

**BRAZOSPORT
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2011**

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2011*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	CERTIFICATE OF BOARD	7
Financial Section		
	Independent Auditor's Report.....	11-12
	Management's Discussion and Analysis	13-25
	Basic Financial Statements:	
A-1	Statement of Net Assets	26
B-1	Statement of Activities	27
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	28
C-1R	Reconciliation of C-1.....	29
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	30
C-2R	Reconciliation of C-2.....	31
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Assets	32
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	33
D-3	Statement of Cash Flows.....	34
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Assets	35
E-2	Statement of Changes in Fiduciary Net Assets	36
	Notes to the Financial Statements.....	37-67
Required Supplementary Information		
G-1	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	70
Other Supplementary Information		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	72-79
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	80-87
	Internal Service Funds:	
H-3	Combining Statement of Net Assets.....	88
H-4	Combining Statement of Revenues, Expenses, and Changes in Net Assets	89
H-5	Combining Statement of Cash Flows	90
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	92-93
J-2	Schedule of Expenditures for Computation of Indirect Cost.....	94
J-3	Fund Balance and Cash Flow Calculation Worksheet	95
J-4	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Food Service Special Revenue Fund.....	96
J-5	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Debt Service Fund	97

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2011*

Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
	Federal Award Section	
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	101-102
	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	103-104
	Schedule of Findings and Questioned Costs.....	105
	Schedule of Status of Prior Findings	106
	Corrective Action Plan	107
K-1	Schedule of Expenditures of Federal Awards.....	109-111
	Notes on Accounting Policies for Federal Awards.....	112

The Following Exhibits Were Not Applicable to the Brazosport Independent School District:

	Combining Statement for Major Component Units:	
F-1	Combining Statement of Net Assets.....	
F-2	Combining Statement of Activities	

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

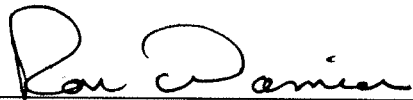
CERTIFICATE OF BOARD

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, 2011, at a meeting of the board of trustees of such school district on the 3 day of January, 2012.



Signature of Board Secretary



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):

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
12000 Westheimer, Suite 105
Houston, Texas 77077
(281) 752-0200 Fax: (281) 752-0204

Independent Auditor's Report

December 14, 2011

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, 2011, 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, 2011, 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 14, 2011, 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.

www.kmkwllc.com – Email: kmkw@kmkwllc.com

Board of Trustees
Brazosport Independent School District
December 14, 2011
Page 2

The management's discussion and analysis and budgetary comparison information on pages 13 through 25 and 70, 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 & Hurdford, LLC

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

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, 2011. 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 \$ 41,410,436 (*net assets*). Of this amount, \$ 16,026,467 (*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 \$ 34,224,651. Approximately 46 percent of this total amount, \$ 15,814,049, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 15,832,082, or 18 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, 2011

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-seven 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-four 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, 2011

- **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 67 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 70 of this report.

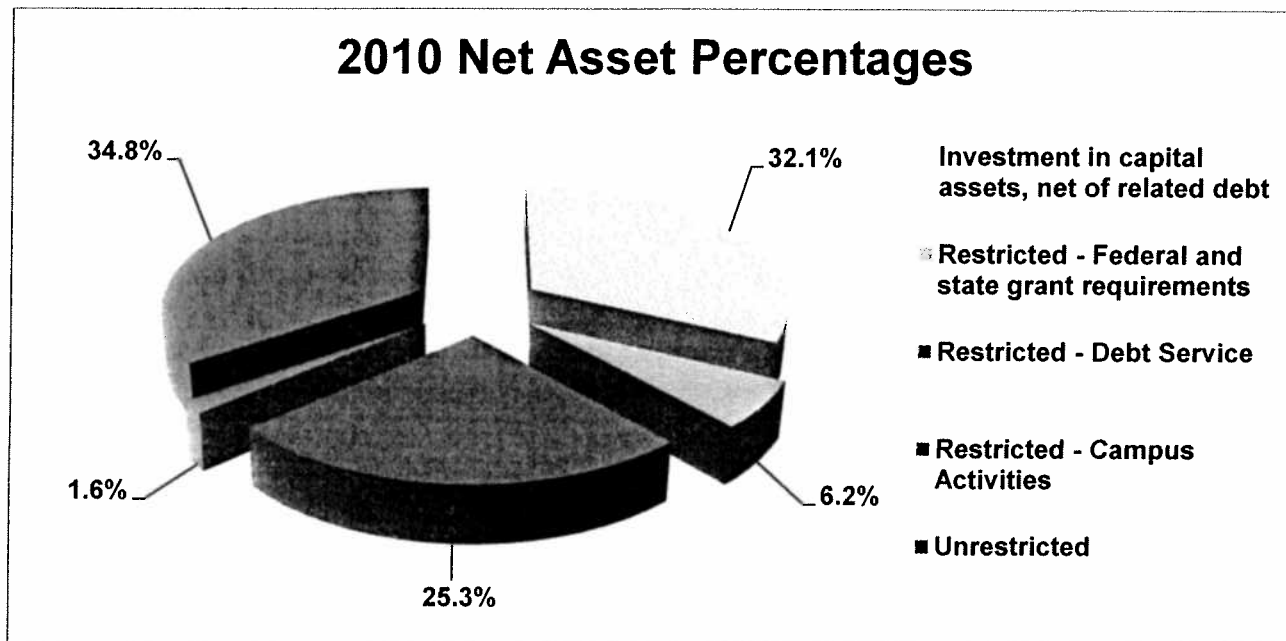
The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 72 through 87 and 88 through 90 of this report.

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 \$ 41,410,436 as of August 31, 2011. Net assets of the District's governmental activities increased by \$ 9,696,743, from \$ 31,713,693 to \$ 41,410,436.

The District's Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 44,863,957	\$ 34,109,786	\$ 30,756,943
Capital assets	<u>148,779,170</u>	<u>146,036,507</u>	<u>149,986,673</u>
Total assets	<u>193,643,127</u>	<u>180,146,293</u>	<u>180,743,616</u>
Long-term liabilities outstanding	144,183,881	140,940,580	146,785,424
Other liabilities	<u>8,048,810</u>	<u>7,492,020</u>	<u>10,837,742</u>
Total liabilities	<u>152,232,691</u>	<u>148,432,600</u>	<u>157,623,166</u>
Net assets:			
Invested in capital assets, net of related debt	12,854,891	10,183,930	8,949,377
Restricted	12,529,078	10,495,172	8,663,314
Unrestricted	<u>16,026,467</u>	<u>11,034,591</u>	<u>5,507,759</u>
Total net assets	<u>\$ 41,410,436</u>	<u>\$ 31,713,693</u>	<u>\$ 23,120,450</u>



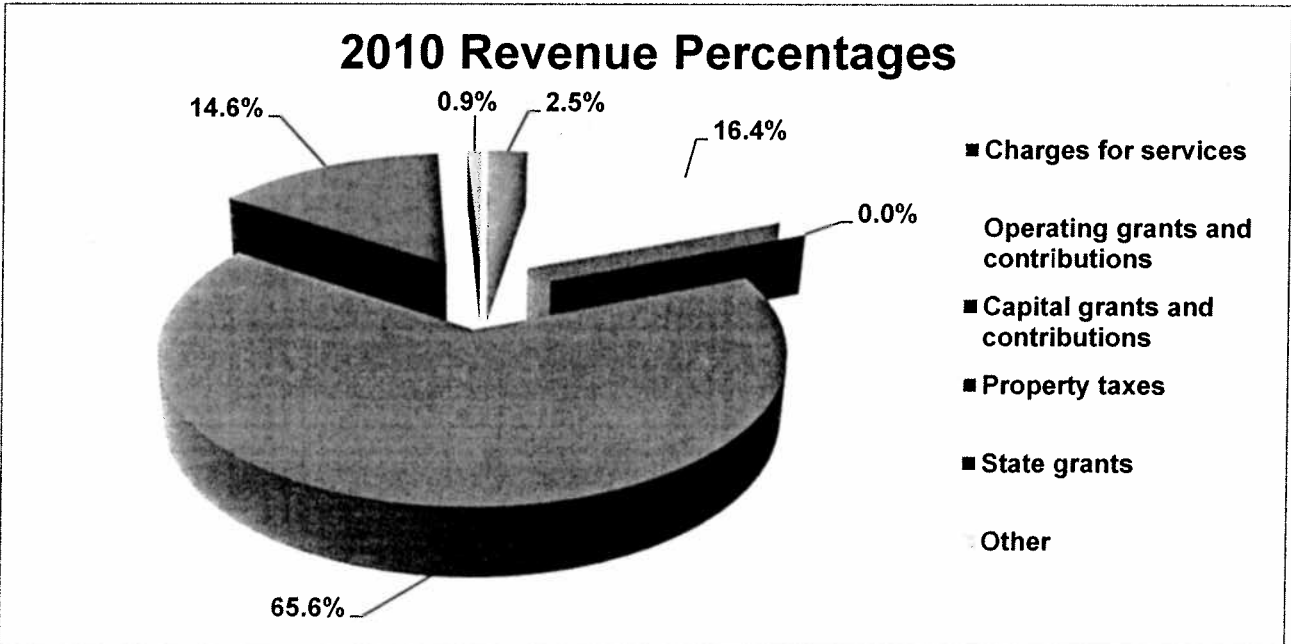
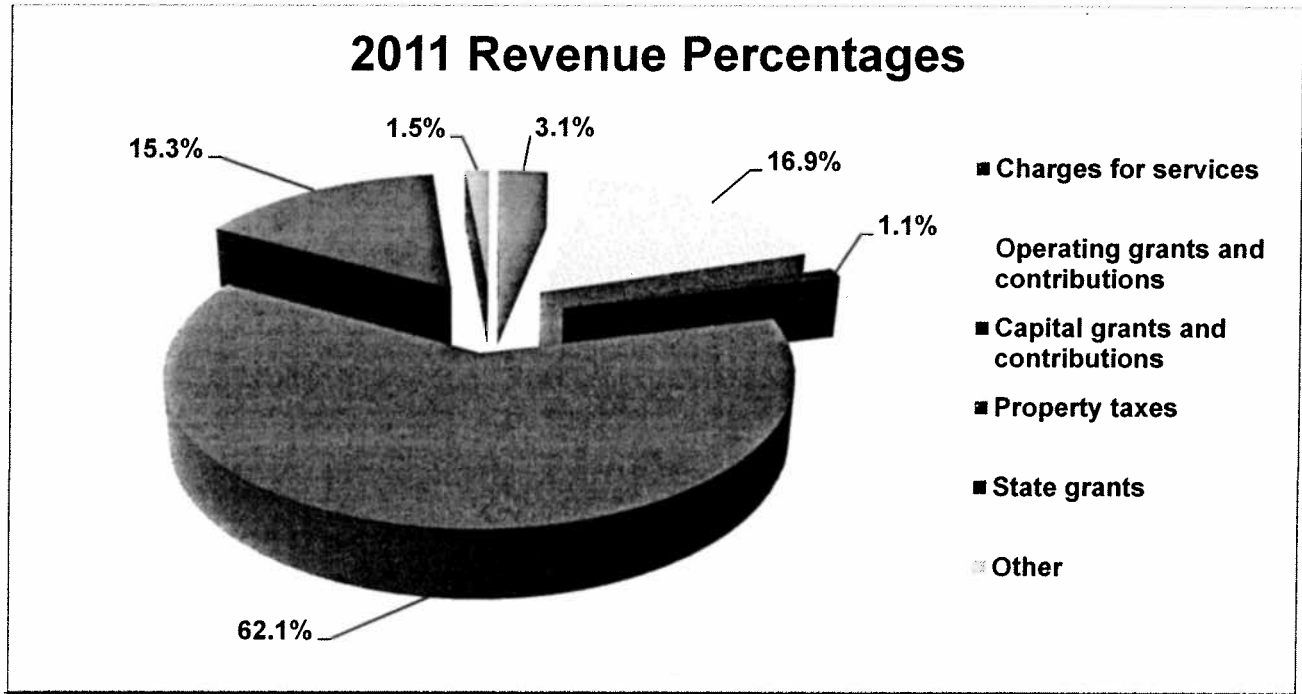
Investment in capital assets (e.g., land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 12,854,891. The District uses these capital assets to provide 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 \$ 12,529,078 approximately 30 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$ 16,026,467 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.

