

**BRAZOSPORT
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2012**

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

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2012*

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2012*

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Brazosport Independent School District
Name of School District

Brazoria
County

020-905
Co.—Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2012, at a meeting of the board of trustees of such school district on the 8th day of January, 2013.


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):

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FINANCIAL SECTION

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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) 297-8643
(800) 399-4075

Houston Office:
10260 Westheimer, Suite 410
Houston, Texas 77042
(281) 974-3416 Fax: (281) 974-3764

Independent Auditor's Report

December 17, 2012

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 25 and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, including combining and individual nonmajor fund financial statements, and the required Texas Education Agency schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Kennemer, Masters & Hunsford, LLC

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2012

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, 2012. 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 \$ 52,473,502 (*net assets*). Of this amount, \$ 27,574,737 (*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 \$ 68,147,996. Approximately 29 percent of this total amount, \$ 19,783,350, 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 \$ 19,783,350, or 25 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, 2012

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 thirty-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 thirty-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, 2012

- **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 68 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.

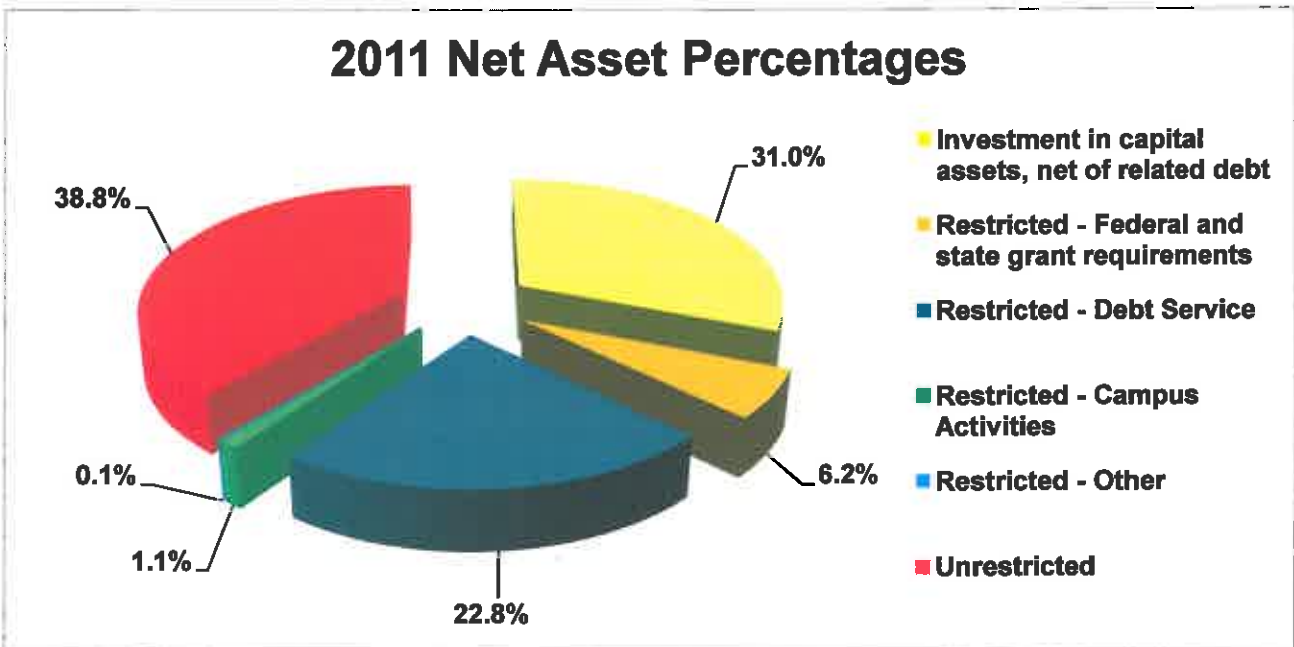
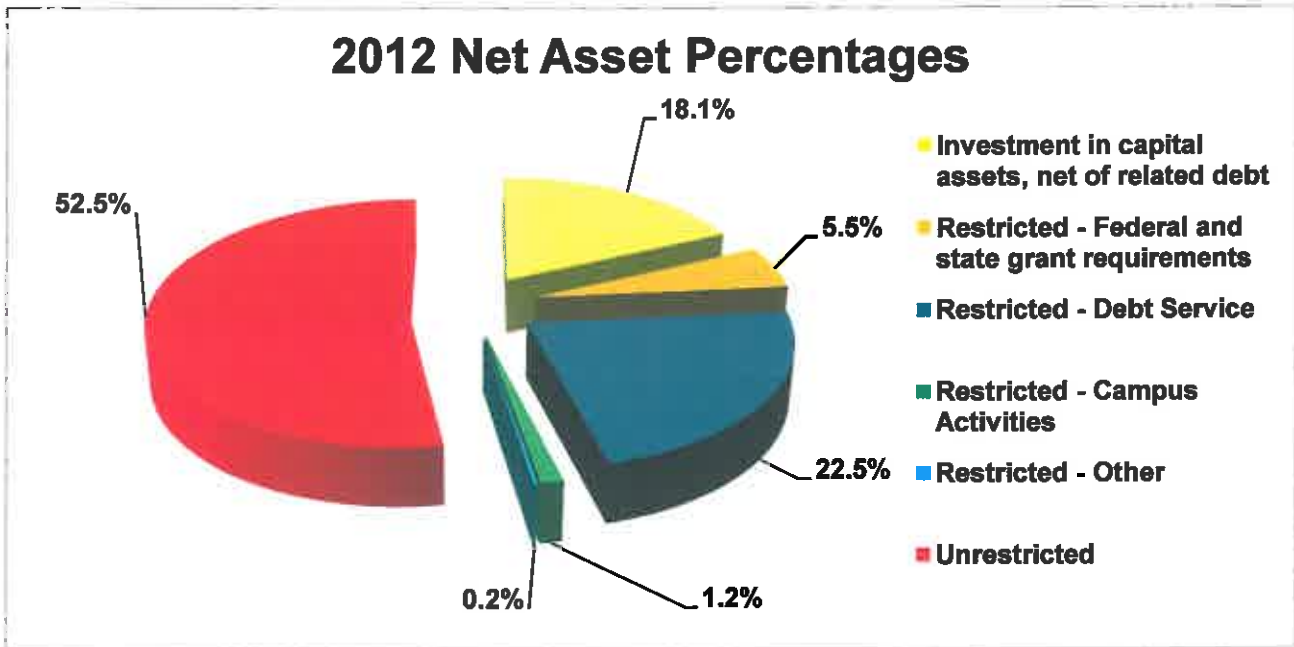
The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 72 through 83 and 84 through 86 of this report.

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 \$ 52,473,502 as of August 31, 2012. Net assets of the District's governmental activities increased by \$ 11,063,066, from \$ 41,410,436 to \$ 52,473,502.

