Title II, Part D, Subtitle I, Enhancing Education Through Technology	Title III, Part A - English Language Acquisition and Language Enhancement	State/ Federal Stabilization Funds	Title II Part D ARRA	Smaller Learning Communities
\$ 2,265,391	\$	\$	\$	\$	\$	\$	\$
164,769							
<u>4,241,935</u>	<u>159,451</u>	<u>593,804</u>	<u>24,421</u>	<u>113,542</u>	<u>3,428,454</u>	<u>33,349</u>	<u>288,196</u>
<u>6,672,095</u>	<u>159,451</u>	<u>593,804</u>	<u>24,421</u>	<u>113,542</u>	<u>3,428,454</u>	<u>33,349</u>	<u>288,196</u>
	132,233	200,185	18,036	108,075	977,722	16,782	85,194
					38,866		
	16,527	318,599	5,926	2,990	120,850	15,163	64,577
	10,691	10,374	459	2,477	177,008	1,404	137,665
		1,605			1,957,461		653
					128,509		
6,073,543							
		63,041			28,038		
89,596							
							107
<u>6,163,139</u>	<u>159,451</u>	<u>593,804</u>	<u>24,421</u>	<u>113,542</u>	<u>3,428,454</u>	<u>33,349</u>	<u>288,196</u>
<u>508,956</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>2,100</u>							
<u>2,100</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
511,056	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>1,567,867</u>							
<u>\$ 2,078,923</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

Data Control Codes		Special				
		283	284	285	286	288
		ARRA IDEA Part B Formula Stimulus	ARRA IDEA Part B Preschool Stimulus	ARRA Title I, Part A Improving Basic Programs	Public Assistance Grants (Hurricane Ike)	ESL Summer Program
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					
5900	Federal program revenues	<u>1,667,042</u>	<u>57,055</u>	<u>715,290</u>		<u>7,185</u>
5020	Total revenues	<u>1,667,042</u>	<u>57,055</u>	<u>715,290</u>	<u>-0-</u>	<u>7,185</u>
<b>EXPENDITURES:</b>						
Current:						
0011	Instruction	1,401,159	57,055	612,832		7,185
0012	Instructional resources and media services			4,435		
0013	Curriculum and staff development	42,229		40,681		
0021	Instructional leadership	25,444		15,744		
0023	School leadership			1,327		
0031	Guidance, counseling and evaluation services	198,210		34,699		
0032	Social work services					
0033	Health services					
0035	Food services					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0052	Security and monitoring services					
0053	Data processing services					
0061	Community services			5,572		
0081	Facilities acquisition and construction					
6030	Total expenditures	<u>1,667,042</u>	<u>57,055</u>	<u>715,290</u>	<u>-0-</u>	<u>7,185</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
7912	Sale of real and personal property					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
0100	Fund balances - beginning					
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>



Revenue Funds							
385	392	393	397	401	404	410	411
State Supplemental Visually Impaired (SSV)	Non-educational Community-Based Support	Texas Successful Schools Program	Advanced Placement Incentives	State Funded Optional Extended-Year Program	Accelerated Reading Program	Textbook Fund	Technology Allotment
\$ 6,750	\$ 9,940	\$	\$ 10,734	\$ 48,861	\$ 100,071	\$	\$ 349,568
<u>6,750</u>	<u>9,940</u>	<u>-0-</u>	<u>10,734</u>	<u>48,861</u>	<u>100,071</u>	<u>-0-</u>	<u>349,568</u>
6,750			16,112	47,139	94,463		47,911
			3,336		5,608		
	9,940						
				1,722			
							301,657
<u>6,750</u>	<u>9,940</u>	<u>-0-</u>	<u>19,448</u>	<u>48,861</u>	<u>100,071</u>	<u>-0-</u>	<u>349,568</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 8,714 )</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 8,714 )</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
		13,323	24,611				
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 13,323</u>	<u>\$ 15,897</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