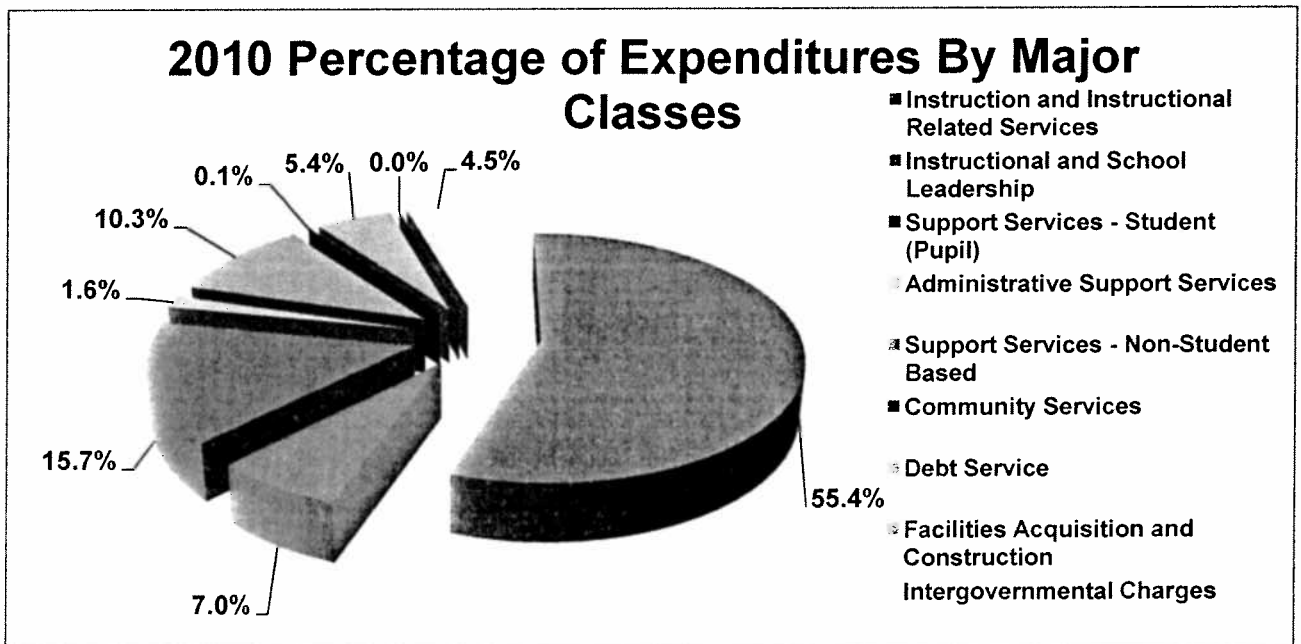
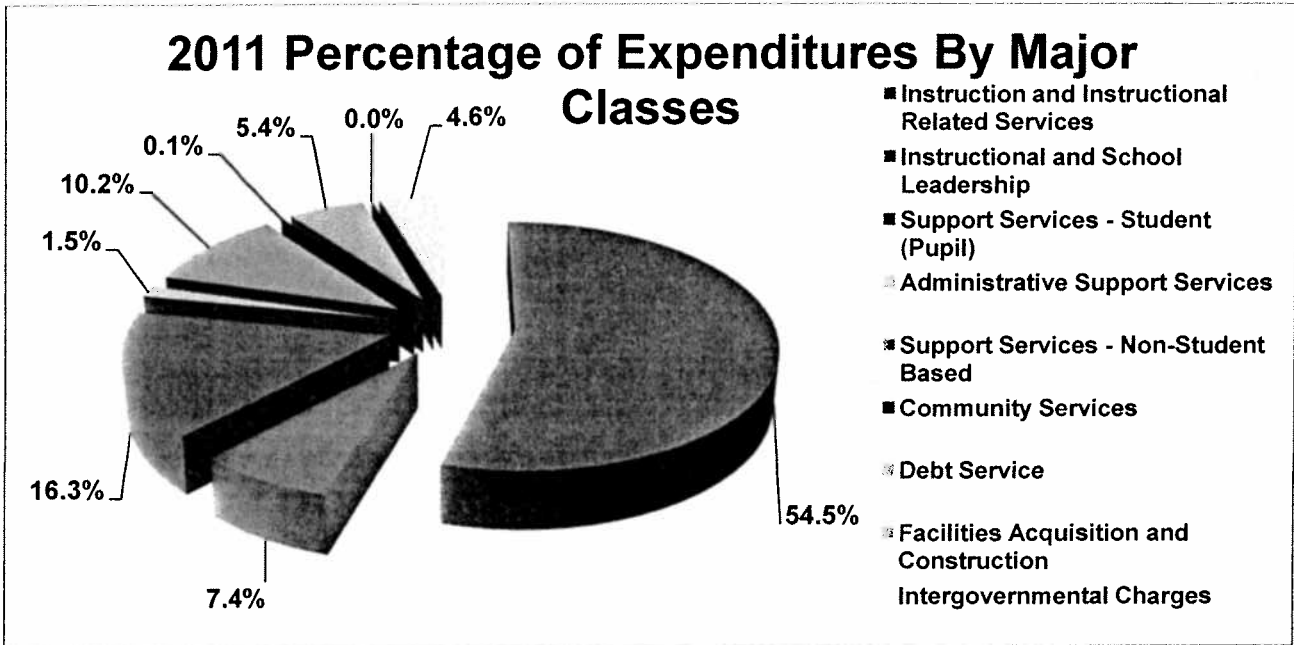
BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

Governmental activities. The District's total net assets increased \$ 9,696,743. The total cost of all *governmental activities* this year was \$ 116,601,733. The amount that our taxpayers paid for these activities through property taxes was \$ 78,445,009 or 67 percent.

Changes in the District's Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 3,888,015	\$ 3,222,735	\$ 3,278,529
Operating grants & contributions	21,284,901	20,903,620	17,132,786
Capital grants & contributions	1,358,161	43,454	45,121
General Revenues:			
Property taxes	78,445,009	83,301,073	87,402,839
State grants	19,365,475	18,551,352	23,671,302
Other	<u>1,956,915</u>	<u>1,100,302</u>	<u>1,295,450</u>
Total revenues	<u>126,298,476</u>	<u>127,122,536</u>	<u>132,826,027</u>
Expenses:			
Instruction	60,078,059	61,875,331	60,597,028
Instructional resources & media services	2,124,288	2,189,609	2,135,076
Curriculum & staff development	1,313,936	1,444,415	1,116,133
Instructional leadership	2,044,017	1,838,021	1,843,110
School leadership	6,568,756	6,517,673	6,622,612
Guidance, counseling & evaluation services	3,924,124	3,717,661	3,916,005
Social work services	294,121	305,669	307,545
Health services	1,193,795	1,240,149	1,178,870
Student (pupil) transportation	2,574,822	2,415,353	2,215,104
Food services	6,390,376	6,418,644	6,386,771
Co-curricular/extracurricular activities	4,647,694	4,504,082	3,815,168
General administration	1,783,983	1,892,008	1,801,942
Plant maintenance and operations	10,172,074	10,387,206	9,902,435
Security and monitoring services	546,618	473,296	361,376
Data processing services	1,157,353	1,397,821	1,259,713
Community services	154,977	159,441	145,555
Debt service-interest and fees long-term debt	6,308,140	6,396,830	5,962,485
Facilities acquisition and construction		451	4,184
Contracted instructional services between public schools	1,224,911	1,492,254	9,965,207
Payments related to shared services arrangements	3,419,663	3,093,728	3,761,833
Payments to juvenile justice alternative Education	71,200	154,000	189,810
Other governmental	<u>608,826</u>	<u>615,651</u>	<u>596,197</u>
Total expenses	<u>116,601,733</u>	<u>118,529,293</u>	<u>124,084,159</u>
Increase in net assets	9,696,743	8,593,243	8,741,868
Beginning net assets	<u>31,713,693</u>	<u>23,120,450</u>	<u>14,378,582</u>
Ending net assets	<u>\$ 41,410,436</u>	<u>\$ 31,713,693</u>	<u>\$ 23,120,450</u>





BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

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 \$ 34,224,651, an increase of \$ 9,855,916. Approximately 46 percent of this total amount \$ 15,814,049 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, reserved, committed or assigned* to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 709,705, 2) for prepaid items \$ 721,630, 3) for federal and state grant restrictions \$ 2,394,024, 4) for capital acquisitions and contractual obligations \$ 3,686,138, 5) to pay debt service \$ 9,599,453, 6) other reserves \$ 549,652, 7) claims and judgments \$ 250,000, and 8) capital expenditures for equipment \$ 500,000.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 15,832,082, while the total fund balance was \$ 17,843,235. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 18.3 percent of the total general fund expenditures, while total fund balance represents 20.7 percent of that same amount.

The fund balance of the District's general fund increased \$ 4,224,162 during the current fiscal year. Key factors related to this change are as follows:

- As a result of hold harmless provisions set forth in various value limitation agreements (Tax Code Chapter 313), the District received additional revenues that were not previously budgeted.
- The District received over \$400K in settlement (net of legal fees) from a prior billing error.
- Actual funding from the state totaled \$ 2,082,552 less than budgeted due to a reduction in enrollment, lower than anticipated "On-behalf" payments of \$ 563,785 and a reduction in "Additional State Aid for Property Tax Reduction" as a result of better than anticipated property tax collections of \$ 1,690,193.
- Favorable federal funding variances were a result of SHARS settle up payments from prior years received in 2010-11.
- 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 \$ 9,599,453. The net increase in reserve for debt service during the current year in the debt service fund was \$ 1,441,165. Following are factors contributing to this change:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

- 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 a total reserve for capital acquisitions and contractual obligations (fund balance) of \$ 3,686,138. The net increase in reserve for capital acquisitions and contractual obligations in the capital projects fund was \$ 3,686,118. Following are factors contributing to this change:

- The District obtained \$ 9.3M in Qualified School Construction Notes with an effective 0% interest rate which allowed for implementation of a \$ 7.3M Energy Savings Project along with \$ 1.6M of renovations to the Media Annex.

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, 2011 amounted to \$ 723,397. The total increase in net assets was \$ 195,244.

General Fund Budgetary Highlights

The District made the following amendments to budgeted revenue.

- \$ 352,028 reclassification of technology funding to Special Revenue Fund.
- \$ 4,924,758 reclassification of Federal Stabilization funding to Special Revenue Fund.
- \$ 39,853 increase of General Fund revenue as a result of additional E-Rate funding.
- \$ 12,500 increase in General Fund revenue from donations.
- \$ 340,000 increase in General Fund revenue from supplemental hold harmless payments from chapter 313 value limitation agreements.
- \$ 491,000 increase in Federal General Fund revenue and other financing sources due to interest subsidy payments and proceeds related to Qualified School Construction Notes.

Following is a summary of amendments made to appropriations:

- \$ 352,028 reclassification of technology expenditures to Special Revenue Fund.
- \$ 4,924,758 reclassification of Federal Stabilization expenditures to Special Revenue Fund.
- \$ 39,853 increase of General Fund technology expenditures made possible by additional E-Rate funding.
- \$ 12,500 increase in General Fund expenditures funded with additional donations.
- \$ 340,000 increase in General Fund expenditures related to a new finance software.
- \$ 491,000 increase in General Fund expenditures related to interest payments on the Qualified School Construction Notes subsidized with Federal funds.
- \$ 251,918 in purchases authorized in prior year but not received until fiscal year 2010-2011.
- \$ 337,940 of contingency fund use for the purchase of software and equipment.
- 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

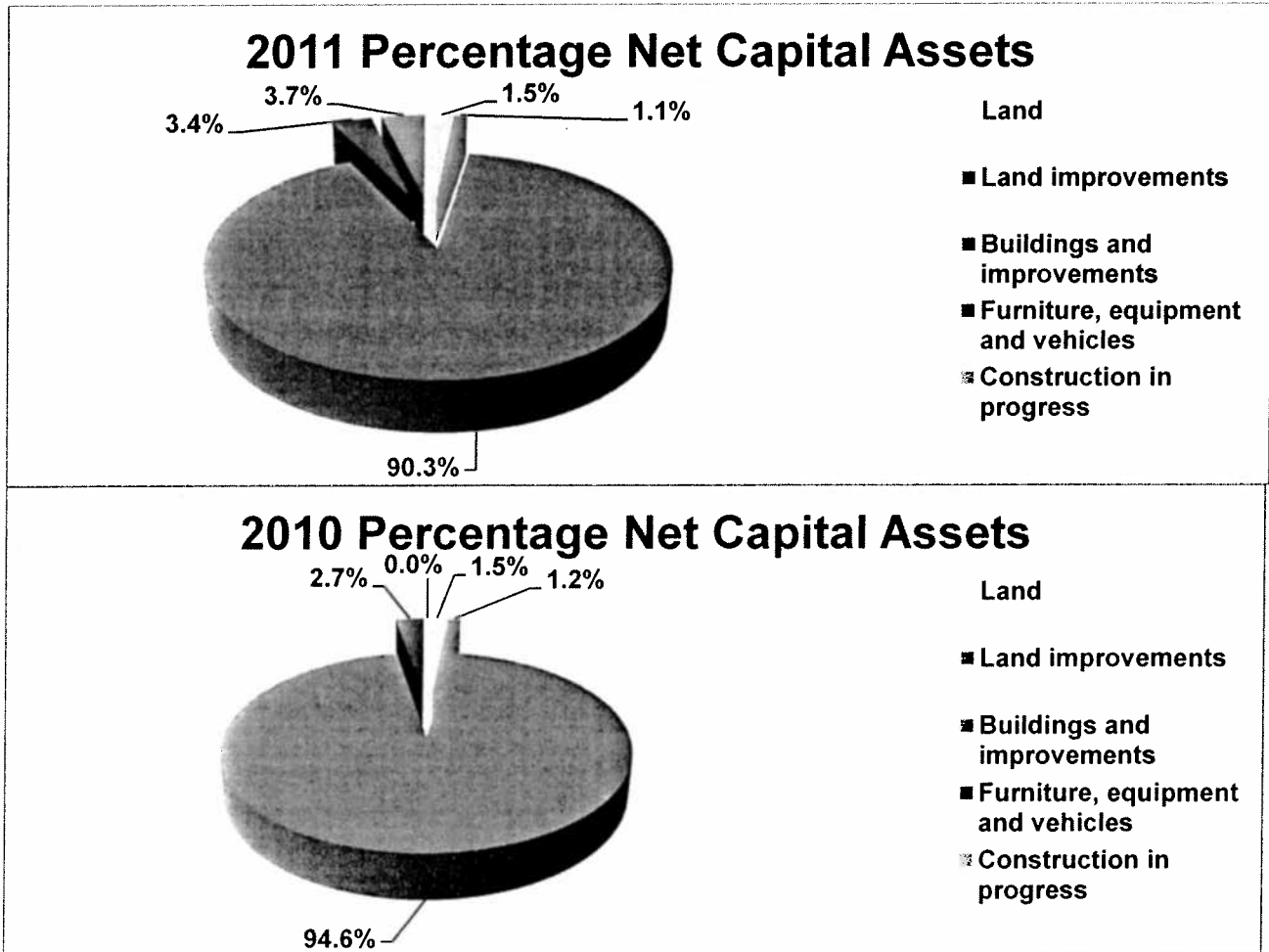
Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2011 amounts to \$ 148,779,170 (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.