The District's Net Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 76,272,799	\$ 44,863,957	\$ 34,109,786
Capital assets	<u>147,315,292</u>	<u>148,779,170</u>	<u>146,036,507</u>
Total assets	<u>223,588,091</u>	<u>193,643,127</u>	<u>180,146,293</u>
Long-term liabilities outstanding	165,919,169	144,183,881	140,940,580
Other liabilities	<u>5,195,420</u>	<u>8,048,810</u>	<u>7,492,020</u>
Total liabilities	<u>171,114,589</u>	<u>152,232,691</u>	<u>148,432,600</u>
Net assets:			
Invested in capital assets, net of related debt	9,505,829	12,854,891	10,183,930
Restricted	15,392,936	12,529,078	10,495,172
Unrestricted	<u>27,574,737</u>	<u>16,026,467</u>	<u>11,034,591</u>
Total net assets	<u>\$ 52,473,502</u>	<u>\$ 41,410,436</u>	<u>\$ 31,713,693</u>



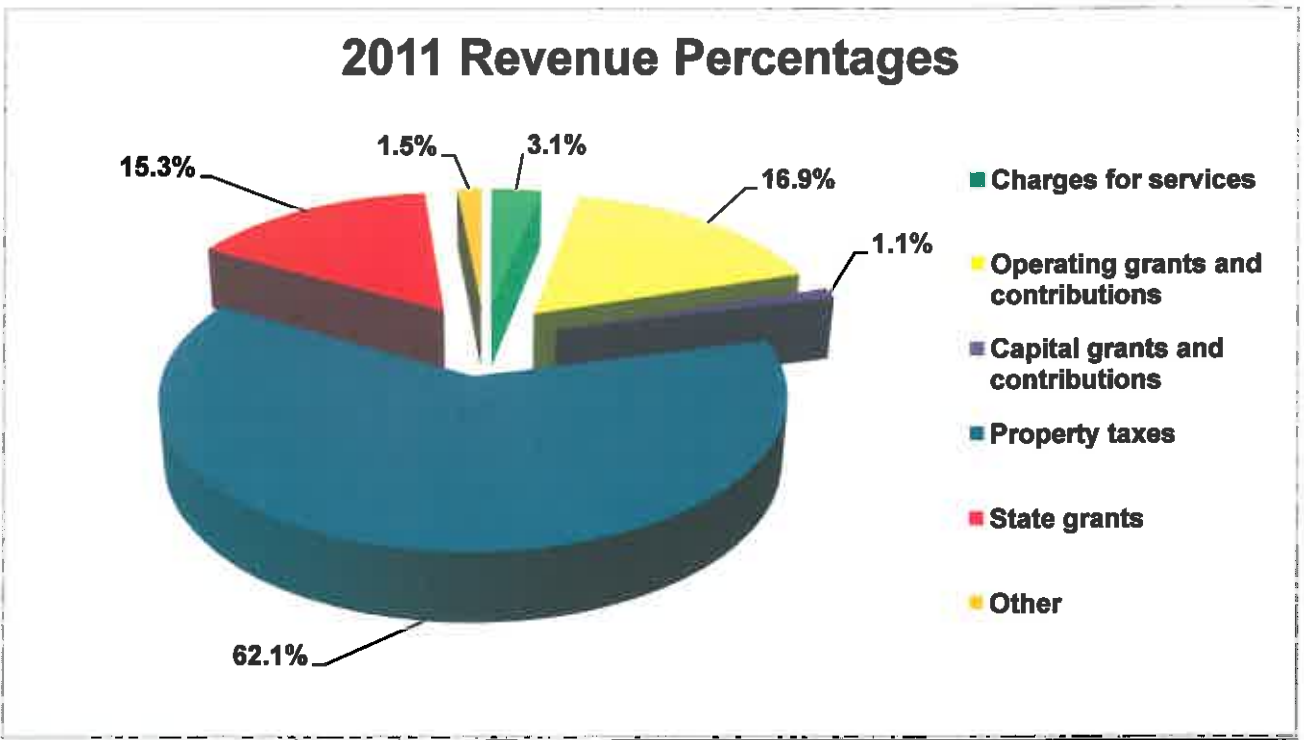
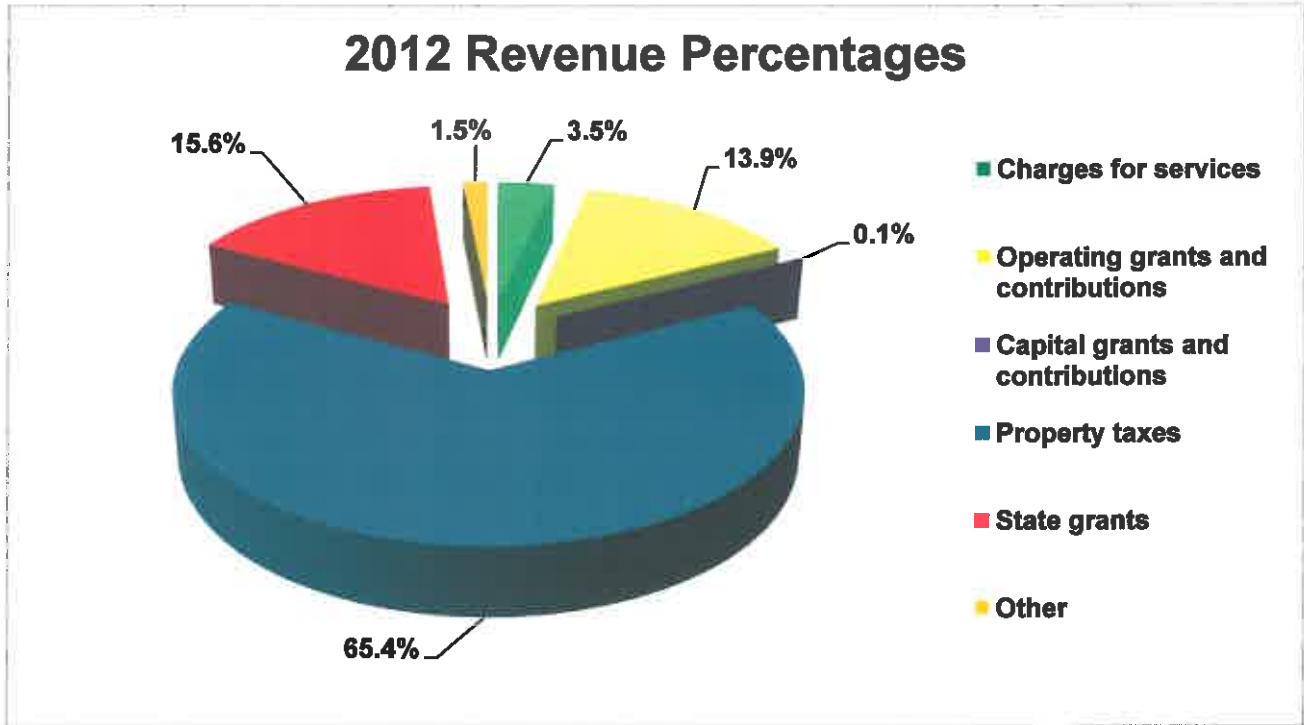
Investment in capital assets (e.g., land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 9,505,829. The District uses these capital assets to provide 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 \$ 15,392,936 approximately 29 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$ 27,574,737 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, 2012