		419	427	429	461	Special Revenue 480
Data Control Codes		Region XIII Mentor	Tobacco Compliance Grant	Read to Succeed	Campus Activity Funds	Lowe's Grant AP Beutel
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$	\$	\$	\$ 700,150	\$
5800	State program revenues			27,845		
5900	Federal program revenues					
5020	Total revenues	<u>-0-</u>	<u>-0-</u>	<u>27,845</u>	<u>700,150</u>	<u>-0-</u>
<b>EXPENDITURES:</b>						
Current:						
0011	Instruction			27,845		
0012	Instructional resources and media services					
0013	Curriculum and staff development					
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0033	Health services					
0035	Food services					
0036	Extracurricular activities				686,819	
0041	General administration					
0051	Plant maintenance and operations					
0052	Security and monitoring services					
0053	Data processing services					
0061	Community services					
0081	Facilities acquisition and construction					
6030	Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>27,845</u>	<u>686,819</u>	<u>-0-</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>13,331</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
7912	Sale of real and personal property					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	-0-	-0-	-0-	13,331	-0-
0100	Fund balances - beginning				455,067	
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 468,398</u>	<u>\$ -0-</u>

Funds							
481	482	483	484	485	489	490	492
John & James Knight Foundation	PPCD Program	Dow Velasco Elementary	Toshiba American Fund Grant	Teacher Externship Program	Harris County Education Grant	Dow Education Grants	University of Houston Mentor Program
\$	\$ 14,225	\$	\$ 12	\$	\$	\$	\$ 3,422
-0-	14,225	-0-	12	-0-	-0-	-0-	3,422
	47		12				3,354
							68
-0-	47	-0-	12	-0-	-0-	-0-	3,422
-0-	14,178	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	14,178	-0-	-0-	-0-	-0-	-0-	-0-
353							
\$ 353	\$ 14,178	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

		Special Revenue				
		493	494	495	496	497
Data Control Codes		NASA Grant M. Griffith	A+ Energy - Griffith	Adopt-A School Bus	Conoco Phillips Grant	African American Advisory
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$	\$ 8,908	\$	\$ 3,022	\$ 634
5800	State program revenues					
5900	Federal program revenues					
5020	Total revenues		<u>8,908</u>	<u>-0-</u>	<u>3,022</u>	<u>634</u>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
0011	Instruction		8,908		3,022	634
0012	Instructional resources and media services					
0013	Curriculum and staff development					
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0033	Health services					
0035	Food services					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0052	Security and monitoring services					
0053	Data processing services					
0061	Community services					
0081	Facilities acquisition and construction					
6030	Total expenditures	<u>-0-</u>	<u>8,908</u>	<u>-0-</u>	<u>3,022</u>	<u>634</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
7912	Sale of real and personal property					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	-0-
0100	Fund balances - beginning					
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Funds</u>		<u>699</u>	
499			
<u>Wal-Mart Literacy Grant</u>	<u>Total Special Revenue Funds</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Governmental (See C-2)</u>
\$	\$ 2,992,342	\$ 471	\$ 2,992,813
	721,960		721,960
	<u>16,304,161</u>		<u>16,304,161</u>
	20,018,463	471	20,018,934
<u>-0-</u>	<u>20,018,463</u>	<u>471</u>	<u>20,018,934</u>
	8,063,436		8,063,436
	58,786		58,786
	737,843		737,843
	508,188		508,188
	1,961,046		1,961,046
	601,490		601,490
	89,056		89,056
	133,281		133,281
	6,073,543		6,073,543
	686,819		686,819
	91,079		91,079
	89,596		89,596
	16,425		16,425
	301,657		301,657
	78,467		78,467
	<u>-0-</u>	<u>451</u>	<u>451</u>
<u>-0-</u>	<u>19,490,712</u>	<u>451</u>	<u>19,491,163</u>
<u>-0-</u>	<u>527,751</u>	<u>20</u>	<u>527,771</u>
	2,100		2,100
<u>-0-</u>	<u>2,100</u>	<u>-0-</u>	<u>2,100</u>
<u>-0-</u>	<u>529,851</u>	<u>20</u>	<u>529,871</u>
<u>280</u>	<u>2,061,501</u>	<u>-0-</u>	<u>2,061,501</u>
<u>\$ 280</u>	<u>\$ 2,591,352</u>	<u>\$ 20</u>	<u>\$ 2,591,372</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**AUGUST 31, 2010**