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

	2011	2010	2009
Land	\$ 2,260,973	\$ 2,260,973	\$ 2,260,973
Land improvements	1,566,260	1,726,428	1,965,695
Buildings and improvements	134,310,652	138,105,331	142,136,914
Furniture, equipment and vehicles	5,099,668	3,897,888	3,577,204
Construction in progress	<u>5,541,617</u>	<u>45,887</u>	<u>45,887</u>
Total at historical cost (net)	<u>\$ 148,779,170</u>	<u>\$ 146,036,507</u>	<u>\$ 149,986,673</u>

Additional information on the District's capital assets can be found in Note 6 on pages 56 through 57 of this report.

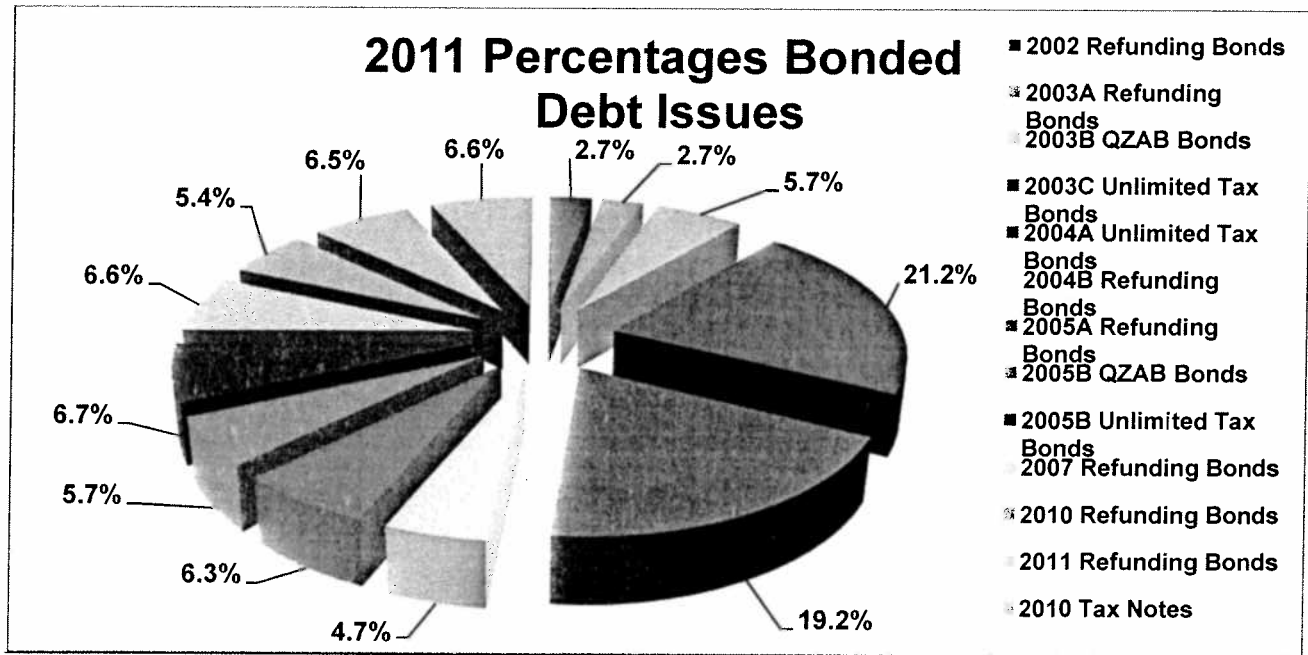


BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

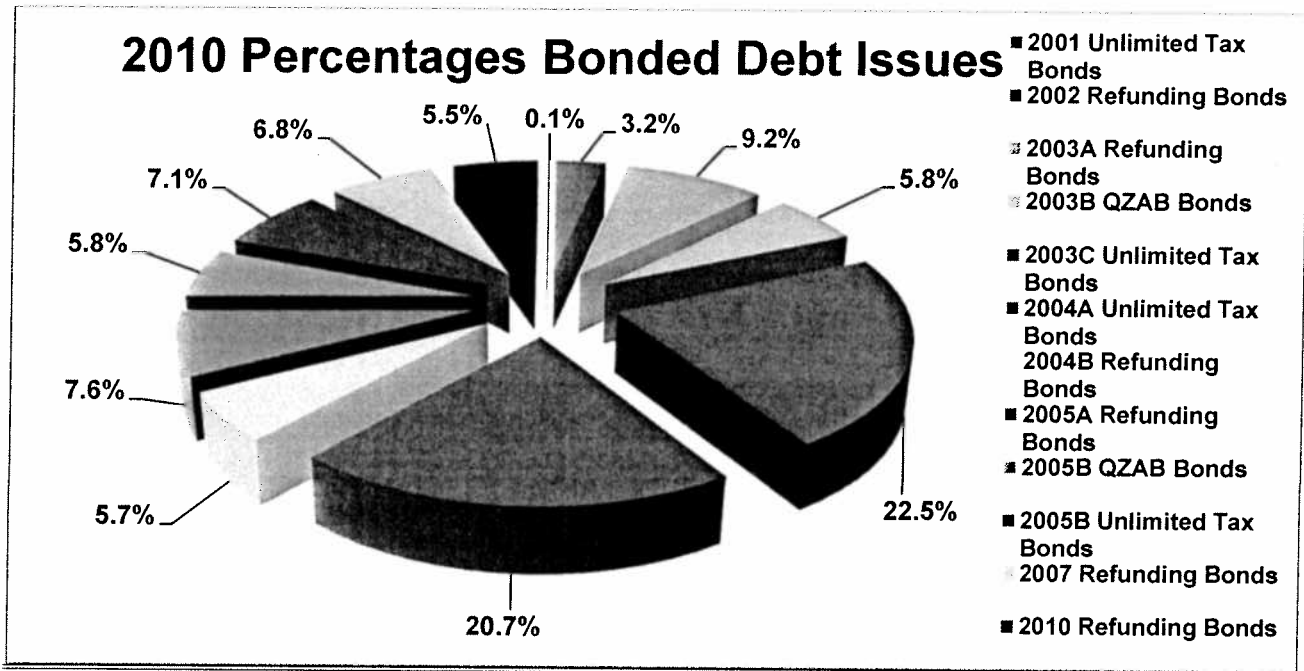
Long-term debt. At August 31, 2011, the District had total long-term debt outstanding of \$ 144,183,881, an increase of \$ 3,243,299 from the previous year. Long-term debt is made of general obligation bonds of \$ 131,867,037, tax notes of \$ 9,330,000, capital leases of \$ 194,075, premium received on general obligation bonds of \$ 2,551,070, and accrued interest of \$ 241,699.

District's Long-Term Debt:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General obligations bonds	\$ 131,867,037	\$ 138,305,035	\$ 144,537,904
Tax notes	9,330,000		
Capital leases	194,075	272,324	342,284
Components of Long-Term Debt:			
Premium (discount) general obligation bonds	2,551,070	2,132,985	1,647,500
Accrued interest payable	<u>241,699</u>	<u>230,238</u>	<u>257,736</u>
 Total long-term debt	 <u>\$ 144,183,881</u>	 <u>\$ 140,940,582</u>	 <u>\$ 146,785,424</u>



BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011



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 57 through 62 of this report.

Economic Factors and Next Year's Budgets and Rates

- Certified tax values for fiscal year 2012 decreased by approximately \$ 80 million, or 1.26% from fiscal year 2011.
- The District's 2011-2012 refined average daily attendance is expected to decrease by 125 to 11,744 but attendance rates are expected to remain stable 95%.
- Based on provisions of SB 1 (82nd Session) along with decreases in enrollment, the District anticipates receiving \$ 4.6 million less in State funding compared to prior year. Fortunately for 2011-12, the District will receive an additional \$ 2.1 million in Federal Education Jobs Funding to help offset the reductions. For 2012-2013 the District anticipates \$ 2.3 million in further reductions in State funding for the second year of the biennium.
- No change in the maintenance and operations portion of the tax rate of \$ 1.04.
- For 2011- 2012, the District made nearly \$ 5.7 million in general fund expenditure reductions compared to prior year through staff reductions along with cuts in department and campus budgets.
- Required wealth equalization payments for the 2011-2012 budget are estimated to be \$ 1.1 million versus approximately \$ 1.2 million for 2010-2011 due to reduction in property values (wealth).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

These indicators were taken into account when adopting the General Fund budget for 2011-2012. The District has appropriated revenues and expenditures in the 2011-2012 budget of \$ 92,624,257 and \$ 89,447,703, respectively. Total budgeted revenues decreased 2.7% from the 2010-2011 budget primarily due to reductions in state funding and property tax values. Total expenditures decreased by 6% due to staff reductions, cuts to department and campus budgets along with 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Exhibit A-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 27,649,104
1225	Property taxes receivables	1,534,426
1230	Allowance for uncollectible taxes	(896,034)
1240	Due from other governments	13,293,518
1290	Other receivables (net)	518,629
1300	Inventories	670,696
1410	Deferred expenses	731,683
1420	Bond issuance costs (net)	1,361,935
	Capital Assets:	
1510	Land and improvements (net)	3,827,233
1520	Building and improvements (net)	134,310,652
1530	Furniture, equipment and vehicles (net)	5,099,668
1580	Construction in progress	<u>5,541,617</u>
1000	Total assets	<u>193,643,127</u>
	LIABILITIES:	
2110	Accounts payable	1,711,000
2150	Payroll deductions and withholdings	1,562,307
2160	Accrued wages payable	3,965,633
2165	Accrued liabilities	628,116
2180	Due to other governments	5,047
2300	Deferred revenue	176,707
	Noncurrent Liabilities:	
2501	Due within one year	7,664,860
2502	Due in more than one year	<u>136,519,021</u>
2000	Total liabilities	<u>152,232,691</u>
	NET ASSETS:	
3200	Invested in capital assets, net of related debt	12,854,891
	Restricted For:	
3820	Federal and state programs	2,572,760
3850	Debt service	9,433,253
3870	Campus activities	466,041
3890	Other	57,024
3900	Unrestricted	<u>16,026,467</u>
3000	Total net assets	<u>\$ 41,410,436</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, 2011

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	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 60,078,059	\$ 435,572	\$ 10,319,640	\$ 25,931	\$(49,296,916)
12	Instructional resources and media services	2,124,288	14,122	548,687		(1,561,479)
13	Curriculum and staff development	1,313,936	6,496	651,347		(656,093)
21	Instructional leadership	2,044,017	10,975	579,819		(1,453,223)
23	School leadership	6,568,756	47,691	2,029,753		(4,491,312)
31	Guidance, counseling, and evaluation services	3,924,124	24,749	1,044,289		(2,855,086)
32	Social work services	294,121	1,884	149,236		(143,001)
33	Health services	1,193,795	8,285	254,619		(930,891)
34	Student transportation	2,574,822	24,053	88,955	1,170,963	(1,290,851)
35	Food service	6,390,376	2,091,066	4,435,619	161,267	297,576
36	Extracurricular activities	4,647,694	1,041,572	92,591		(3,513,531)
41	General administration	1,783,983	8,167	126,012		(1,649,804)
51	Plant maintenance and operations	10,172,074	163,812	248,177		(9,760,085)
52	Security and monitoring services	546,618	397	1,124		(545,097)
53	Data processing services	1,157,353	7,588	237,459		(912,306)
61	Community services	154,977	1,586	123,572		(29,819)
72	Interest on long-term debt	5,330,357		354,002		(4,976,355)
73	Bond issuance costs and fees	977,783				(977,783)
91	Contracted instructional services between public schools	1,224,911				(1,224,911)
93	Payments related to shared services arrangements	3,419,663				(3,419,663)
95	Payments to juvenile justice alternative education programs	71,200				(71,200)
99	Other intergovernmental	608,826				(608,826)
TG	Total governmental activities	\$ 116,601,733	\$ 3,888,015	\$ 21,284,901	\$ 1,358,161	\$(90,070,656)
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 65,222,014
DT	Property taxes, levied for debt service					13,222,995
SF	State aid-formula grants					19,365,475
GC	Grants and contributions not restricted to specific programs					471,580
IE	Investment earnings					267,231
MI	Miscellaneous					1,203,104
S1	Special item – gain on sale of assets					15,000
TG	Total general revenues, special items, and transfers					99,767,399
CN	Change in net assets					9,696,743
NB	Net assets – beginning					31,713,693
NE	Net assets – ending					\$ 41,410,436