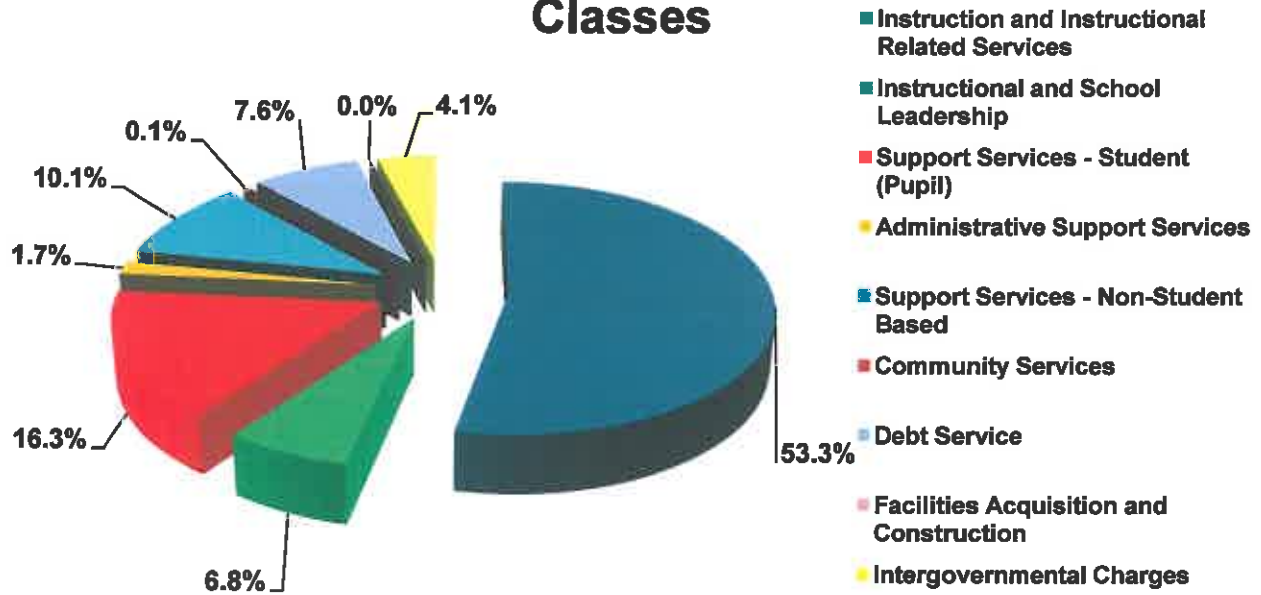
Governmental activities. The District's total net assets increased \$ 11,063,066. The total cost of all *governmental activities* this year was \$ 107,430,001. The amount that our taxpayers paid for these activities through property taxes was \$ 77,546,638 or 72 percent.

Changes in the District's Net Assets

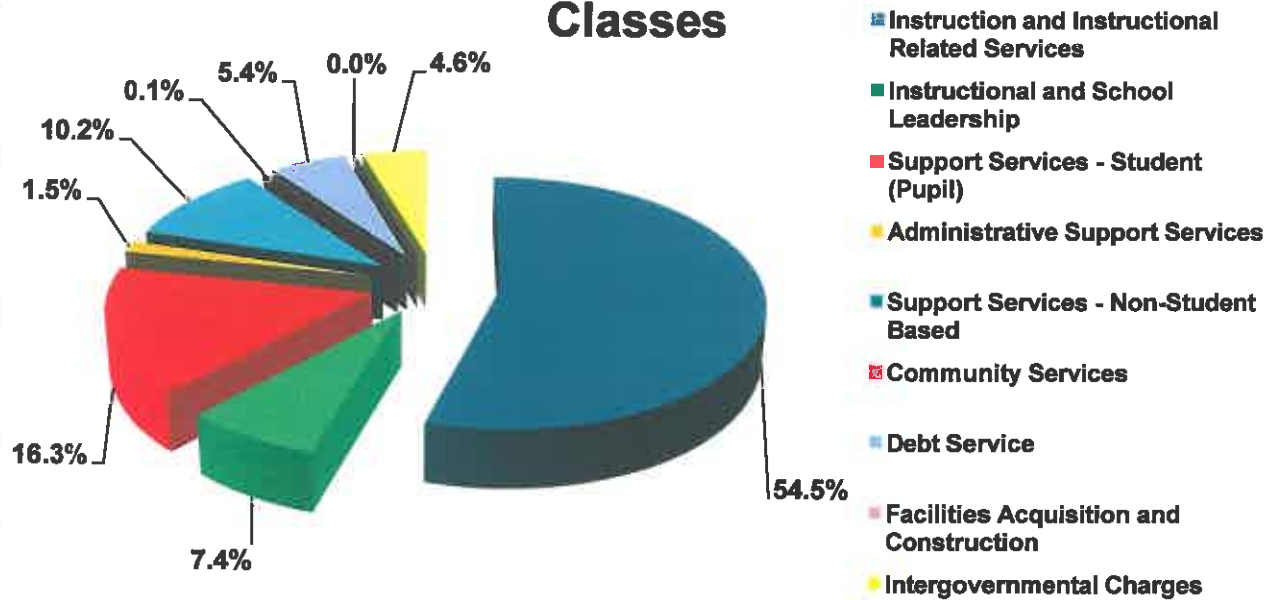
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 4,137,956	\$ 3,888,015	\$ 3,222,735
Operating grants & contributions	16,451,461	21,284,901	20,903,620
Capital grants & contributions	5,275	1,358,161	43,454
General Revenues:			
Property taxes	77,546,638	78,445,009	83,301,073
State grants	18,536,358	19,365,475	18,551,352
Other	1,815,379	1,956,915	1,100,302
Total revenues	<u>118,493,067</u>	<u>126,298,476</u>	<u>127,122,536</u>
Expenses:			
Instruction	53,829,523	60,078,059	61,875,331
Instructional resources & media services	1,789,301	2,124,288	2,189,609
Curriculum & staff development	1,589,709	1,313,936	1,444,415
Instructional leadership	1,610,030	2,044,017	1,838,021
School leadership	5,741,321	6,568,756	6,517,673
Guidance, counseling & evaluation services	3,208,336	3,924,124	3,717,661
Social work services	172,067	294,121	305,669
Health services	965,179	1,193,795	1,240,149
Student (pupil) transportation	2,455,332	2,574,822	2,415,353
Food services	6,435,776	6,390,376	6,418,644
Co-curricular/extracurricular activities	4,317,136	4,647,694	4,504,082
General administration	1,835,312	1,783,983	1,892,008
Plant maintenance and operations	9,283,900	10,172,074	10,387,206
Security and monitoring services	435,950	546,618	473,296
Data processing services	1,116,998	1,157,353	1,397,821
Community services	53,944	154,977	159,441
Debt service-interest and fees long-term debt	8,162,200	6,308,140	6,396,830
Facilities acquisition and construction			451
Contracted instructional services between public schools	1,218,796	1,224,911	1,492,254
Payments related to shared services arrangements	2,627,839	3,419,663	3,093,728
Payments to juvenile justice alternative			
Education	8,600	71,200	154,000
Other governmental	572,752	608,826	615,651
Total expenses	<u>107,430,001</u>	<u>116,601,733</u>	<u>118,529,293</u>
Increase in net assets	11,063,066	9,696,743	8,593,243
Beginning net assets	<u>41,410,436</u>	<u>31,713,693</u>	<u>23,120,450</u>
Ending net assets	<u>\$ 52,473,502</u>	<u>\$ 41,410,436</u>	<u>\$ 31,713,693</u>