*Exhibit H-3*  
*Page 1 of 1*

<u>Data Control Codes</u>		<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	ASSETS:			
	Current Assets:			
1110	Cash and cash equivalents	\$ 225,010	\$ 899,392	\$ 1,124,402
	Total current assets	225,010	899,392	1,124,402
	Noncurrent Assets:			
	Total noncurrent assets	_____	_____	-0-
	Total assets	<u>225,010</u>	<u>899,392</u>	<u>1,124,402</u>
	LIABILITIES:			
	Current Liabilities:			
2165	Accrued expenses payable	56,423	539,826	596,249
	Total current liabilities	56,423	539,826	596,249
	Noncurrent Liabilities:			
	Total noncurrent liabilities	_____	_____	-0-
	Total liabilities	<u>56,423</u>	<u>539,826</u>	<u>596,249</u>
	NET ASSETS:			
3900	Unrestricted net assets	168,587	359,566	528,153
	Total net assets	<u>\$ 168,587</u>	<u>\$ 359,566</u>	<u>\$ 528,153</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - INTERNAL SERVICE FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

*Exhibit H-4*  
*Page 1 of 1*

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ 716,533	\$ 499,691	\$ 1,216,224
Total operating revenues	<u>716,533</u>	<u>499,691</u>	<u>1,216,224</u>
Operating Expenses:			
Insurance claims and expenses	<u>592,707</u>	<u>338,948</u>	<u>931,655</u>
Total operating expenses	<u>592,707</u>	<u>338,948</u>	<u>931,655</u>
Operating income (loss)	<u>123,826</u>	<u>160,743</u>	<u>284,569</u>
Nonoperating Revenues (Expenses):			
Interest and investment revenue	<u>207</u>	<u>1,055</u>	<u>1,262</u>
Total nonoperating revenues (expenses)	<u>207</u>	<u>1,055</u>	<u>1,262</u>
Income (loss) before contributions and transfers	124,033	161,798	285,831
Contributions and transfers	<u>          </u>	<u>          </u>	<u>-0-</u>
Change in net assets	124,033	161,798	285,831
Net assets – beginning	<u>44,554</u>	<u>197,768</u>	<u>242,322</u>
Net assets – ending	<u>\$ 168,587</u>	<u>\$ 359,566</u>	<u>\$ 528,153</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

*Exhibit H-5*  
*Page 1 of 1*

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 717,203	\$ 499,691	\$ 1,216,894
Payments to other funds	( 60,016 )		( 60,016 )
Claims paid	( 591,731 )	( 457,471 )	( 1,049,202 )
Net cash provided by operating activities	<u>65,456</u>	<u>42,220</u>	<u>107,676</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Net cash provided (used) by noncapital financing activities			<u>-0-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Net cash provided (used) by capital and related financing activities			<u>-0-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>207</u>	<u>1,055</u>	<u>1,262</u>
Net cash provided by investing activities	<u>207</u>	<u>1,055</u>	<u>1,262</u>
Net increase in cash and cash equivalents	65,663	43,275	108,938
Balances – beginning of the year	<u>159,347</u>	<u>856,117</u>	<u>1,015,464</u>
Balances – end of the year	<u>\$ 225,010</u>	<u>\$ 899,392</u>	<u>\$ 1,124,402</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 123,826	\$ 160,743	\$ 284,569
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Assets and Liabilities:			
Due from others	671		671
Accrued expenses payable	975	( 118,523 )	( 117,548 )
Due to other funds	( 60,016 )		( 60,016 )
Net cash provided by operating activities	<u>\$ 65,456</u>	<u>\$ 42,220</u>	<u>\$ 107,676</u>



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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**YEAR ENDED AUGUST 31, 2010**

Last Ten Years Ended August 31,	1		2	3	10
	Tax Rates			Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2009
	Maintenance	Debt Service			
2000 and Prior	\$ Various	\$ Various	\$	Various	\$ 193,993
2001	1.306440	0.066360		5,683,950,830	43,996
2002	1.360600	0.062200		5,709,660,005	47,109
2003	1.362600	0.423110		5,830,878,487	66,832
2004	1.362600	0.110200		5,942,025,104	76,654
2005	1.362600	0.160200		5,946,464,855	79,484
2006	1.362600	0.210200		6,167,488,798	101,039
2007	1.228200	0.195500		6,422,002,991	156,882
2008	0.948400	0.185500		6,785,512,912	230,973
2009	1.01000	0.182200		7,328,104,426	643,918
2010 (School Year Under Audit)	1.040000	0.188500		6,666,775,818	
1000 Totals					\$ <u>1,640,880</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2010
\$	\$ 15,392	\$ 661	\$( 55,701 )	\$ 122,239
	1,617	82	( 2,051 )	40,246
	2,323	106	( 2,099 )	42,581
	3,048	135	( 3,257 )	60,392
	4,395	355	( 4,014 )	67,890
	8,894	1,045	( 3,269 )	66,276
	20,092	3,100	( 4,669 )	73,178
	52,222	8,312	( 5,732 )	90,616
	86,948	17,006	( 6,724 )	120,295
	293,623	52,968	( 73,510 )	223,817
<u>80,539,216</u>	<u>69,079,214</u>	<u>12,520,612</u>	<u>1,781,167</u>	<u>720,557</u>
<u>\$ 80,539,216</u>	<u>\$ 69,567,768</u>	<u>\$ 12,604,382</u>	<u>\$ 1,620,141</u>	<u>\$ 1,628,087</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COST FOR 2010-2011**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit J-2  
Page 1 of 1