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2011

Exhibit C-1
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	98 Other Governmental Funds	Total Governmental Funds
ASSETS:						
1110	Cash and cash equivalents	\$ 10,139,069	\$ 9,544,851	\$ 4,459,142	\$ 2,154,829	\$ 26,297,891
1220	Taxes receivable	1,326,314	208,112			1,534,426
1230	Allowance for uncollectible taxes	(790,521)	(105,513)			(896,034)
1240	Receivables from other governments	11,437,746			1,855,772	13,293,518
1260	Due from other funds	1,802,480	27,502		1,064,169	2,894,151
1290	Other receivables	35,543			21,151	56,694
1300	Inventories	491,960			178,736	670,696
1410	Deferred expenditures	713,650			18,033	731,683
1000	Total assets	<u>\$ 25,156,241</u>	<u>\$ 9,674,952</u>	<u>\$ 4,459,142</u>	<u>\$ 5,292,690</u>	<u>\$ 44,583,025</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 1,071,658	\$	\$ 380,260	\$ 259,082	\$ 1,711,000
2150	Payroll deductions and withholdings	1,562,307				1,562,307
2160	Accrued wages payable	3,586,469			379,164	3,965,633
2170	Due to other funds	662,907		392,744	1,376,865	2,432,516
2180	Due to other governments				5,047	5,047
2300	Deferred revenue	429,665	75,499		176,707	681,871
2000	Total liabilities	<u>7,313,006</u>	<u>75,499</u>	<u>773,004</u>	<u>2,196,865</u>	<u>10,358,374</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories	530,969			178,736	709,705
3430	Prepaid items	703,597			18,033	721,630
Restricted:						
3450	Grant funds				2,394,024	2,394,024
3470	Capital acquisitions and contractual obligations			3,686,138		3,686,138
3480	Debt service		9,599,453			9,599,453
3490	Other	26,587			523,065	549,652
Committed:						
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	500,000				500,000
Unassigned:						
3600	Unassigned fund balance	15,832,082			(18,033)	15,814,049
3000	Total fund balances	<u>17,843,235</u>	<u>9,599,453</u>	<u>3,686,138</u>	<u>3,095,825</u>	<u>34,224,651</u>
4000	Total liabilities and fund balances	<u>\$ 25,156,241</u>	<u>\$ 9,674,952</u>	<u>\$ 4,459,142</u>	<u>\$ 5,292,690</u>	<u>\$ 44,583,025</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, 2011

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 34,224,651
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 210,407,699 in assets less \$ 61,628,529 in accumulated depreciation.	148,779,170
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 \$ 429,665 and \$ 75,499, respectively.	505,164
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 \$ 1,361,935 (issuance costs of \$ 2,119,556 less amortization of \$ 757,621).	1,361,935
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 \$ 2,551,070 (premium on sale of bonds of \$ 3,982,240 less amortization of \$ 1,431,170).	(2,551,070)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	723,397
Payables for bond principal are not reported in the funds.	(131,867,037)
Payable for tax note principal are not reported in the funds.	(9,330,000)
Payables for capital lease principal are not reported in the funds.	(194,075)
Payables for bond interest are not reported in the funds	(221,926)
Payable for tax note interest are not reported in the funds.	(17,954)
Payables for capital lease interest are not reported in the funds.	(1,819)
Net assets of governmental activities – statement of net assets (A-1)	<u>\$ 41,410,436</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, 2011

Exhibit C-2
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:						
5700	Local and intermediate sources	\$ 66,761,723	\$ 13,459,932	\$ 7,616	\$ 4,086,294	\$ 84,315,565
5800	State program revenues	22,915,156			614,715	23,529,871
5900	Federal program revenues	812,116			16,976,540	17,788,656
5020	Total revenues	<u>90,488,995</u>	<u>13,459,932</u>	<u>7,616</u>	<u>21,677,549</u>	<u>125,634,092</u>
EXPENDITURES:						
Current:						
0011	Instruction	49,140,472			7,933,801	57,074,273
0012	Instructional resources and media services	1,369,982			493,800	1,863,782
0013	Curriculum and staff development	669,161			618,337	1,287,498
0021	Instructional leadership	1,482,179			520,167	2,002,346
0023	School leadership	4,517,640			1,806,561	6,324,201
0031	Guidance, counseling, and evaluation services	2,972,565			893,091	3,865,656
0032	Social work services	149,264			143,435	292,699
0033	Health services	959,650			207,262	1,166,912
0034	Student transportation	1,950,059			1,260,852	3,210,911
0035	Food Service				6,148,375	6,148,375
0036	Extracurricular activities	3,205,939			757,018	3,962,957
0041	General administration	1,682,660			64,804	1,747,464
0051	Plant maintenance and operations	9,986,000			102,000	10,088,000
0052	Security and monitoring services	546,319				546,319
0053	Data processing services	1,712,550			186,539	1,899,089
0061	Community services	30,856			122,925	153,781
0071	Principal on long-term debt	178,660	6,850,000			7,028,660
0072	Interest on long-term debt	326,400	5,168,767			5,495,167
0073	Bond issuance costs and fees	175,588	157,370			332,958
0081	Capital outlay			5,562,878		5,562,878
0091	Contracted instructional services between public schools	1,224,911				1,224,911
0093	Payments related to shared services arrangements	3,419,663				3,419,663
0095	Payments to juvenile justice alternative education programs	71,200				71,200
0099	Other intergovernmental	608,826				608,826
6030	Total expenditures	<u>86,380,544</u>	<u>12,176,137</u>	<u>5,562,878</u>	<u>21,258,967</u>	<u>125,378,526</u>
1100	Excess (deficiency) of revenues over expenditures	<u>4,108,451</u>	<u>1,283,795</u>	<u>(5,555,262)</u>	<u>418,582</u>	<u>255,566</u>
OTHER FINANCING SOURCES (USES):						
7911	Proceeds from bonds	186,600	9,401,256	9,143,400		18,731,256
7912	Sale of real and personal property				15,000	15,000
7916	Premium on bonds		592,125	97,980		690,105
7915	Operating transfers in				70,889	70,889
8911	Operating transfers out	(70,889)				(70,889)
8949	Payment to escrow agent		(9,836,011)			(9,836,011)
	Total other financing sources and (uses)	<u>115,711</u>	<u>157,370</u>	<u>9,241,380</u>	<u>85,889</u>	<u>9,600,350</u>
1200	Net change in fund balances	4,224,162	1,441,165	3,686,118	504,471	9,855,916
0100	Fund balances – beginning	<u>13,619,073</u>	<u>8,158,288</u>	<u>20</u>	<u>2,591,354</u>	<u>24,368,735</u>
3000	Fund balances – ending	\$ <u>17,843,235</u>	\$ <u>9,599,453</u>	\$ <u>3,686,138</u>	\$ <u>3,095,825</u>	\$ <u>34,224,651</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, 2011

Exhibit C-2R
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 9,855,916
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
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 capital outlay \$ 8,060,286 exceeded depreciation \$ 5,317,623 in the current period.	2,742,663
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 decreased by \$ 51,767 and the debt service fund increased by \$ 8,611.	(60,378)
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 \$ 6,950,000; and capital lease of \$ 78,660.	7,028,660
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 \$ 206,186. (Additional costs of \$ 332,958 less current year amortization of \$ 126,772).	206,186
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 and tax notes in the governmental fund were \$ 18,731,256 (\$ 9,401,256 refunding bonds and \$ 9,330,000 tax notes) less \$ 8,985,000 decreased through refunding.	(9,746,256)
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 \$ 418,843. (Premium on bonds issued of \$ 690,104 less current amortization of \$ 272,019).	(418,085)
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.	(11,461)
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)	195,244
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	<u>95,746</u>
Change in net assets of governmental activities (see B-1)	<u>\$ 9,696,743</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, 2011

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	\$ 1,351,213
1290	Due from others	<u>300</u>
	Total current assets	1,351,513
	Noncurrent Assets:	
	Total noncurrent assets	<u> </u>
	Total assets	<u>1,351,513</u>
	LIABILITIES:	
	Current Liabilities:	
2165	Accrued expenses payable	<u>628,116</u>
	Total current liabilities	628,116
	Noncurrent Liabilities:	
	Total noncurrent liabilities	<u> </u>
	Total liabilities	<u>628,116</u>
	NET ASSETS:	
3900	Unrestricted net assets	<u>723,397</u>
	Total net assets	<u>\$ 723,397</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, 2011

Exhibit D-2
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>1,198,421</u>
Total operating revenues	<u>1,198,421</u>
Operating Expenses:	
Insurance claims and expenses	<u>1,004,534</u>
Total operating expenses	<u>1,004,534</u>
Operating income	<u>193,887</u>
Nonoperating Revenues (Expenses):	
Interest and investment revenue	<u>1,357</u>
Total nonoperating revenues (expenses)	<u>1,357</u>
Income before contributions and transfers	195,244
Contributions and transfers	<u> </u>
Changes in net assets	195,244
Net assets – beginning	<u>528,153</u>
Net assets – ending	<u>\$ <u>723,397</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, 2011

Exhibit D-3
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,198,121
Claims paid	<u>(972,667)</u>
Net cash provided by operating activities	<u>225,454</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided (used) by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided (used) by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>1,357</u>
Net cash provided by investing activities	<u>1,357</u>
Net increase in cash and cash equivalents	226,811
Balances – beginning of year	<u>1,124,402</u>
Balances – end of year	<u>\$ 1,351,213</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$ 193,887
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Changes in Assets and Liabilities:	
Due from other funds	(300)
Accounts payable	<u>31,867</u>
Net cash provided by operating activities	<u>\$ 225,454</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, 2011

Exhibit E-1
Page 1 of 1

	Private- Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 15,770	\$ 1,016,336
Receivables:		
Due from other funds	37,277	
Deferred expenditures		<u>1,725</u>
Total receivables	<u>37,277</u>	<u>1,725</u>
Total assets	<u>53,047</u>	<u>\$ 1,018,061</u>
LIABILITIES:		
Accounts payable		\$ 63,976
Amounts due to student and employee groups		459,911
Due to other funds	<u>4,738</u>	<u>494,174</u>
Total liabilities	<u>4,738</u>	<u>\$ 1,018,061</u>
NET ASSETS:		
Held in trust for other purposes	<u>48,309</u>	
Total net assets	<u>\$ 48,309</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, 2011

Exhibit E-2
Page 1 of 1

	<u>Private- Purpose Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ <u>-0-</u>
Investment Earning:	
Interest	<u>22</u>
Total investment earnings	22
Less investment expense	<u> </u>
Net investment earnings	<u>22</u>
Total additions	<u>22</u>
DEDUCTIONS:	
Instruction	3,146
Curriculum and staff development	<u>60</u>
Total deductions	<u>3,206</u>
Change in net assets	(3,184)
NET ASSETS	
Net assets – beginning of the year	<u>51,493</u>
Net assets – end of the year	<u>\$ 48,309</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, 2011

INDEX

Note		Page
1.	Summary of Significant Accounting Policies	38
2.	New Pronouncements	47
3.	Deposits, Investments and Derivatives	48
4.	Receivables, Uncollectible Accounts, and Deferred Revenues.....	52
5.	Interfund Receivables, Payables and Transfers.....	54
6.	Capital Assets.....	56
7.	Long-Term Debt	57
8.	Leases	61
9.	Pension Plan Obligations	62
10.	General Fund Federal Source Revenues.....	63
11.	Local and Intermediate Revenues.....	64
12.	Risk Management	64
13.	Self-Insured Worker's Compensation.....	64
14.	Unemployment Compensation Pool.....	65
15.	Litigation and Contingencies	66
16.	Joint Ventured-Shared Service Arrangements.....	66
17.	Subsequent Event.....	67

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2011

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, 2011

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, 2011

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 *capital projects* fund accounts for the resources accumulated and made for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. The major revenue source includes investment earnings and other resources from proceeds from sale of general obligation bonded debt.

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, 2011, liabilities totaled \$ 50,003 and net assets of the dental insurance plan was \$ 212,811.

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, 2011, undiscounted liabilities totaled \$ 578,113 and net assets of the worker's compensation program was \$ 510,586.

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, 2011

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, 2011

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, 2010, upon which the levy for the 2010-11 fiscal year was based, was \$ 6,238,933,790. 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, 2011, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0400 and \$ 0.2015 per \$ 100 valuation, respectively, for a total of \$ 1.2415 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2011 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, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 535,793 and \$ 102,599 for the general and debt service funds, respectively.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011

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, 2010. 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, 2011

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 23, 2011.

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, 2011 that were subsequently provided for in the 2011-12 budget as a September amendment for Board approval totaled \$ 24,655.

Fund Equity

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees has delegated authority to the Superintendent and the Executive Director of Business Support Services. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

During the fiscal year, the District implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

As of August 31, 2011, non-spendable fund balances include \$ 530,969 for inventories and \$ 703,597 for prepaid items in the General Fund, \$ 178,736 for inventories in Food Service (special revenue fund), \$ 6,850 for prepaid items in the ESEA Title I Part A Improving Basic Programs (special revenue fund), and \$ 11,183 for prepaid items in the IDEA, Part B, Formula program (special revenue fund). Restricted fund balances include \$ 26,587 for other purposes in the General Fund, \$ 9,599,453 for the debt service fund, \$ 3,686,138 for the capital projects fund, \$ 2,394,024 for Food Service (special revenue fund), and \$ 523,065 for Texas Successful Schools, Advanced Placement Initiatives, Campus Activity, John & James Knight Foundation and PPCD program (special revenue funds). Committed fund balances include \$ 250,000 for claims and judgments and \$ 500,000 for capital expenditures for equipment in General Fund. There were no assigned fund balances. Unassigned fund balance includes \$ 15,832,082 in the General Fund, \$(6,850) in the ESEA Title I Part A Improving Basic Programs (special revenue fund), and \$(11,183) in the IDEA, Part B, Formula program (special revenue fund).

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, 2011

NOTE 2. NEW PRONOUNCEMENTS

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. This statement is effective for periods beginning after June 15, 2010. The statement was implemented and did not have a material impact 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 was effective immediately and had no effect 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 statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after June 15, 2010.

GASB No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. 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 December 15, 2011.

GASB No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. 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, 2012.

GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. 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 December 15, 2011.

GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. 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 December 15, 2011.