2012 Percentage of Expenditures By Major Classes



2011 Percentage of Expenditures By Major Classes



BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2012

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, *unassigned 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 \$ 68,147,996, an increase of \$ 33,923,345. Approximately 29 percent of this total amount \$ 19,783,350 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, committed* or *assigned* to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 402,099, 2) for prepaid items \$ 924,580, 3) for federal and state grant restrictions \$ 2,708,093, 4) for capital acquisitions and contractual obligations \$ 25,998,047, 5) to pay debt service \$ 11,804,231, 6) other restricted \$ 777,596, 7) claims and judgments \$ 250,000, 8) capital expenditures for equipment \$ 500,000, and 9) other assigned \$ 5,000,000.

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 \$ 19,783,350, while the total fund balance was \$ 27,222,059. 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 25 percent of the total general fund expenditures, while total fund balance represents 34 percent of that same amount.

The fund balance of the District's general fund increased \$ 9,378,824 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.
- 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 budgeting at midpoint and unfilled vacancies occurring throughout the year.
 - debt service requirement that was budgeted as an expenditure.
 - increased staff attendance lead to lower than budgeted substitute costs.
 - Greater than anticipated energy savings as a result of the District Energy Savings Project.
- Planned surplus of \$ 2,777,063.

The debt service fund has a total reserve for debt service (fund balance) of \$ 11,289,231. The net increase in reserve for debt service during the current year in the debt service fund was \$ 1,689,778. Following are factors contributing to this change:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2012

- 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 restriction for capital acquisitions and contractual obligations (fund balance) of \$ 25,998,047. The net increase in the restriction for capital acquisitions and contractual obligations in the capital projects fund was \$ 22,311,909. Following are factors contributing to this change:

- In May 2012, the community approved a \$ 40.3 million bond issue. In August, the District sold \$ 26.1 million of new money bonds to support the first three years of bond initiatives.
- Expenditures during the year included completion of the "Energy Savings Project", renovations to the "Professional Resource Center" and summer projects related to the new bond.

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, 2012 amounted to \$ 1,215,239. The total increase in net assets was \$ 491,842.

General Fund Budgetary Highlights

The District made the following amendments to budgeted revenue.

- \$ 2,112,176 reclassification of Federal Education Jobs funding to Special Revenue Fund.
- \$ 30,000 increase in General Fund revenue from Clearwire contract.

Following is a summary of amendments made to appropriations:

- \$ 2,112,176 reclassification of Federal Education Jobs expenditures to Special Revenue Fund.
- \$ 30,000 increase in General Fund expenditures made possible by Clearwire contract.
- \$ 104,431 of contingency fund use for the purchase of a Xerox Copier for District Print Shop.
- \$ 295,060 of contingency fund use to cover the unanticipated premium increase for Property & Casualty Insurance.

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, 2012

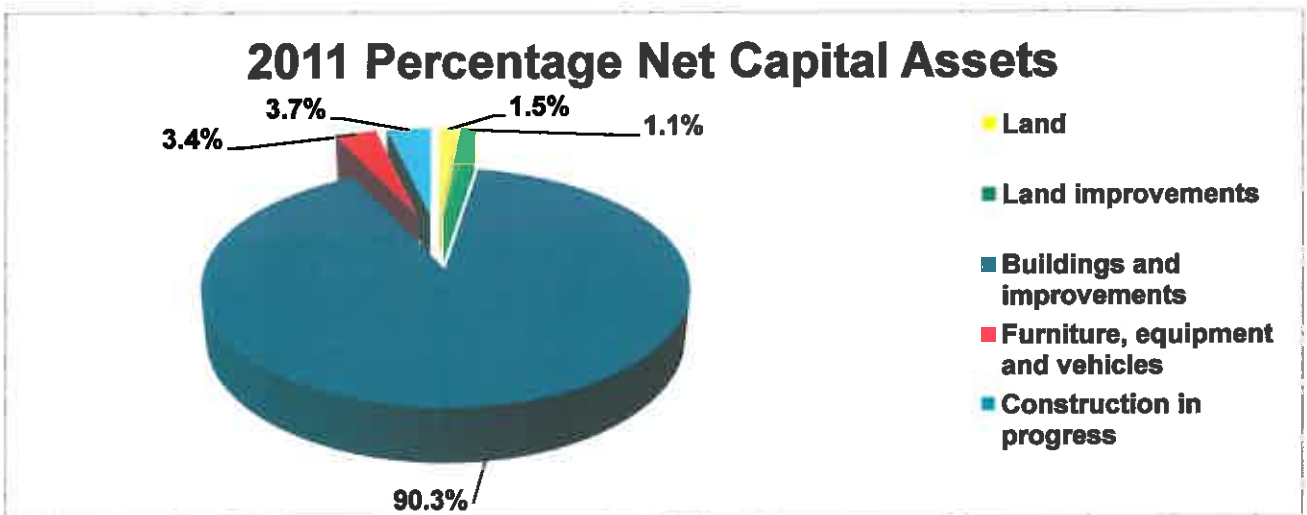
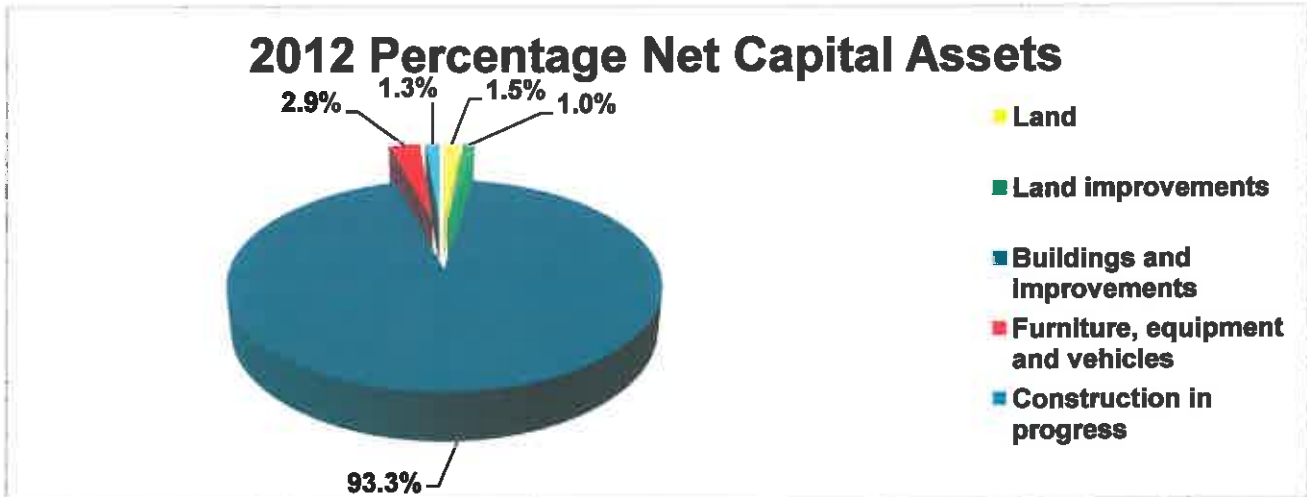
Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2012 amounts to \$ 147,315,292 (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)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,260,973	\$ 2,260,973	\$ 2,260,973
Land improvements	1,329,531	1,566,260	1,726,428
Buildings and improvements	137,485,114	134,310,652	138,105,331
Furniture, equipment and vehicles	4,308,647	5,099,668	3,897,888
Construction in progress	<u>1,931,027</u>	<u>5,541,617</u>	<u>45,887</u>
Total at historical cost (net)	<u>\$ 147,315,292</u>	<u>\$ 148,779,170</u>	<u>\$ 146,036,507</u>