Account Number	Account Name	1 (702) School Board	2 (703) Tax Office	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Costs	6 (Other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$	\$	\$ 273,004	\$ 1,007,986	\$	\$	\$ 1,280,990
6149	Fringe benefits (unused leave for separating employees in function 41 and related 53)							-0-
6149	Fringe benefits (unused leave for separating employees in all functions except 41 and related 53)							-0-
6211	Legal services	119,494						119,494
6212	Audit services				43,343			43,343
6213	Tax appraisal & collection (Appraisal District costs <u>only</u> from function 99)		615,650					615,650
621X	Other professional services		10,673		74,561			85,234
6220	Tuition & transfer payments							-0-
6230	Education service centers							-0-
6240	Contract maintenance & repair							-0-
6250	Utilities							-0-
6260	Rentals				728			728
6290	Miscellaneous contract	4,048			120,556			124,604
6320	Textbooks & reading							-0-
6330	Testing materials							-0-
63XX	Other supplies/materials			3,630	44,881		54,286	102,797
6410	Travel, subsistence, stipends	9,543		11,652	20,674			41,869
6420	Ins. & bonding costs							-0-
6430	Election costs	15,571						15,571
6490	Miscellaneous operating	15,559		32,940	4,893			53,392
6500	Debt service							-0-
6600	Capital outlay							-0-
<b>TOTAL</b>		<u>\$ 164,215</u>	<u>\$ 626,323</u>	<u>\$ 321,226</u>	<u>\$ 1,317,622</u>	<u>\$ -0-</u>	<u>\$ 54,286</u>	<u>\$ 2,483,672</u>

Total expenditures for General and Special Revenue Funds (9) \$ 107,956,819

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 1,226,129
Total Debt & Lease (6500)	(11) 206,938
Plant Maintenance (Function 51, 6100-6400)	(12) 10,071,795
Food (Function 35, 6341 and 6499)	(13) 2,418,079
Stipends (6413)	(14) -0-
Column 4 (above) - Total Indirect Cost	<u>1,317,622</u>
Subtotal	<u>15,240,563</u>

Net Allowed Direct Cost \$ 92,716,256

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 181,384,756
Historical Cost of Buildings over 50 years old	(16) \$ -0-
Amount of Federal Money in Building Cost (Net of Above)	(17) \$ -0-
Total Cost of Furniture and Equipment before Depreciation (1530 & 1540)	(18) \$ 12,799,487
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 1,954,338
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$ 4,774,181

Note A - \$ 10,746 in function 53 expenditures directly related to function 41 are included in this report in administrative costs.  
\$ 8,100 in function 99 expenditures directly related to appraisal district costs are included in this report.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - FOOD SERVICE SPECIAL REVENUE FUND**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit J-4  
Page 1 of 1

Data Control Codes		Food Service Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 70,000	\$ 2,089,000	\$ 2,265,391	\$ 176,391
5800	State program revenues	45,000	196,000	164,769	( 31,231 )
5900	Federal program revenues	<u>35,000</u>	<u>4,000,000</u>	<u>4,241,935</u>	<u>241,935</u>
5020	Total revenues	<u>150,000</u>	<u>6,285,000</u>	<u>6,672,095</u>	<u>387,095</u>
	EXPENDITURES:				
	Current:				
0035	Food service	150,000	6,183,000	6,073,541	109,459
0051	Plant maintenance and operations	<u>                    </u>	<u>102,000</u>	<u>89,596</u>	<u>12,404</u>
6030	Total expenditures	<u>150,000</u>	<u>6,285,000</u>	<u>6,163,137</u>	<u>121,863</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	508,958	508,958
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real and personal property	<u>                    </u>	<u>                    </u>	<u>2,100</u>	<u>2,100</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>2,100</u>	<u>2,100</u>
1200	Net change in fund balances	-0-	-0-	511,058	511,058
0100	Fund balances – beginning	<u>1,567,867</u>	<u>1,567,867</u>	<u>1,567,867</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 1,567,867</u>	<u>\$ 1,567,867</u>	<u>\$ 2,078,925</u>	<u>\$ 511,058</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**YEAR ENDED AUGUST 31, 2010**