GASB No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. 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, 2011.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED AUGUST 31, 2011

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, 2011 are as follows:

	Governmental Funds	Proprietary (Internal Service) Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 4,361	\$	\$ 1,100	\$ 5,461
Financial Institution Deposits:				
Demand deposits	5,690,621	1,351,213	1,017,917	8,059,751
Repurchase agreement	6,271,477			6,271,477
Public Funds Investment Pool:				
Lone Star	<u>14,331,432</u>	<u> </u>	<u>13,089</u>	<u>14,344,521</u>
	<u>\$ 26,297,891</u>	<u>\$ 1,351,213</u>	<u>\$ 1,032,106</u>	<u>\$ 28,681,210</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, 2011, in addition to petty cash of \$ 5,461, the carrying amount of the District's cash, savings, and time deposits was \$ 8,059,751. The financial institutions balances were \$ 8,233,764 at August 31, 2011. Financial institution balances of \$ 250,000 were covered by federal depository insurance and \$ 7,983,764 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, 2011

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 \$ 16,625,835.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 14,018,656 and occurred on September 28, 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, 2011

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 three investment services repurchase agreement of U.S. Government securities agreement with 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, and the 2010 unlimited tax 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, 2011

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, 2011 Lone Star Investment Pool had a weighted average maturity of 38 days. Although Lone Star Investment Pool had a weighted average maturity of 38 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, 2011:

	<u>Market Value</u>
Repurchase agreement	\$ 6,271,477
Local Government Investment Pools:	
Lone Star Investment Pool	<u>14,344,521</u>
Total investments	<u>\$20,615,998</u>

Credit Risk – As of August 31, 2011, 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, 2011, 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, 2011

NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES

Receivables and Allowances

Receivables as of August 31, 2011, 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	\$ 1,326,314	\$ 208,112	\$	\$ 1,534,426
Receivables from other governments	11,437,746		1,855,772	13,293,518
Other receivables	<u>35,543</u>		<u>21,151</u>	<u>56,694</u>
Gross receivables	12,799,603	208,112	1,876,923	14,884,638
Less: allowance for uncollectibles	<u>790,521</u>	<u>105,513</u>		<u>896,034</u>
Net receivables	<u>\$ 12,009,082</u>	<u>\$ 102,599</u>	<u>\$ 1,876,923</u>	<u>\$ 13,988,604</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, 2011 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	\$ 11,213,875	\$	\$ 223,871	\$ 11,437,746
Other funds		<u>1,846,181</u>	<u>9,591</u>	<u>1,855,772</u>
Total	<u>\$ 11,213,875</u>	<u>\$ 1,846,181</u>	<u>\$ 233,462</u>	<u>\$ 13,293,518</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>
Major Governmental Funds:	
None	
Other governmental funds (Technology Allotment)	\$ <u>5,047</u>
Totals	\$ <u>5,047</u>

For the year ended August 31, 2011, the District was determined to be subject to Chapter 10 under the Texas Education Code (TEC). During the year ended August 31, 2011, the District was required to pay \$ 1,231,508 to the state and at August 31, 2011, the District had paid the state \$ 1,428,721. The over payment in the amount of \$ 197,213 is recorded as a receivable to other governments. The amount incurred as Chapter 41 costs of \$ 1,224,911 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 2011-2012 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, 2011, 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)	\$ 429,665	\$
Delinquent property taxes receivable (debt service fund)	75,499	
Federal food commodities		150,757
State grants		5,586
Local grants and contributions		<u>20,364</u>
Total deferred/unearned revenue from governmental funds	\$ <u>505,164</u>	\$ <u>176,707</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at August 31, 2011 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 1,376,865	\$ 598,128
Debt Service Fund		27,502
Capital Projects	392,744	
Fiduciary Funds	<u>32,871</u>	<u>37,277</u>
Total general fund	<u>1,802,480</u>	<u>662,907</u>
Special Revenue Funds:		
General Fund:		
ESEA, Title I, Part A - Improving Basic Programs		215,651
ESEA, Title I, Part C – Education of Migratory Children		29,284
IDEA - Part B, Formula		411,285
IDEA - Part B, Preschool		19,232
National School Breakfast and Lunch Program	504,498	
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting		130,912
ESEA, Title III, Part A - English Language Acquisition and Language Enhancement		35,127
State/Federal Stabilization Funds		252,425
Title II, Part D ARRA		855
Smaller Learning Communities	2,250	68,259
ARRA IDEA – Part B, Formula		53,288
ARRA IDEA – Part B, Preschool		77
ARRA – ESEA, Title 1, Part A – Improving Basic Programs		137,338
FEMA – Ike		13,541
State Supplemental Visually Impaired	5,235	
Non-educational Community - Based Support		240
Texas Successful Schools	13,323	
Advanced Placement Incentives	7,723	
Accelerated Reading Program		9,351
Technology Allotment	5,047	
Tobacco Compliance Grant	351	
Lowe's Grant (A.P. Beutel)	2,094	
John and James Knight Foundation	353	
PPCD Program	36,135	
Dow Velasco Elementary	1,181	
Toshiba American Fund Grant	145	
Teacher Externship Program	20	
Harris County Education Grant	24	
Dow Education Grants	11,135	

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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

Interfund Receivables and Payables (Continued)

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
University of Houston Mentor Program	\$ 5,369	\$
A+ Energy Griffin	578	
Adopt-A School Bus	1,229	
Conoco Phillips Grant	685	
African American Advisory	753	
Agency Fund:		
Campus Activity Funds	466,041	
	<u>1,064,169</u>	<u>1,376,865</u>
Debt Service Fund:		
General Fund	<u>27,502</u>	
Capital Projects Fund:		
General Fund		<u>392,744</u>
Fiduciary Funds:		
Trust Fund:		
General Fund	37,277	4,738
Agency Funds:		
General Fund		28,133
Special Revenue Fund		466,041
	<u>37,277</u>	<u>498,912</u>
Total	<u>\$ 2,931,428</u>	<u>\$ 2,931,428</u>

Interfund Transfers

Interfund transfers for the year ended August 31, 2011 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Funds	\$	\$ 70,889
Special Revenue:		
General Fund:		
Local Clean Cities/Clean Vehicles Program	<u>70,889</u>	
	<u>\$ 70,889</u>	<u>\$ 70,889</u>

This transfer was made to move special revenue fund revenues out of the General Fund.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011:

	<u>September 1, 2010</u>	<u>Additions</u>	<u>Retirements & Adjustments</u>	<u>August 31, 2011</u>
Non-Depreciated Capital Assets:				
Land	\$ 2,260,973	\$	\$	\$ 2,260,973
Construction in progress	<u>45,887</u>	<u>5,495,730</u>	<u> </u>	<u>5,541,617</u>
Total non-depreciated	<u>2,306,860</u>	<u>5,495,730</u>	<u>-0-</u>	<u>7,802,590</u>
Depreciated Capital Assets:				
Land improvements	5,856,308	76,561		5,932,869
Buildings and improvements	181,384,758	239,912		181,624,670
Furniture, equipment & vehicles	<u>12,799,487</u>	<u>2,248,083</u>		<u>15,047,570</u>
Total depreciated	<u>200,040,553</u>	<u>2,564,556</u>	<u>-0-</u>	<u>202,605,109</u>
Total additions/retirements		<u>\$ 8,060,286</u>	<u>\$ -0-</u>	
Accumulated Depreciated:				
Land and land improvements	4,129,880	\$ 236,729	\$	4,366,609
Buildings and improvements	43,279,427	4,034,591		47,314,018
Furniture, equipment & vehicles	<u>8,901,599</u>	<u>1,046,303</u>		<u>9,947,902</u>
Total accumulated depreciation	<u>56,310,906</u>	<u>\$ 5,317,623</u>	<u>\$ -0-</u>	<u>61,628,529</u>
Net depreciated capital assets	<u>143,729,647</u>			<u>140,976,580</u>
Net capital assets	<u>\$146,036,507</u>			<u>\$ 148,779,170</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	\$ 2,755,367
0012	Instructional resources and media services	249,850
0013	Curriculum and staff development	12,985
0021	Instructional leadership	33,390
0023	School leadership	208,571

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation Expense (Continued)

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0031	Guidance, counseling, and evaluation services	\$ 39,795
0033	Health services	20,632
0034	Student (pupil) transportation	602,614
0035	Food service	366,759
0036	Extracurricular activities	698,582
0041	General administration	30,357
0051	Plant maintenance and operations	285,934
0053	Data processing services	<u>12,787</u>
	Total depreciation expense	<u>\$ 5,317,623</u>

Governmental Fund Construction Commitments

At August 31, 2011, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>
Media Annex	\$ 1,628,030	\$	\$ 1,628,030
Energy Conservation Project	<u>7,534,689</u>	<u>5,416,710</u>	<u>2,117,979</u>
	<u>\$ 9,162,719</u>	<u>\$ 5,416,710</u>	<u>\$ 3,746,009</u>

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, 2011.

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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The following is a summary of the District's general obligation bonded debt as of August 31, 2011:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2002	\$ 10,910,000	2022	3.00-5.10	\$ 3,865,000
2003	23,985,000	2022	3.75-5.50	3,750,000
2003	8,000,000	2018	0.00	8,000,000
2003	39,450,000	2023	2.00-5.00	29,950,000
2004	35,000,000	2024	2.00-5.25	27,175,000
2004	8,265,000	2016	2.00-5.00	6,700,000
2005	14,530,000	2016	2.50-5.00	8,900,000
2005	8,000,000	2021	0.00	8,000,000
2005	13,000,000	2025	3.75-4.50	9,390,000
2007	8,010,000	2022	4.00	7,380,000
2007	1,682,270	2018	4.00	1,961,101
2010	6,985,000	2019	2.00-5.00	6,845,000
2010	711,990	2014	1.35-1.70	726,968
2011	7,365,000	2023	2.00-4.00	7,180,000
2011	<u>2,036,256</u>	2021	3.00	<u>2,043,968</u>
Total	\$ <u>187,930,516</u>			\$ <u>131,867,037</u>

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>
2012	\$ 7,020,000	\$ 5,365,064	\$ 12,385,064
2013	7,320,000	5,082,879	12,402,879
2014	7,610,000	4,770,602	12,380,602
2015	7,980,000	4,422,345	12,402,345
2016	8,355,000	4,051,531	12,406,531
2017-2021	64,725,000	14,405,615	79,130,615
2022-2025	<u>30,145,000</u>	<u>2,228,158</u>	<u>32,373,158</u>
Totals	\$ <u>133,155,000</u>	\$ <u>40,326,194</u>	\$ <u>173,481,194</u>

Difference in bond payable and future principal payments is due to \$ 1,287,963 of accretion, which will occur in future years prior to payment.

During the year ended August 31, 2011, the District issued \$ 9,401,256 of Unlimited Tax Refunding Bonds, Series 2011, for the advance partial refunding of previously issued outstanding bonds (Series 2003A). 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 \$ 968,128.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The economic gain resulting from the transaction was \$ 807,714. The funds of the escrow account were used to purchase federal securities which will mature at such times and yield interest sufficient to pay the principal and interest on the Refunded Bonds when due. By this action, the District has affected the defeasance of the Refunded Bonds. Accordingly, the Refunded Bonds are considered to be extinguished and do not appear as a liability in the governmental activities statement of net assets. At August 31, 2011, the escrow balance was \$ 8,147,478, while the related bonds payable was \$ 8,984,985.

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. The economic gain resulting from the transaction was \$ 316,920. The funds of the escrow account were used to purchase federal securities which will mature at such times and yield interest sufficient to pay the principal and interest on the Refunded Bonds when due. By this action, the District has affected the defeasance of the Refunded Bonds. Accordingly, the Refunded Bonds are considered to be extinguished and do not appear as a liability in the governmental activities statement of net assets. At August 31, 2011, the escrow balance was \$ 7,818,121, while the related bonds payable was \$ 7,465,000.

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, 2011 was \$ 779,580. The sinking fund balance as of August 31, 2011 was \$ 6,271,477 (\$ 2,613,660 Series 2005 and \$ 3,657,817 Series 2003).

Presented below is a summary of the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Series</u> <u>2005</u>	<u>Series</u> <u>2003</u>	<u>Total</u> <u>Requirements</u>
2012	\$ 401,938	\$ 377,642	\$ 779,580
2013	401,939	377,641	779,580
2014	401,939	377,642	779,581
2015	401,939	377,641	779,580
2016	401,939	377,641	779,580
2017-2021	<u>2,009,695</u>	<u>1,132,926</u>	<u>3,142,621</u>
Total minimum requirements	<u>\$ 4,019,389</u>	<u>\$ 3,021,133</u>	<u>\$ 7,040,522</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2011

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, 2011.

Maintenance Tax Note

On November 30, 2010 the District issued \$ 9,330,000 of Taxable Series 2010Q Maintenance Tax Qualified School Construction Notes, maturing in 2029. The notes 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 Notes as "specified tax credit notes" 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 Notes and may be used for any lawful purpose of the District, including but not limited to, payment of debt service on the Series 2010Q Notes.