Additional information on the District's capital assets can be found in Note 6 on pages 55 through 57 of this report.

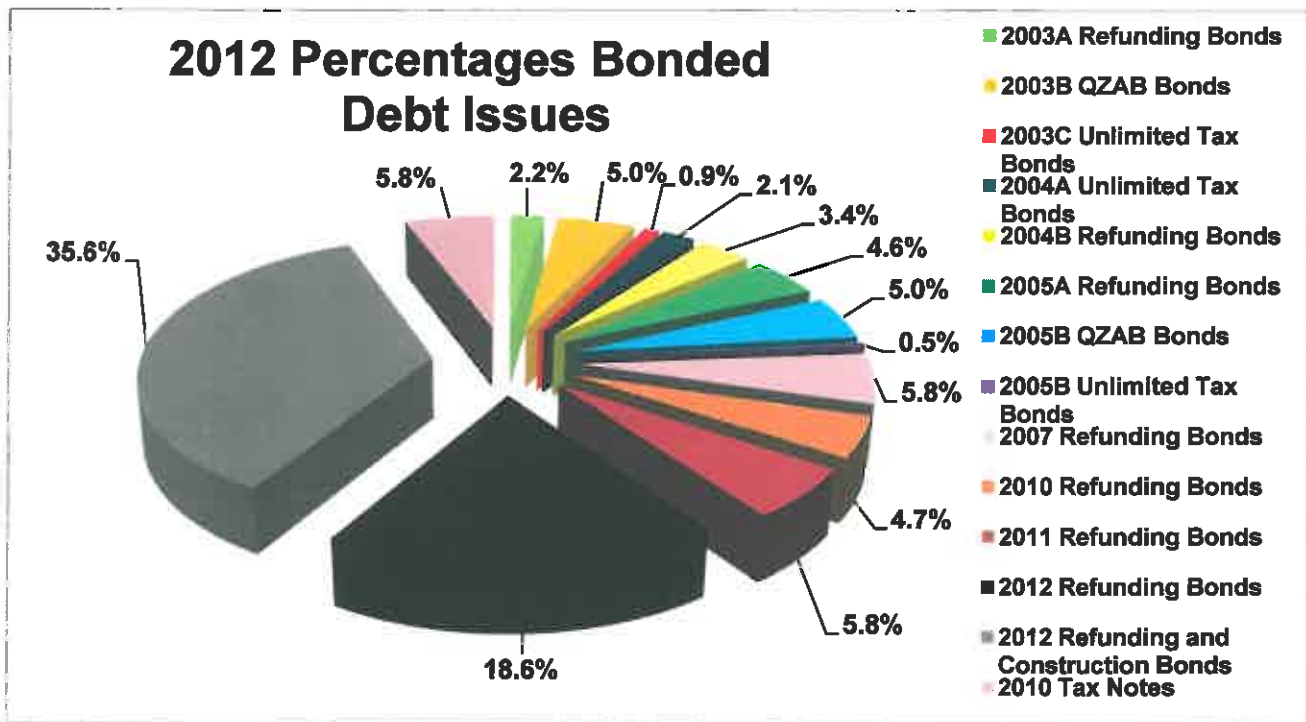


BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2012

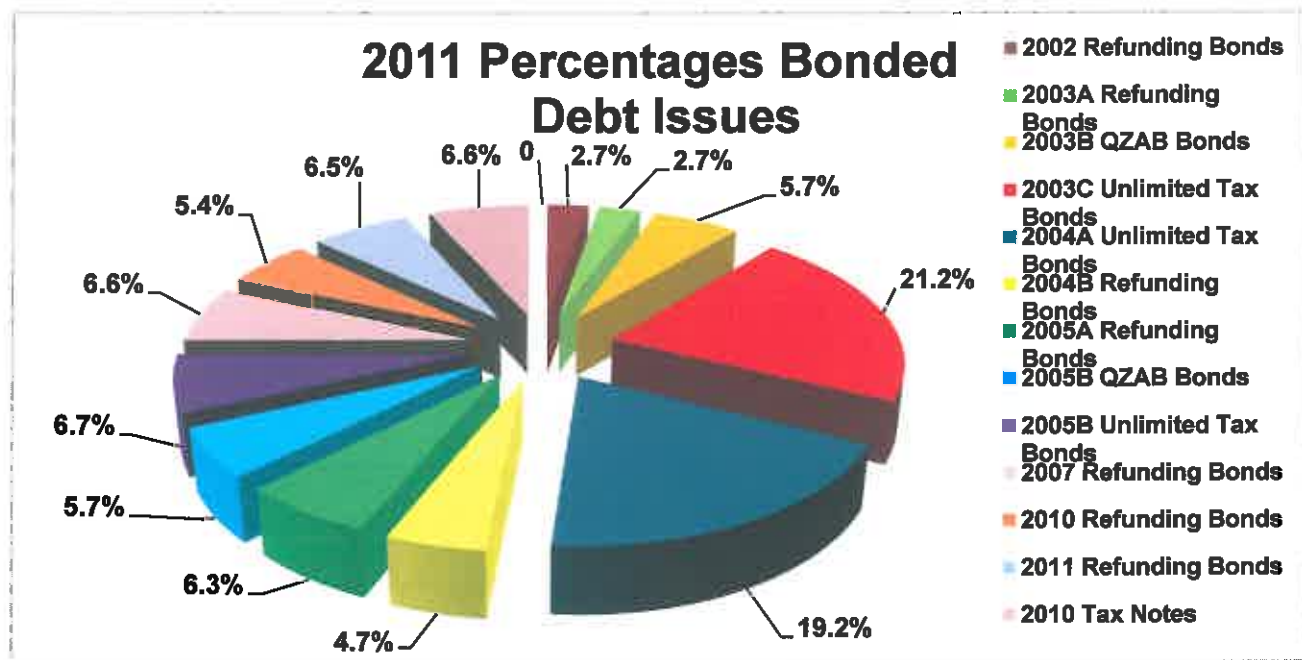
Long-term debt. At August 31, 2012, the District had total long-term debt outstanding of \$ 165,919,169, an increase of \$ 21,735,288 from the previous year. Long-term debt is made of general obligation bonds of \$ 150,246,205, tax notes of \$ 9,330,000, capital leases of \$ 106,512, premium received on general obligation bonds of \$ 6,079,423, and accrued interest of \$ 157,029.