Exhibit J-5  
Page 1 of 1

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 13,708,565	\$ 13,065,873	\$ 13,437,697	\$ 371,824
5020	Total revenues	13,708,565	13,065,873	13,437,697	371,824
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	5,945,210	6,455,000	6,455,000	-0-
0072	Interest on long-term debt	6,880,888	6,383,456	5,600,134	783,322
0073	Bond issuance costs and fees	320,571	227,417	143,826	83,591
6030	Total expenditures	13,146,669	13,065,873	12,198,960	866,913
1100	Excess (deficiency) of revenues over expenditures	561,896	-0-	1,238,737	1,238,737
	OTHER FINANCING SOURCES (USES):				
7913	Proceeds from bonds			7,696,990	7,696,990
7916	Premium on bonds			705,728	705,728
8949	Payment of escrow agent			( 8,265,144 )	( 8,265,144 )
	Total other financing sources and (uses)	-0-	-0-	137,574	137,574
1200	Net change in fund balances	561,896	-0-	1,376,311	1,376,311
0100	Fund balances – beginning	6,781,977	6,781,977	6,781,977	-0-
3000	Fund balances – ending	\$ 7,343,873	\$ 6,781,977	\$ 8,158,288	\$ 1,376,311

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**FEDERAL AWARDS SECTION**

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# KENNEMER, MASTERS & LUNSFORD

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## Independent Auditor's Report

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*

December 17, 2010

Board of Trustees  
Brazosport Independent School District  
Freeport, Texas 77541

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brazosport Independent School District (the "District") as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

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Board of Trustees  
Brazosport Independent School District  
December 17, 2010  
Page 2

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 17, 2010.

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

*Kennemer, Masters & Hungford, LLC*

# KENNEMER, MASTERS & LUNSFORD

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## Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

December 17, 2010

Board of Trustees  
Brazosport Independent School District  
Freeport, Texas 77541

### Compliance

We have audited Brazosport Independent School District's (the "District") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

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Partnership of CPA Promoters Network

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Kerremey, Masters & Hungford, LLC*

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*YEAR ENDED AUGUST 31, 2010*

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings, which are required to be reported under Sec. 510(a): No.
7. Major programs include:
  - IDEA, Part B Formula and Preschool Cluster:
    - 84.173 IDEA, Part B, Preschool
    - 84.027 IDEA, Part B, Formula
    - 84.391 ARRA, IDEA, Part B, Formula
    - 84.392 ARRA, IDEA, Part B, Preschool
  - Title I, Part A Improving Basic Programs Cluster:
    - 84.010 Title I, Part A, Improving Basic Programs
    - 84.389 ARRA, Title I, Part A, Improving Basic Programs
  - Other Programs:
    - 84.367 Title II, Part A, Teacher/Principal
    - 84.394 ARRA, Title XIV, SFSF
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 494,438.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*YEAR ENDED AUGUST 31, 2010*

PRIOR YEAR'S FINDING/NONCOMPLIANCE

None.



**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*YEAR ENDED AUGUST 31, 2010*

*Page 1 of 1*

None.