The following is a summary of the District's maintenance tax school construction note debt as of August 31, 2011:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2010	\$ <u>9,330,000</u>	2029	3.75-5.20	\$ <u>9,330,000</u>
Total	\$ <u>9,330,000</u>			\$ <u>9,330,000</u>

The 2010Q Maintenance Tax Qualified School Construction Notes call for annual payments of \$ 515,000 from August 15, 2012 through August 15, 2025 and \$ 530,000 from August 15, 2026 through August 15, 2029, and will yield \$ 9,330,000 for the payment of principal on the notes.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 7. LONG-TERM DEBT (Continued)

Maintenance Tax Note (Continued)

Presented below is a summary of the estimated Federal subsidy and the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Estimated</u> <u>Federal</u> <u>Subsidy</u>	<u>Annual</u> <u>Sinking Fund</u> <u>Requirement</u>
2012	\$ 409,584	\$ 515,000
2013	409,584	515,000
2014	409,583	515,000
2015	409,584	515,000
2016	409,584	515,000
2017-2021	1,874,106	2,575,000
2022-2026	1,053,325	2,590,000
2029	<u>330,720</u>	<u>1,590,000</u>
Totals	<u>\$ 5,306,070</u>	<u>\$ 9,330,000</u>

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2011, was as follows:

	<u>Balance</u> <u>09-01-10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-11</u>	<u>Due Within</u> <u>One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 138,305,035	\$ 9,497,002	\$ 15,935,000	\$ 131,867,037	\$ 7,020,000
Tax Notes		9,330,000		9,330,000	-0-
Capital leases	272,324		78,249	194,075	87,520
Components of Long-Term Debt:					
Premium (discount) on general obligation bond	2,132,985	690,104	272,019	2,551,070	315,641
Accrued interest	<u>230,238</u>	<u>241,699</u>	<u>230,238</u>	<u>241,699</u>	<u>241,699</u>
Totals	<u>\$ 140,940,582</u>	<u>\$ 19,758,805</u>	<u>\$ 16,515,506</u>	<u>\$ 144,183,881</u>	<u>\$ 7,664,860</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 rate of the capital lease is 11.25%, expiring in 2014. 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 \$ 104,932, respectively.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2012	\$ 104,932
2013	104,932
2014	<u>8,746</u>
	218,610
Less amount representing interest	<u>24,535</u>
Net present value of minimum lease payments	<u>\$ 194,075</u>

Operating Leases

As of August 31, 2011, the District is not involved in any non-cancelable lease agreements. All leases are on a "month-to-month" basis. The total rental expenditures for the year ended August 31, 2011 was \$ 71,074.

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 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 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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 9. PENSION PLAN OBLIGATIONS (Continued)

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 2011 and 2010 and 6.58% for fiscal year 2009. State law further provides a member contribution rate of 6.4% for fiscal years 2011, 2010 and 2009. 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 fiscal year 2011 and for the period of January through August 2010, and 6.58% for fiscal year 2009. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2010 and 2009 were \$ 4,493,683, \$ 3,892,893 and \$ 3,500,148, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010 and 2009 in the amount of \$ 456,293, \$ 415,313 and \$ 666,302, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. Medicare part D contributions for the years ended August 31, 2011, 2010 and 2009 were \$ 161,729, \$ 177,454 and \$ 157,878, respectively. The District's total payroll for the years ended August 31, 2011, 2010 and 2009 were \$ 70,213,898, \$ 70,870,248 and \$ 70,578,054, respectively, of which \$ 61,578,959, \$ 63,744,507 and \$ 63,320,351 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)	---	\$ 354,868
Build America Bonds	---	290,122
ROTC Program	12.000	63,880
Medicaid Administrative Claiming Program (MAC)	93.778	20,493
Indirect Costs:		
ESEA, Title I, Part A – Improving Basic Programs	84.010A	23,176
ESEA, Title I, Part A – School Improvement	84.010A	216
ESEA, Title I, Part C – Education of Migratory Children	84.011	874
IDEA Part B - Formula	84.027	26,717
IDEA Part B - Preschool	84.173	1,197
Vocational Education – Basic	84.048A	995
ESEA, Title II, Part A – Teacher/Principal	84.367A	6,259
ARRA - IDEA Part B - Formula	84.391A	9,593
ARRA - ESEA, Title I, Part A - Improving Basic Programs	84.389A	13,643
ARRA – ESEA, Title I, Part A - School Improvement	84.389A	<u>83</u>
		<u>\$ 812,116</u>

The School Health and Related Services (SHARS) funds and Build American Bond subsidy 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, 2011***NOTE 11. LOCAL AND INTERMEDIATE REVENUES**

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

Fund	General Fund	Debt Service Fund	Capital Projects Funds	Other Funds	Total
Property Taxes	\$ 64,885,358	\$ 13,168,265	\$	\$	\$ 78,053,623
Food sales				2,144,680	2,144,680
Investment income	27,287	228,326	7,616	2,645	265,874
Penalties, interest and other tax related income	388,423	63,341			451,764
Co-curricular income	284,051				284,051
Enterprise activities	7,104			754,661	761,765
Grants and contributions	12,504			1,161,589	1,174,093
313 Agreements	259,998				259,998
Other	896,998			22,719	919,717
Total	\$ 66,761,723	\$ 13,459,932	\$ 7,616	\$ 4,086,294	\$ 84,315,565

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 2011, 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 \$ 578,113 as of August 31, 2011.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2011. 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, 2011

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

The accrued liability for Workers' Compensation self insurance of \$ 578,113 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2011, 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
2010-11	82
8 Yr. Average	154

Changes in the workers' compensation claims liability amounts in fiscal 2009-2010 and 2010-2011 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>
2009-2010 Workers' Compensation	\$ 658,349	\$ 338,948	\$ 457,471	\$ 539,826
2010-2011 Workers' Compensation	\$ 539,826	\$ 378,347	\$ 340,060	\$ 578,113

NOTE 14. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2011, Brazosport Independent School District 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, 2011

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, 2010 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, 2011 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	\$	71,200
------	--------------------------------------	----	--------

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, 2011

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	\$	99,398
------	--------------------------------------	----	--------

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	\$	3,320,265
------	-----------------------	----	-----------

NOTE 17. SUBSEQUENT EVENT

The District has evaluated subsequent events through December 14, 2011, the date which the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY.

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, 2011

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	\$ 64,679,177	\$ 65,071,530	\$ 66,761,723	\$ 1,690,193
5800	State program revenues	30,274,494	24,997,708	22,915,156	(2,082,552)
5900	Federal program revenues	225,000	516,000	812,116	296,116
5020	Total revenues	95,178,671	90,585,238	90,488,995	(96,243)
	EXPENDITURES:				
	Current:				
0011	Instruction	53,674,501	51,810,279	49,140,472	2,669,807
0012	Instructional resources and media services	1,856,663	1,447,520	1,369,982	77,538
0013	Curriculum and staff development	797,911	692,102	669,161	22,941
0021	Instructional leadership	1,555,763	1,528,659	1,482,179	46,480
0023	School leadership	7,066,970	4,730,755	4,517,640	213,115
0031	Guidance, counseling, and evaluation services	3,574,218	3,026,085	2,972,565	53,520
0032	Social work services	212,790	197,478	149,264	48,214
0033	Health services	1,224,432	1,033,111	959,650	73,461
0034	Student transportation	2,813,681	2,194,665	1,950,059	244,606
0036	Extracurricular activities	3,019,766	3,462,102	3,205,939	256,163
0041	General administration	1,872,346	1,775,429	1,682,660	92,769
0051	Plant maintenance and operations	9,965,540	10,528,380	9,986,000	542,380
0052	Security and monitoring services	467,343	614,823	546,319	68,504
0053	Data processing services	1,347,133	1,795,663	1,712,550	83,113
0061	Community services	91,970	54,401	30,856	23,545
0071	Principal on long-term debt	237,000	178,660	178,660	-0-
0072	Interest on long-term debt	31,600	326,400	326,400	-0-
0073	Bond issuance costs and fees	2,375	261,915	175,588	86,327
0091	Contracted instructional services between public schools	1,155,114	1,255,114	1,224,911	30,203
0093	Payments related to shared services arrangements	3,380,044	3,630,044	3,419,663	210,381
0095	Payments to Juvenile Justice Alternative				
	Education Programs	170,000	170,000	71,200	98,800
0099	Other intergovernmental	615,000	615,000	608,826	6,174
6030	Total expenditures	95,132,160	91,328,585	86,380,544	4,948,041
1100	Excess (deficiency) of revenues over expenditures	46,511	(743,347)	4,108,451	4,851,798
	OTHER FINANCING SOURCES (USES):				
7911	Proceeds from bonds		200,000	186,600	(13,400)
8911	Operating transfers out			(70,889)	(70,889)
	Total other financing sources (uses)	-0-	200,000	115,711	(84,289)
1200	Net change in fund balances	46,511	(543,347)	4,224,162	4,767,509
0100	Fund balances – beginning	13,619,073	13,619,073	13,619,073	-0-
3000	Fund balances – ending	\$ 13,665,584	\$ 13,075,726	\$ 17,843,235	\$ 4,767,509

OTHER SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes						Special
		211	212	224	225	240
		ESEA, Title I Part A - Improving Basic Programs	ESEA, Title I, Part C - Education of Migratory Children	IDEA - Part B, Formula	IDEA - Part B, Preschool	Child Nutrition Fund
ASSETS:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$ 2,154,829
1240	Receivables from other governments	343,081	29,288	547,460	23,737	178,933
1250	Other receivables					20,389
1260	Due from other funds					504,498
1310	Inventories					178,736
1410	Deferred expenditures	<u>6,850</u>		<u>11,183</u>		
1000	Total assets	<u>\$ 349,931</u>	<u>\$ 29,288</u>	<u>\$ 558,643</u>	<u>\$ 23,737</u>	<u>\$ 3,037,385</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 13,270	\$	\$ 665	\$	\$ 223,808
2160	Accrued wages payable	121,010	4	146,693	4,505	90,060
2170	Due to other funds	215,651	29,284	411,285	19,232	
2180	Due to other governments					
2300	Deferred revenues					<u>150,757</u>
2000	Total liabilities	<u>349,931</u>	<u>29,288</u>	<u>558,643</u>	<u>23,737</u>	<u>464,625</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories					178,736
3430	Prepaid Items	6,850		11,183		
Restricted:						
3450	Food service					2,394,024
3480	Other					
Unassigned:						
3600	Unassigned fund balance	<u>(6,850)</u>		<u>(11,183)</u>		
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,572,760</u>
4000	Total liabilities and fund balances	<u>\$ 349,931</u>	<u>\$ 29,288</u>	<u>\$ 558,643</u>	<u>\$ 23,737</u>	<u>\$ 3,037,385</u>

Revenue Funds							
243	244	255	263	266	279	280	282
ARRA Title I, Part A School Improvement Program - Stimulus	Vocational Education - Basic Grant	ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	Title III, Part A - English Language Acquisition and Language Enhancement	State/ Federal Stabilization Funds	Title II Part D ARRA	Clean Vehicles - HGAC	Smaller Learning Communities
\$	\$	\$	\$	\$	\$	\$	\$
		137,580	39,400	252,425	855		89,178
							2,250
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 137,580</u>	<u>\$ 39,400</u>	<u>\$ 252,425</u>	<u>\$ 855</u>	<u>\$ -0-</u>	<u>\$ 91,428</u>
\$	\$	\$	\$	\$	\$	\$	\$
		6,668	4,273				18,400
		130,912	35,127	252,425	855		4,769
							68,259
<u>-0-</u>	<u>-0-</u>	<u>137,580</u>	<u>39,400</u>	<u>252,425</u>	<u>855</u>	<u>-0-</u>	<u>91,428</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>\$ 137,580</u>	<u>\$ 39,400</u>	<u>\$ 252,425</u>	<u>\$ 855</u>	<u>\$ -0-</u>	<u>\$ 91,428</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

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
	ASSETS:					
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments	53,288	77	137,338	13,541	
1250	Other receivables					
1260	Due from other funds					
1310	Inventories					
1410	Deferred expenditures					
1000	Total assets	<u>\$ 53,288</u>	<u>\$ 77</u>	<u>\$ 137,338</u>	<u>\$ 13,541</u>	<u>\$ -0-</u>
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable					
2170	Due to other funds	53,288	77	137,338	13,541	
2180	Due to other governments					
2300	Deferred revenues					
2000	Total liabilities	<u>53,288</u>	<u>77</u>	<u>137,338</u>	<u>13,541</u>	<u>-0-</u>
	Fund Balances:					
	Non-Spendable:					
3410	Inventories					
3430	Prepaid Items					
	Restricted:					
3450	Food service					
3480	Other					
	Unassigned:					
3600	Unassigned fund balance					
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>\$ 53,288</u>	<u>\$ 77</u>	<u>\$ 137,338</u>	<u>\$ 13,541</u>	<u>\$ -0-</u>

Revenue Funds							
385	392	393	397	404	410	411	427
State Supplemental Visually Impaired (SSV)	Non-educational Community-Based Support	Texas Successful Schools Program	Advanced Placement Incentives	Accelerated Reading Program	Textbook Fund	Technology Allotment	Tobacco Compliance Grant
\$	\$	\$	\$	\$	\$	\$	\$
	240			9,351			
5,235		13,323	7,723			5,047	351
<u>\$ 5,235</u>	<u>\$ 240</u>	<u>\$ 13,323</u>	<u>\$ 7,723</u>	<u>\$ 9,351</u>	<u>\$ -0-</u>	<u>\$ 5,047</u>	<u>\$ 351</u>
\$	\$	\$	\$ 90	\$	\$	\$	\$
	240			9,351			
5,235						5,047	351
<u>5,235</u>	<u>240</u>	<u>-0-</u>	<u>90</u>	<u>9,351</u>	<u>-0-</u>	<u>5,047</u>	<u>351</u>
		13,323	7,633				
<u>-0-</u>	<u>-0-</u>	<u>13,323</u>	<u>7,633</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 5,235</u>	<u>\$ 240</u>	<u>\$ 13,323</u>	<u>\$ 7,723</u>	<u>\$ 9,351</u>	<u>\$ -0-</u>	<u>\$ 5,047</u>	<u>\$ 351</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