District's Long-Term Debt:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General obligations bonds	\$ 150,246,205	\$ 131,867,037	\$ 138,305,036
Tax notes	9,330,000	9,330,000	
Capital leases	106,512	194,075	272,324
Components of Long-Term Debt:			
Premium general obligation bonds	6,079,423	2,551,070	2,132,983
Accrued interest payable	<u>157,029</u>	<u>241,699</u>	<u>230,237</u>
 Total long-term debt	 <u>\$ 165,919,169</u>	 <u>\$ 144,183,881</u>	 <u>\$ 140,940,580</u>



BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2012



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 2013 increased by approximately \$ 24 million, or 0.38% from fiscal year 2012.
- The District's 2012-2013 refined average daily attendance is expected to remain stable and attendance rates are also expected to remain stable at 95%.
- Based on provisions of SB 1 (82nd Session) along with decreases in enrollment, the District anticipates receiving \$ 4.7 million less in State funding compared to prior year along with a \$ 2.1 million reduction due to the expiration of Education Jobs Funding.
- No change in the maintenance and operations portion of the tax rate of \$ 1.04.
- For 2012-2013, the District made nearly \$ 300,000 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 2012-2013 budget are estimated to be \$ 1 million versus approximately \$ 1.1 million for 2011-2012 due to reduction in property values (wealth).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2012

These indicators were taken into account when adopting the General Fund budget for 2012-2013. The District has appropriated revenues and expenditures in the 2012-2013 budget of \$ 86,635,373 and \$ 89,117,547, respectively. Total budgeted revenues decreased 6.5% from the 2011-2012 budget primarily due to reductions in state funding and property tax values and the one time Federal Educations Jobs Funding received in 2011-2012. Total expenditures decreased by 0.4% 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 Chief Financial Officer, Brazosport Independent School District, P.O. Drawer Z, Freeport, Texas, 77542.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

Exhibit A-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 69,605,372
1225	Property taxes receivables	1,697,136
1230	Allowance for uncollectible taxes	(866,666)
1240	Due from other governments	2,477,181
1290	Other receivables (net)	1,009,808
1300	Inventories	402,099
1410	Deferred expenses	924,580
1420	Bond issuance costs (net)	1,023,289
	Capital Assets:	
1510	Land and improvements (net)	3,590,504
1520	Building and improvements (net)	137,485,114
1530	Furniture, equipment and vehicles (net)	4,308,647
1580	Construction in progress	<u>1,931,027</u>
1000	Total assets	<u>223,588,091</u>
	LIABILITIES:	
2110	Accounts payable	1,329,130
2140	Interest payable	89,033
2150	Payroll deductions and withholdings	109,587
2160	Accrued wages payable	2,635,886
2165	Accrued liabilities	528,201
2180	Due to other governments	7,326
2300	Deferred revenue	496,257
	Noncurrent Liabilities:	
2501	Due within one year	9,401,393
2502	Due in more than one year	<u>156,517,776</u>
2000	Total liabilities	<u>171,114,589</u>
	NET ASSETS:	
3200	Invested in capital assets, net of related debt	9,505,829
	Restricted For:	
3820	Federal and state programs	2,887,650
3850	Debt service	11,754,277
3870	Campus activities	641,511
3890	Other	109,498
3900	Unrestricted	<u>27,574,737</u>
3000	Total net assets	<u>\$ 52,473,502</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, 2012

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	\$ 53,829,523	\$ 459,013	\$ 6,955,107	\$	\$(46,415,403)
12	Instructional resources and media services	1,789,301	9,064	781,173		(999,064)
13	Curriculum and staff development	1,589,709	5,040	747,797		(836,872)
21	Instructional leadership	1,610,030	7,106	241,806		(1,361,118)
23	School leadership	5,741,321	35,699	1,557,183		(4,148,439)
31	Guidance, counseling, and evaluation services	3,208,336	18,107	442,905		(2,747,324)
32	Social work services	172,067	927	61,047		(110,093)
33	Health services	965,179	8,072	46,370		(910,737)
34	Student transportation	2,455,332	22,994	51,609		(2,380,729)
35	Food service	6,435,776	2,285,640	4,615,147	5,275	470,286
36	Extracurricular activities	4,317,136	1,215,899	84,820		(3,016,417)
41	General administration	1,835,312	5,626	110,553		(1,719,133)
51	Plant maintenance and operations	9,283,900	59,027	245,134		(8,979,739)
52	Security and monitoring services	435,950	309	1,040		(434,601)
53	Data processing services	1,116,998	5,124	49,260		(1,062,614)
61	Community services	53,944	309	50,926		(2,709)
72	Interest on long-term debt	3,362,785		409,584		(2,953,201)
73	Bond issuance costs and fees	4,799,415				(4,799,415)
91	Contracted instructional services between public schools	1,218,796				(1,218,796)
93	Payments related to shared services arrangements	2,627,839				(2,627,839)
95	Payments to juvenile justice alternative education programs	8,600				(8,600)
99	Other intergovernmental	572,752				(572,752)
TG	Total governmental activities	\$ 107,430,001	\$ 4,137,956	\$ 16,451,461	\$ 5,275	\$(86,835,309)
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 64,468,490
DT	Property taxes, levied for debt service					13,078,148
SF	State aid-formula grants					18,536,358
GC	Grants and contributions not restricted to specific programs					757,165
IE	Investment earnings					313,056
MI	Miscellaneous					730,805
	Special item – gain on sale of assets					14,353
TG	Total general revenues, special items, and transfers					97,898,375
CN	Change in net assets					11,063,066
NB	Net assets – beginning					41,410,436
NE	Net assets – ending					\$ 52,473,502