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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2010**

*EXHIBIT K-1*  
*PAGE 1 OF 3*

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Direct:			
Smaller Learning Communities	84.215L	S215L060214	\$ 30,589
Smaller Learning Communities	84.215L	S215L080612	<u>257,607</u>
			<u>288,196</u>
Passed Through State Department of Education:			
Title I, Part A - Improving Basic Programs*	84.010A	10610101020905	2,325,883
Title I, Part A - Improving Basic Programs*	84.010A	11610101020905	162,585
Title I, Part A - School Improvement Programs*	84.010A	10610101020905	<u>19,808</u>
			<u>2,508,276</u>
Title I, Part C - Education of Migratory Children	84.011	10615001020905	73,945
Title I, Part C - Education of Migratory Children	84.011	11615001020905	<u>4,745</u>
			<u>78,690</u>
IDEA - Part B, Formula **	84.027	106600010209056600	2,153,925
IDEA - Part B, Formula **	84.027	116600010209056600	<u>169,149</u>
			<u>2,323,074</u>
Vocational Education - Basic Grant	84.048	1042000602090504	150,771
Vocational Education - Basic Grant	84.048	1142000602090504	<u>10,509</u>
			<u>161,280</u>
IDEA - Part B, Preschool **	84.173	106610010209056610	83,023
IDEA - Part B, Preschool	84.173	116610010209056610	<u>3,586</u>
			<u>86,609</u>
Title IV, Part A - Safe and Drug-Free Schools and Communities Act	84.186A	10691001020905	<u>36,627</u>
Title II, Part D, Subtitle 1 - Enhancing Education Through Technology	84.318X	10630001020905	<u>24,421</u>
Title III, Part A – English Language Acquisition and Language Enhancement	84.365A	10671001020905	106,389
Title III, part A – English Language Acquisition and Language Enhancement	84.365A	11671001020905	<u>7,153</u>
			<u>113,542</u>
Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	10694501020905	562,204
Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	11694501020905	<u>39,136</u>
			<u>601,340</u>
English Second Language (ESL) - Summer School Program	84.369	069550902	<u>7,185</u>

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2010**

*EXHIBIT K-1*  
*PAGE 2 OF 3*

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education - Continued</u>			
Passed Through State Department of Education - Continued			
ARRA – Title II, Part D, Technology	84.386A	10553001020905	\$ 31,739
ARRA – Title II, Part D, Technology	84.386A	11553001020905	<u>1,610</u>
			<u>33,349</u>
ARRA – Title I, Part A – Improving Basic Programs*	84.389A	10551001020905	639,536
ARRA – Title I, Part A – Improving Basic Programs*	84.389A	11551001020905	34,572
ARRA – Title I, Part A – School Improvement Programs*	84.389A	10551004020905	<u>41,312</u>
			<u>715,420</u>
ARRA – IDEA Part B, Formula**	84.391A	10554001020905	1,631,179
ARRA – IDEA Part B, Formula**	84.391A	11554001020905	<u>54,090</u>
			<u>1,685,269</u>
ARRA – IDEA Part B, Preschool**	84.392A	10555001020905	<u>57,055</u>
ARRA – Title XIV SFSF Stimulus	84.394A	10557001020905	<u>3,428,454</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 12,148,787</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program ***	10.555	20905	<u>\$ 204,574</u>
Passed Through State Department of Education:			
School Breakfast Program ***	10.553	71401001	930,628
National School Lunch Program ***	10.555	71301001	<u>3,106,733</u>
			<u>4,037,361</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 4,241,935</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	-	<u>\$ 62,814</u>
TOTAL DEPARTMENT OF DEFENSE			<u>\$ 62,814</u>
<u>U.S. Department of Health &amp; Human Services</u>			
Passed Through State Department of Human Services:			
Medicaid Administrative Claiming Program – MAC	93.778	-	<u>\$ 27,740</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>\$ 27,740</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 16,481,276</u>

\*, \*\*, \*\*\* - Cluster Programs

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*YEAR ENDED AUGUST 31, 2010*

*EXHIBIT K-1*  
*PAGE 2 OF 3*

RECONCILIATION:

Federal Program Revenues (Exhibit C-2)	\$ 16,861,587
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards	<u>( 380,311 )</u>
Total federal financial assistance (Schedule of expenditures of Federal Awards)	<u>\$ 16,481,276</u>

See notes to supplemental Schedule of Expenditures of Federal Awards

**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
*NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS*  
*YEAR ENDED AUGUST 31, 2010*

1. The District utilizes the fund types specified in the Resource Guide.

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 are returned to the grantor at the close of specified project periods.

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

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of these goods received was \$ 175,384, while the monetary value of goods used and recognized as income and expenditures was \$ 204,574.
4. 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 period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.

**SCHEDULE FOR ELECTRONIC FILING**

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**BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**  
 REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AUGUST 31, 2010

SCHEDULE L-1  
 Page 1 of 1

<u>Code</u>	<u>Questions</u>	<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? – Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 205,773

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