		429	461	480	481	Special 482
Data Control Codes		Read to Succeed	Campus Activity Funds	Lowe's Grant AP Beutel	John & James Knight Foundation	PPCD Program
ASSETS:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments					
1250	Other receivables					762
1260	Due from other funds		466,041	2,094	353	36,135
1310	Inventories					
1410	Deferred expenditures					
1000	Total assets	\$ <u>-0-</u>	\$ <u>466,041</u>	\$ <u>2,094</u>	\$ <u>353</u>	\$ <u>36,897</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable					1,182
2170	Due to other funds					
2180	Due to other programs					
2300	Deferred revenues			2,094		
2000	Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>2,094</u>	<u>-0-</u>	<u>1,182</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories					
3430	Prepaid Items					
Restricted:						
3450	Food service					
3480	Other		466,041		353	35,715
Unassigned:						
3600	Unassigned fund balance					
3000	Total fund balances	<u>-0-</u>	<u>466,041</u>	<u>-0-</u>	<u>353</u>	<u>35,715</u>
4000	Total liabilities and fund balances	\$ <u>-0-</u>	\$ <u>466,041</u>	\$ <u>2,094</u>	\$ <u>353</u>	\$ <u>36,897</u>

Revenue Funds							
483	484	485	489	490	491	492	493
Dow Velasco Elementary	Toshiba American Fund Grant	Teacher Extemship Program	Harris County Education Grant	Dow Education Grants	Clean Vehicle - HGAC	University of Houston Mentor Program	NASA Grant M. Griffith
\$	\$	\$	\$	\$	\$	\$	\$
1,181	145	20	24	11,135		5,369	
<u>\$ 1,181</u>	<u>\$ 145</u>	<u>\$ 20</u>	<u>\$ 24</u>	<u>\$ 11,135</u>	<u>\$ -0-</u>	<u>\$ 5,369</u>	<u>\$</u>
\$	\$	\$	\$	\$ 2,849	\$	\$	\$
<u>1,181</u>	<u>145</u>	<u>20</u>	<u>24</u>	<u>8,286</u>		<u>5,369</u>	
<u>1,181</u>	<u>145</u>	<u>20</u>	<u>24</u>	<u>11,135</u>	<u>-0-</u>	<u>5,369</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>\$ 1,181</u>	<u>\$ 145</u>	<u>\$ 20</u>	<u>\$ 24</u>	<u>\$ 11,135</u>	<u>\$ -0-</u>	<u>\$ 5,369</u>	<u>\$ -0-</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

						Special Revenue
		494	495	496	497	499
Data Control Codes		A+ Energy - Griffith	Adopt-A School Bus	Conoco Phillips Grant	African American Advisory	Wal-Mart Literacy Grant
ASSETS:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments					
1250	Other receivables					
1260	Due from other funds	578	1,229	685	753	
1310	Inventories					
1410	Deferred expenditures					
1000	Total assets	<u>\$ 578</u>	<u>\$ 1,229</u>	<u>\$ 685</u>	<u>\$ 753</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable					
2170	Due to other funds					
2180	Due to other governments					
2300	Deferred revenues	578	1,229	685	753	
2000	Total liabilities	<u>578</u>	<u>1,229</u>	<u>685</u>	<u>753</u>	<u>-0-</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories					
3430	Prepaid Items					
Restricted:						
3450	Food service					
3480	Other					
Unassigned:						
3600	Unassigned fund balance					
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>\$ 578</u>	<u>\$ 1,229</u>	<u>\$ 685</u>	<u>\$ 753</u>	<u>\$ -0-</u>

Total
Nonmajor
Governmental
(See C-1)

\$ 2,154,829
1,855,772
21,151
1,064,169
178,736
18,033

\$ 5,292,690

\$ 259,082
379,164
1,376,865
5,047
176,707

2,196,865

178,736
18,033

2,394,024
523,065

(18,033)

3,095,825

\$ 5,292,690

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2011

Data Control Codes						Special
		211	212	224	225	240
		ESEA, Title I Part A - Improving Basic Programs	ESEA, Title I, Part C - Education of Migratory Children	IDEA - Part B, Formula	IDEA - Part B, Preschool	Child Nutrition Fund
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$ 2,147,324
5800	State program revenues					154,360
5900	Federal program revenues	<u>2,326,818</u>	<u>77,093</u>	<u>2,394,765</u>	<u>117,163</u>	<u>4,442,526</u>
5020	Total revenues	<u>2,326,818</u>	<u>77,093</u>	<u>2,394,765</u>	<u>117,163</u>	<u>6,744,210</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	2,014,896	5,454	2,132,299	112,329	
0012	Instructional resources and media services	18,701				
0013	Curriculum and staff development	13,352	2,636	27,136	4,834	
0021	Instructional leadership	65,406	49,324	60,094		
0023	School leadership					
0031	Guidance, counseling and evaluation services	75,261		175,068		
0032	Social work services	61,875	19,574	100		
0033	Health services					
0034	Student (pupil) services					
0035	Food services					6,148,375
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					102,000
0053	Data processing services					
0061	Community services	<u>77,327</u>	<u>105</u>	<u>68</u>		
6030	Total expenditures	<u>2,326,818</u>	<u>77,093</u>	<u>2,394,765</u>	<u>117,163</u>	<u>6,250,375</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>493,835</u>
	OTHER FINANCING SOURCES (USES):					
7912	Sale of real and personal property					
7915	Transfers					
	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-	493,835
0100	Fund balances - beginning					2,078,925
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,572,760</u>

Revenue Funds							
243	244	255	263	266	279	280	282
ARRA Title I, Part A School Improvement Program - Stimulus	Vocational Education - Basic Grant	ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	Title III, Part A - English Language Acquisition and Language Enhancement	State/ Federal Stabilization Funds	Title II Part D ARRA	Clean Vehicles - HGAC	Smaller Learning Communities
\$	\$	\$	\$	\$	\$	\$	\$
<u>1,700</u>	<u>124,096</u>	<u>560,070</u>	<u>107,862</u>	<u>4,927,183</u>	<u>13,470</u>	<u>36,282</u>	<u>239,169</u>
<u>1,700</u>	<u>124,096</u>	<u>560,070</u>	<u>107,862</u>	<u>4,927,183</u>	<u>13,470</u>	<u>36,282</u>	<u>239,169</u>
707	66,702	204,245	101,389	1,520,817	13,470		50,568
658	8,159	281,309	3,483	465,753			61,089
	8,927	9,712	2,990	188,757			127,512
				196,202			
335	40,308			1,796,394			
				452,056			
				61,424			
				204,667			
						36,282	
		64,804					
				<u>41,113</u>			
<u>1,700</u>	<u>124,096</u>	<u>560,070</u>	<u>107,862</u>	<u>4,927,183</u>	<u>13,470</u>	<u>36,282</u>	<u>239,169</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>-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>-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>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2011

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
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	
5800	State program revenues					
5900	Federal program revenues	<u>789,807</u>	<u>6,104</u>	<u>805,986</u>		<u>6,446</u>
5020	Total revenues	<u>789,807</u>	<u>6,104</u>	<u>805,986</u>	<u>-0-</u>	<u>6,446</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	703,263	5,817	709,228		6,446
0012	Instructional resources and media services			9,346		
0013	Curriculum and staff development		287	22,349		
0021	Instructional leadership					
0023	School leadership			125		
0031	Guidance, counseling and evaluation services	83,949		60,164		
0032	Social work services			462		
0033	Health services	2,595				
0034	Student (pupil) transportation					
0035	Food services					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0053	Data processing services					
0061	Community services			<u>4,312</u>		
6030	Total expenditures	<u>789,807</u>	<u>6,104</u>	<u>805,986</u>	<u>-0-</u>	<u>6,446</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	OTHER FINANCING SOURCES (USES):					
7912	Sale of real and personal property					
7915	Transfer in					
	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	404	410	411	427
State Supplemental Visually Impaired (SSV)	Non-educational Community-Based Support	Texas Successful Schools Program	Advanced Placement Incentives	Accelerated Reading Program	Textbook Fund	Technology Allotment	Tobacco Compliance Grant
\$ 6,985	\$ 5,950	\$	\$ 3,150	\$ 93,509	\$ 277	\$ 327,309	\$ 1,350
<u>6,985</u>	<u>5,950</u>	<u>-0-</u>	<u>3,150</u>	<u>93,509</u>	<u>277</u>	<u>327,309</u>	<u>1,350</u>
6,985			7,475	93,509	277	130,728	1,350
			3,939				
	5,950					10,042	
						186,539	
<u>6,985</u>	<u>5,950</u>	<u>-0-</u>	<u>11,414</u>	<u>93,509</u>	<u>277</u>	<u>327,309</u>	<u>1,350</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(8,264)</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>(8,264)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
		<u>13,323</u>	<u>15,897</u>				
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 13,323</u>	<u>\$ 7,633</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, 2011

Data Control Codes		Special Revenue				
		429	461	480	481	482
		Read to Succeed	Campus Activity Funds	Lowe's Grant AP Beutel	John & James Knight Foundation	PPCD Program
REVENUES:						
5700	Local and intermediate sources	\$	\$ 754,661	\$ 4,906	\$	\$ 22,719
5800	State program revenues	18,175				
5900	Federal program revenues					
5020	Total revenues	<u>18,175</u>	<u>754,661</u>	<u>4,906</u>	<u>-0-</u>	<u>-0-</u>
EXPENDITURES:						
Current:						
0011	Instruction	18,175		4,906		1,182
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					
0034	Student (pupil) transportation					
0035	Food services					
0036	Extracurricular activities		757,018			
0041	General administration					
0051	Plant maintenance and operations					
0053	Data processing services					
0061	Community services					
6030	Total expenditures	<u>18,175</u>	<u>757,018</u>	<u>4,906</u>	<u>-0-</u>	<u>1,182</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(2,357)</u>	<u>-0-</u>	<u>-0-</u>	<u>21,537</u>
OTHER FINANCING SOURCES (USES):						
7912	Sale of real and personal property					
7915	Transfer in					
	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-	(2,357)	-0-	-0-	21,537
0100	Fund balances - beginning		468,398		353	14,178
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ 466,041</u>	<u>\$ -0-</u>	<u>\$ 353</u>	<u>\$ 35,715</u>

Funds							
483	484	485	489	490	491	492	493
Dow Velasco Elementary	Toshiba American Fund Grant	Teacher Externship Program	Harris County Education Grant	Dow Education Grants	Clean Vehicle - HGAC	University of Houston Mentor Program	NASA Grant M. Griffith
\$	\$	\$	\$	\$ 12,258	\$ 1,134,681	\$ 3,650	\$ 73
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,258</u>	<u>1,134,681</u>	<u>3,650</u>	<u>73</u>
				11,993		3,566	73
				265		84	
					1,220,570		
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,258</u>	<u>1,220,570</u>	<u>3,650</u>	<u>73</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(85,889)</u>	<u>-0-</u>	<u>-0-</u>
					15,000		
					70,889		
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>85,889</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>\$ -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, 2011

Data Control Codes		Special Revenue				
		494	495	496	497	499
		A+ Energy - Griffith	Adopt-A School Bus	Conoco Phillips Grant	African American Advisory	Wal-Mart Literacy Grant
REVENUES:						
5700	Local and intermediate sources	\$ 1,425	\$	\$ 3,497	\$ 750	\$ 4,000
5800	State program revenues					
5900	Federal program revenues					
5020	Total revenues	<u>1,425</u>	<u>-0-</u>	<u>3,497</u>	<u>750</u>	<u>280</u>
EXPENDITURES:						
Current:						
0011	Instruction	1,425		3,497	750	280
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					
0034	Student (pupil) transportation					4,000
0035	Food services					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0053	Data processing services					
0061	Community services					
6030	Total expenditures	<u>1,425</u>	<u>-0-</u>	<u>3,497</u>	<u>750</u>	<u>4,280</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(280)</u>
OTHER FINANCING SOURCES (USES):						
7912	Sale of real and personal property					
7915	Transfer in					
	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-	(280)
0100	Fund balances - beginning					280
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Total
Nonmajor
Governmental
(See C-2)

\$ 4,086,294
614,715
16,976,540

21,677,549

7,933,801
493,800
618,337
520,167
1,806,561
893,091
143,435
207,262
1,260,852
6,148,375
757,018
64,804
102,000
186,539
122,925

21,258,967

418,582

15,000

70,889

85,889

504,471

2,591,354

\$ 3,095,825

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
AUGUST 31, 2011

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	\$ 262,814	\$ 1,088,399	\$ 1,351,213
1290	Due from others		<u>300</u>	<u>300</u>
	Total current assets	262,814	1,088,699	1,351,513
	Noncurrent Assets:			
	Total noncurrent assets			<u>-0-</u>
	Total assets	<u>262,814</u>	<u>1,088,699</u>	<u>1,351,513</u>
	LIABILITIES:			
	Current Liabilities:			
2165	Accrued expenses payable	<u>50,003</u>	<u>578,113</u>	<u>628,116</u>
	Total current liabilities	50,003	578,113	628,116
	Noncurrent Liabilities:			
	Total noncurrent liabilities			<u>-0-</u>
	Total liabilities	<u>50,003</u>	<u>578,113</u>	<u>628,116</u>
	NET ASSETS:			
3900	Unrestricted net assets	<u>212,811</u>	<u>510,586</u>	<u>723,397</u>
	Total net assets	<u>\$ 212,811</u>	<u>\$ 510,586</u>	<u>\$ 723,397</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2011