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2012

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	\$ 25,899,472	\$ 11,345,391	\$ 26,250,006	\$ 4,367,063	\$ 67,861,932
1220	Taxes receivable	1,454,645	242,491			1,697,136
1230	Allowance for uncollectible taxes	(758,963)	(107,703)			(866,666)
1240	Receivables from other governments	590,851			1,886,330	2,477,181
1260	Due from other funds	2,877,149	5,160	67,148	1,111,381	4,060,838
1290	Other receivables	329,837			38,377	368,214
1300	Inventories	222,542			179,557	402,099
1410	Deferred expenditures	924,580				924,580
1000	Total assets	<u>\$ 31,540,113</u>	<u>\$ 11,485,339</u>	<u>\$ 26,317,154</u>	<u>\$ 7,582,708</u>	<u>\$ 76,925,314</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 654,621		\$ 319,107	\$ 355,402	\$ 1,329,130
2140	Interest payable		89,033			89,033
2150	Payroll deductions and withholdings	109,587				109,587
2160	Accrued wages payable	2,383,756			252,130	2,635,886
2170	Due to other funds	579,528			2,839,716	3,419,244
2180	Due to other governments	6,782			544	7,326
2300	Deferred revenue	583,780	107,075		496,257	1,187,112
2000	Total liabilities	<u>4,318,054</u>	<u>196,108</u>	<u>319,107</u>	<u>3,944,049</u>	<u>8,777,318</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories	222,542			179,557	402,099
3430	Prepaid items	924,580				924,580
Restricted:						
3450	Food service				2,708,093	2,708,093
3470	Capital acquisitions and contractual obligations			25,998,047		25,998,047
3480	Debt service	515,000	11,289,231			11,804,231
3490	Other	26,587			751,009	777,596
Committed:						
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	500,000				500,000
Assigned:						
3590	Other assigned fund balance	5,000,000				5,000,000
Unassigned:						
3600	Unassigned fund balance	19,783,350				19,783,350
3000	Total fund balances	<u>27,222,059</u>	<u>11,289,231</u>	<u>25,998,047</u>	<u>3,638,659</u>	<u>68,147,996</u>
4000	Total liabilities and fund balances	<u>\$ 31,540,113</u>	<u>\$ 11,485,339</u>	<u>\$ 26,317,154</u>	<u>\$ 7,582,708</u>	<u>\$ 76,925,314</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, 2012

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 68,147,996
Amounts reported for <i>governmental activities</i> 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 \$ 213,801,902 in assets less \$ 66,486,610 in accumulated depreciation.	147,315,292
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 \$ 583,780 and \$ 107,075, respectively.	690,855
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 \$ 1,023,289 (issuance costs of \$ 2,482,329 less amortization of \$ 1,459,040).	1,023,289
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 \$ 6,079,423 (premium on sale of bonds of \$ 8,637,920 less amortization of \$ 2,558,497).	(6,079,423)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	1,215,239
Payables for bond principal are not reported in the funds.	(150,246,205)
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.	(106,512)
Payables for bond interest are not reported in the funds	(138,076)
Payable for tax note interest are not reported in the funds.	(17,954)
Payables for capital lease interest are not reported in the funds.	(999)
Net assets of governmental activities – statement of net assets (A-1)	<u>\$ 52,473,502</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, 2012

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	\$ 65,388,183	\$ 13,313,528	\$ 3,034	\$ 3,313,099	\$ 82,017,844
5800	State program revenues	21,396,916			936,953	22,333,869
5900	Federal program revenues	<u>1,731,203</u>			<u>11,573,303</u>	<u>13,304,506</u>
5020	Total revenues	<u>88,516,302</u>	<u>13,313,528</u>	<u>3,034</u>	<u>15,823,355</u>	<u>117,656,219</u>
EXPENDITURES:						
Current:						
0011	Instruction	45,953,949			4,965,250	50,919,199
0012	Instructional resources and media services	770,652			761,589	1,532,241
0013	Curriculum and staff development	851,743			723,264	1,575,007
0021	Instructional leadership	1,378,388			195,206	1,573,594
0023	School leadership	4,160,808			1,354,945	5,515,753
0031	Guidance, counseling, and evaluation services	2,815,339			347,319	3,162,658
0032	Social work services	110,958			60,892	171,850
0033	Health services	941,805				941,805
0034	Student transportation	1,822,338				1,822,338
0035	Food Service				6,048,827	6,048,827
0036	Extracurricular activities	2,874,277			720,726	3,595,003
0041	General administration	1,803,020			51,577	1,854,597
0051	Plant maintenance and operations	9,157,512		138,410		9,295,922
0052	Security and monitoring services	435,878				435,878
0053	Data processing services	1,129,715				1,129,715
0061	Community services	2,946			50,926	53,872
0071	Principal on long-term debt	87,563	7,710,000			7,797,563
0072	Interest on long-term debt	426,953	3,932,670			4,359,623
0073	Bond issuance costs and fees		373,297			373,297
0081	Capital outlay			3,602,715		3,602,715
0091	Contracted instructional services between public schools	1,218,796				1,218,796
0093	Payments related to shared services arrangements	2,627,839				2,627,839
0095	Payments to juvenile justice alternative education programs	8,600				8,600
0099	Other intergovernmental	<u>572,752</u>				<u>572,752</u>
6030	Total expenditures	<u>79,151,831</u>	<u>12,015,967</u>	<u>3,741,125</u>	<u>15,280,521</u>	<u>110,189,444</u>
1100	Excess (deficiency) of revenues over expenditures	<u>9,364,471</u>	<u>1,297,561</u>	<u>(3,738,091)</u>	<u>542,834</u>	<u>7,466,775</u>
OTHER FINANCING SOURCES (USES):						
7911	Proceeds from bonds		61,205,000	26,050,000		87,255,000
7912	Sale of real and personal property	14,353				14,353
7916	Premium on bonds		4,594,689			4,594,689
8949	Payment to escrow agent		<u>(65,407,472)</u>			<u>(65,407,472)</u>
	Total other financing sources and (uses)	<u>14,353</u>	<u>392,217</u>	<u>26,050,000</u>	<u>-0-</u>	<u>26,456,570</u>
1200	Net change in fund balances	9,378,824	1,689,778	22,311,909	542,834	33,923,345
0100	Fund balances – beginning	<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>
3000	Fund balances – ending	<u>\$ 27,222,059</u>	<u>\$ 11,289,231</u>	<u>\$ 25,998,047</u>	<u>\$ 3,638,659</u>	<u>\$ 68,147,996</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, 2012