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	\$ 708,402	\$ 490,019	\$ 1,198,421
Total operating revenues	<u>708,402</u>	<u>490,019</u>	<u>1,198,421</u>
Operating Expenses:			
Insurance claims and expenses	<u>664,474</u>	<u>340,060</u>	<u>1,004,534</u>
Total operating expenses	<u>664,474</u>	<u>340,060</u>	<u>1,004,534</u>
Operating income (loss)	<u>43,928</u>	<u>149,959</u>	<u>193,887</u>
Nonoperating Revenues (Expenses):			
Interest and investment revenue	<u>296</u>	<u>1,061</u>	<u>1,357</u>
Total nonoperating revenues (expenses)	<u>296</u>	<u>1,061</u>	<u>1,357</u>
Income (loss) before contributions and transfers	44,224	151,020	195,244
Contributions and transfers	<u> </u>	<u> </u>	<u> -0-</u>
Change in net assets	44,224	151,020	195,244
Net assets – beginning	<u>168,587</u>	<u>359,566</u>	<u>528,153</u>
Net assets – ending	<u>\$ 212,811</u>	<u>\$ 510,586</u>	<u>\$ 723,397</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2011

Exhibit H-5
Page 1 of 1

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 708,402	\$ 489,719	\$ 1,198,121
Claims paid	<u>(670,894)</u>	<u>(301,773)</u>	<u>(972,667)</u>
Net cash provided by operating activities	<u>37,508</u>	<u>187,946</u>	<u>225,454</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net cash provided (used) by noncapital financing activities	<u> </u>	<u> </u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net cash provided (used) by capital and related financing activities	<u> </u>	<u> </u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>296</u>	<u>1,061</u>	<u>1,357</u>
Net cash provided by investing activities	<u>296</u>	<u>1,061</u>	<u>1,357</u>
Net increase in cash and cash equivalents	37,804	189,007	226,811
Balances – beginning of the year	<u>225,010</u>	<u>899,392</u>	<u>1,124,402</u>
Balances – end of the year	<u>\$ 262,814</u>	<u>\$ 1,088,399</u>	<u>\$ 1,351,213</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income	\$ 43,928	\$ 149,959	\$ 193,887
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Assets and Liabilities:			
Due from others		(300)	(300)
Accrued expenses payable	(6,420)	38,287	31,867
Due to other funds	<u> </u>	<u> </u>	<u>-0-</u>
Net cash provided by operating activities	<u>\$ 37,508</u>	<u>\$ 187,946</u>	<u>\$ 225,454</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2011

Last Ten Years Ended August 31,	1		2		3		10	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes		Beginning Balance September 1, 2010	
	Maintenance	Debt Service						
2001 and Prior	\$ Various	\$ Various	\$	Various	\$	Various	\$	162,485
2002	1.300600	0.062200				5,709,660,005		42,581
2003	1.362600	0.423110				5,830,878,487		60,392
2004	1.362600	0.110200				5,942,025,104		67,890
2005	1.362600	0.160200				5,946,464,855		66,276
2006	1.362600	0.210200				6,167,488,798		73,178
2007	1.228200	0.195500				6,422,002,991		90,616
2008	0.94840	0.185500				6,785,512,912		120,295
2009	1.010000	0.182200				7,328,104,426		223,817
2010	1.040000	0.188500				6,666,775,818		720,557
2011 (School Year Under Audit)	1.040000	0.201500				6,238,933,790		
1000 Totals							\$	<u>1,628,087</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, 2011
\$	\$ 4,865	\$ 247	\$(37,939)	\$ 119,434
	1,560	71	(667)	40,283
	3,281	145	(1,058)	55,908
	3,402	275	(629)	63,584
	5,690	669	(705)	59,212
	9,701	1,497	(784)	61,196
	16,048	2,555	(1,206)	70,807
	32,159	6,290	(1,078)	80,768
	76,788	13,852	(2,204)	130,973
	554,566	71,760	125,271	219,502
<u>77,456,363</u>	<u>64,178,575</u>	<u>13,070,013</u>	<u>424,984</u>	<u>632,759</u>
<u>\$ 77,456,363</u>	<u>\$ 64,886,635</u>	<u>\$ 13,167,374</u>	<u>\$ 503,985</u>	<u>\$ 1,534,426</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COST FOR 2011-2012
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2011

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	\$	\$	\$ 307,931	\$ 996,747	\$	\$	\$ 1,304,678
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	36,232						36,232
6212	Audit services				39,909			39,909
6213	Tax appraisal & collection (Appraisal District costs only from function 99)		608,826					608,826
621X	Other professional services		11,034	5,735				16,769
6220	Tuition & transfer payments							-0-
6230	Education service centers				100			100
6240	Contract maintenance & repair							-0-
6250	Utilities							-0-
6260	Rentals							-0-
6290	Miscellaneous contract	28,057		939	137,585			166,581
6320	Textbooks & reading			519				519
6330	Testing materials							-0-
63XX	Other supplies/materials	78		10,094	22,887		51,175	84,234
6410	Travel, subsistence, stipends	2,586		13,711	13,373			29,670
6420	Ins. & bonding costs							-0-
6430	Election costs	5,157						5,157
6490	Miscellaneous operating	15,684		39,034	19,644			74,362
6500	Debt service							-0-
6600	Capital outlay							-0-
TOTAL		\$ 87,794	\$ 619,860	\$ 377,963	\$ 1,230,245	\$ -0-	\$ 51,175	\$ 2,367,037

Total expenditures for General and Special Revenue Funds (9) \$107,639,511

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,497,408
Total Debt & Lease (6500)	(11)	680,649
Plant Maintenance (Function 51, 6100-6400)	(12)	9,839,501
Food (Function 35, 6341 and 6499)	(13)	2,407,493
Stipends (6413)	(14)	-0-
Column 4 (above) - Total Indirect Cost		<u>1,230,245</u>
Subtotal		<u>16,655,296</u>
Net Allowed Direct Cost		<u>\$ 90,984,215</u>

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 181,624,670
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)	\$ 15,047,570
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,743,828
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20)	\$ 4,989,986

Note A - \$ 10,747 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
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
AUGUST 31, 2011
UNAUDITED

Exhibit J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/11 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>17,843,235</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	1,234,566
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	26,587
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	750,000
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	-0-
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing deferred revenues)	3,726,988
7	Estimate of two months' average cash disbursements during the fiscal year	14,396,757
8	Estimate of delayed payments from state sources (58XX)	-0-
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	1,506,369
10	Estimate of delayed payments from federal sources (59XX)	-0-
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>-0-</u>
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>21,641,267</u>
13	Excess (deficit) unassigned General Fund fund balance (1- 12)	\$(<u>3,798,032</u>)

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, 2011

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	\$ 1,943,000	\$ 1,943,000	\$ 2,147,324	\$ 204,324
5800	State program revenues	43,000	193,000	154,360	(38,640)
5900	Federal program revenues	<u>4,014,000</u>	<u>4,179,000</u>	<u>4,442,526</u>	<u>263,526</u>
5020	Total revenues	<u>6,000,000</u>	<u>6,315,000</u>	<u>6,744,210</u>	<u>429,210</u>
	EXPENDITURES:				
	Current:				
0035	Food service	6,000,000	6,213,000	6,148,375	64,625
0051	Plant maintenance and operations		<u>102,000</u>	<u>102,000</u>	<u>-0-</u>
6030	Total expenditures	<u>6,000,000</u>	<u>6,315,000</u>	<u>6,250,375</u>	<u>64,625</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	493,835	493,835
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real and personal property				<u>-0-</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net change in fund balances	-0-	-0-	493,835	493,835
0100	Fund balances – beginning	<u>2,078,925</u>	<u>2,078,925</u>	<u>2,078,925</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 2,078,925</u>	<u>\$ 2,078,925</u>	<u>\$ 2,572,760</u>	<u>\$ 493,835</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2011

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	\$ 13,012,699	\$ 13,012,699	\$ 13,459,932	\$ 447,233
5020	Total revenues	13,012,699	13,012,699	13,459,932	447,233
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	6,665,000	6,850,000	6,850,000	-0-
0072	Interest on long-term debt	6,132,699	6,132,699	5,168,767	963,932
0073	Bond issuance costs and fees	215,000	187,370	157,370	30,000
6030	Total expenditures	13,012,699	13,170,069	12,176,137	993,932
1100	Excess (deficiency) of revenues over expenditures	-0-	(157,370)	1,283,795	1,441,165
	OTHER FINANCING SOURCES (USES):				
7911	Sale of bonds		9,401,256	9,401,256	-0-
7916	Premium on bonds		592,125	592,125	-0-
8949	Payment of escrow agent		(9,836,011)	(9,836,011)	-0-
	Total other financing sources and (uses)	-0-	157,370	157,370	-0-
1200	Net change in fund balances	-0-	-0-	1,441,165	1,441,165
0100	Fund balances – beginning	8,158,288	8,158,288	8,158,288	-0-
3000	Fund balances – ending	\$ 8,158,288	\$ 8,158,288	\$ 9,599,453	\$ 1,441,165

THIS PAGE LEFT BLANK INTENTIONALLY.

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
12000 Westheimer, Suite 105
Houston, Texas 77077
(281) 752-0200 Fax: (281) 752-0204

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 14, 2011

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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2011. 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

www.kmkwllc.com – Email: kmkw@kmkwllc.com

Board of Trustees
Brazosport Independent School District
December 14, 2011
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*.

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.

Kennebec, Masters & Hunford, LLC

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
12000 Wesetheimer, Suite 105
Houston, Texas 77077
(281) 752-0200 Fax: (281) 752-0204

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 14, 2011

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, 2011. 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, 2011.

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.

Kennemer, Masters & Hunsford, LLC

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

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
 - National School Lunch Program Cluster:
 - 10.553 National School Breakfast Program
 - 10.555 National School Lunch Program
 - 10.555 U.S.D.A. Commodities
 - 10.555 Healthier United States School Challenge
 - Other Programs:
 - 84.394 ARRA, Title XIV, SFSF
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 514,310.
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, 2011

PRIOR YEAR'S FINDING/NONCOMPLIANCE

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2011

None.

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

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	S215L080612	\$ <u>239,169</u>
Passed Through State Department of Education:			
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	11610101020905	2,174,162
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	12610101020905	156,480
ESEA, Title I, Part A - School Improvement Programs*	84.010A	11610101020905	<u>19,568</u>
			<u>2,350,210</u>
ESEA, Title I, Part C - Education of Migratory Children	84.011	11615001020905	74,298
ESEA, Title I, Part C - Education of Migratory Children	84.011	12615001020905	<u>3,669</u>
			<u>77,967</u>
IDEA - Part B, Formula **	84.027	116600010209056600	2,266,969
IDEA - Part B, Formula **	84.027	126600010209056600	<u>154,513</u>
			<u>2,421,482</u>
Vocational Education - Basic Grant	84.048	1142000602090504	<u>125,091</u>
IDEA - Part B, Preschool **	84.173	116610010209056610	105,665
IDEA - Part B, Preschool	84.173	126610010209056610	<u>4,505</u>
			<u>110,170</u>
Title III, Part A – English Language Acquisition and Language Enhancement	84.365A	11671001020905	103,589
Title III, Part A – English Language Acquisition and Language Enhancement	84.365A	12671001020905	<u>4,273</u>
			<u>107,862</u>
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	11694501020905	526,939
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	12694501020905	<u>39,390</u>
			<u>566,329</u>
English Second Language (ESL) - Summer School Program	84.369A	069551002	<u>6,446</u>
ARRA – Title II, Part D, Technology	84.386A	10553001020905	<u>13,470</u>
ARRA – Title I, Part A – Improving Basic Programs*	84.389A	10551001020905	812,195
ARRA – Title I, Part A – School Improvement Programs*	84.389A	10551004020905	<u>7,517</u>
			<u>819,712</u>
ARRA – IDEA Part B, Formula**	84.391A	10554001020905	<u>799,400</u>
ARRA – IDEA Part B, Preschool**	84.392A	10555001020905	<u>6,104</u>
ARRA – Title XIV SFSF Stimulus	84.394A	10557001020905	309,123
ARRA – Title XIV SFSF Stimulus	84.394A	11557001020905	<u>4,618,060</u>
			<u>4,927,183</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1
PAGE 2 OF 3

(1) Federal Grantor/Pass-Through Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass Through Entity Identifying Number	(3) Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education - Continued</u>			
Passed Through State Department of Education - Continued			
Passed Through Region IV Education Service Center: IDEA – Part B, Preschool L.R.E. **	84.173	1166102271204	\$ <u>8,190</u>
Passed Through Lone Star College: Vocational Technical Preparation	84.243	---	<u>1,700</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>12,580,485</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Healthier School Challenge***	10.555	---	\$ 1,500
Commodity Supplement Program ***	10.555	20905	<u>322,848</u>
			<u>324,348</u>
Passed Through State Department of Education:			
School Breakfast Program ***	10.553	71401101	947,464
National School Lunch Program ***	10.555	71301101	<u>3,170,714</u>
			<u>4,118,178</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>4,442,526</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	-	\$ <u>63,880</u>
TOTAL DEPARTMENT OF DEFENSE			\$ <u>63,880</u>
<u>U.S. Department of Transportation:</u>			
Passed Through Houston-Galveston Area Council: Clean Cities/Clean Vehicles Program	20.205	TS8707-28	\$ <u>36,282</u>
TOTAL DEPARTMENT OF TRANSPORTATION			\$ <u>36,282</u>
<u>U.S. Department of Health & Human Services</u>			
Passed Through State Department of Human Services: Medicaid Administrative Claiming Program – MAC	93.778	-	\$ <u>20,493</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			\$ <u>20,493</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>17,143,666</u>

*, **, *** - Cluster Programs

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1
PAGE 3 OF 3

RECONCILIATION:	
Federal Program Revenues (Exhibit C-2)	\$ 17,788,656
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards	(354,868)
Build America Bonds not considered federal revenue for the Schedule of Federal Awards	(<u>290,122</u>)
Total federal financial assistance (Schedule of expenditures of Federal Awards)	\$ <u>17,143,666</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, 2011

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 \$ 380,374, while the monetary value of goods used and recognized as income and expenditures was \$ 322,848.
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.