Net change in fund balances – total governmental funds (from C-2)	\$ 33,923,345
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 depreciation \$ 5,538,287 exceeded capital outlay \$ 4,074,409 in the current period.	(1,463,878)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by \$ 154,114 and the debt service fund increased by \$ 31,577.	185,691
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 \$ 7,710,000; and capital lease of \$ 87,563.	7,797,563
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 \$ 338,646. (Additional costs of \$ 362,773 less current year amortization of \$ 701,419).	(338,646)
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 \$ 25,935,000 (\$ 61,205,000 refunding bonds and \$ 26,050,000 tax notes) less \$ 61,320,000 defeased through refunding.	(25,935,000)
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 \$ 3,528,353. (Premium on bonds issued of \$ 4,594,689 less current amortization of \$ 1,066,336).	(3,528,353)
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.	84,670
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)	491,842
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	(154,168)
Change in net assets of governmental activities (see B-1)	<u>\$ 11,063,066</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, 2012

Exhibit D-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	ASSETS:	
	Current Assets:	
1110	Cash and cash equivalents	\$ <u>1,743,440</u>
	Total current assets	1,743,440
	Noncurrent Assets:	
	Total noncurrent assets	<u> </u>
	Total assets	<u>1,743,440</u>
	LIABILITIES:	
	Current Liabilities:	
2165	Accrued expenses payable	<u>528,201</u>
	Total current liabilities	528,201
	Noncurrent Liabilities:	
	Total noncurrent liabilities	<u> </u>
	Total liabilities	<u>528,201</u>
	NET ASSETS:	
3900	Unrestricted net assets	<u>1,215,239</u>
	Total net assets	<u>\$ 1,215,239</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, 2012

Exhibit D-2
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>1,208,333</u>
Total operating revenues	<u>1,208,333</u>
Operating Expenses:	
Insurance claims and expenses	<u>717,447</u>
Total operating expenses	<u>717,447</u>
Operating income	<u>490,886</u>
Nonoperating Revenues (Expenses):	
Interest and investment revenue	<u>956</u>
Total nonoperating revenues (expenses)	<u>956</u>
Changes in net assets	491,842
Net assets – beginning	<u>723,397</u>
Net assets – ending	<u>\$ 1,215,239</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, 2012

Exhibit D-3
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,208,633
Claims paid	<u>(817,362)</u>
Net cash provided by operating activities	<u>391,271</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>956</u>
Net cash provided by investing activities	<u>956</u>
Net increase in cash and cash equivalents	392,227
Balances – beginning of year	<u>1,351,213</u>
Balances – end of year	<u>\$ 1,743,440</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$ 490,886
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>(99,915)</u>
Net cash provided by operating activities	<u>\$ 391,271</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, 2012

Exhibit E-1
Page 1 of 1

	Private- Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 11,046	\$ 1,001,806
Receivables:		
Due from other funds	37,350	
Deferred expenditures		<u>1,821</u>
Total receivables	<u>37,350</u>	<u>1,821</u>
Total assets	<u>48,396</u>	<u>\$ 1,003,627</u>
LIABILITIES:		
Accounts payable		\$ 26,033
Amounts due to student and employee groups		298,650
Due to other funds		<u>678,944</u>
Total liabilities	<u>-0-</u>	<u>\$ 1,003,627</u>
NET ASSETS:		
Held in trust for other purposes	<u>48,396</u>	
Total net assets	<u>\$ 48,396</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, 2012

Exhibit E-2
Page 1 of 1

	<u>Private- Purpose Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ _____
Investment Earning:	
Interest	<u>87</u>
Total investment earnings	87
Less investment expense	_____
Net investment earnings	<u>87</u>
Total additions	<u>87</u>
DEDUCTIONS:	
Instruction	
Curriculum and staff development	_____
Total deductions	<u>-0-</u>
Change in net assets	87
NET ASSETS	
Net assets – beginning of the year	<u>48,309</u>
Net assets – end of the year	<u>\$ 48,396</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, 2012

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

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, 2012

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, 2012

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, 2012, liabilities totaled \$ 45,536 and net assets of the dental insurance plan was \$ 319,604.

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, 2012, undiscounted liabilities totaled \$ 482,665 and net assets of the worker's compensation program was \$ 895,635.

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, 2012

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, 2012

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, 2011, upon which the levy for the 2011-12 fiscal year was based, was \$ 6,068,476,601. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2012, 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, 2012 were 99.00% 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, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 695,682 and \$ 134,788 for the general and debt service funds, respectively.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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, 2012

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, 2011. 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, 2012

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 21, 2012.

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.

The District had no outstanding encumbrances at August 31, 2012.

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.

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, 2012

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, 2012, non-spendable fund balances include \$ 222,542 for inventories and \$ 924,580 for prepaid items in the General Fund, \$ 179,557 for inventories in Food Service (special revenue fund). Restricted fund balances include \$ 515,000 for debt service, and \$ 26,587 for other purposes in the General Fund, \$ 11,289,231 for the debt service fund, \$ 25,998,047 for the capital projects fund, \$ 2,708,093 for Food Service (special revenue fund), and \$ 751,009 for Texas Successful Schools, Advanced Placement Initiatives, Read to succeed, Campus Activity, Lowe's Grant AP Beutel, John & James Knight Foundation, PPCD program, Dow education grants, University of Houston mentor program; A+ energy Griffith program, African American advisory program, and BISD Education Foundation (special revenue funds). Committed fund balances include \$ 250,000 for claims and judgments and \$ 500,000 for capital expenditures for equipment in General Fund. Assigned fund balances include \$ 5,000,000 for other purposes in the General Fund. Unassigned fund balance includes \$ 19,783,350 in the General 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, 2012

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. 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 statement was implemented and did not have an impact on the District's financial statements.

GASB No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. 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, although it will reclassify items previously recorded as assets and liabilities within the District's financial statements as outflow and inflows of resources. This statement is effective for periods beginning after December 15, 2012.

GASB No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", was issued March 2012. 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, 2012.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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, 2012 are as follows:

	Governmental Funds	Proprietary (Internal Service) Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 4,161	\$	\$ 900	\$ 5,061
Financial Institution Deposits:				
Demand deposits	7,458,789	1,743,440	1,000,906	10,203,135
Repurchase agreement	7,312,022			7,312,022
Public Funds Investment Pool:				
Lone Star	<u>53,086,960</u>	<u> </u>	<u>11,046</u>	<u>53,098,006</u>
	<u>\$67,861,932</u>	<u>\$ 1,743,440</u>	<u>\$ 1,012,852</u>	<u>\$70,618,224</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, 2012, in addition to petty cash of \$ 5,061, the carrying amount of the District's cash, savings, and time deposits was \$ 10,203,135. The financial institutions balances were \$ 10,694,305 at August 31, 2012. Financial institution balances of \$ 250,000 were covered by federal depository insurance and \$ 10,444,305 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, 2012

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 \$ 28,250,337.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 24,943,391 and occurred on September 28, 2011.
- 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, 2012

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

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

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

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

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

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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The “AAAm” rating is the highest possible ranking and demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. The “AAA” credit quality rating indicates that the portfolio holdings provide extremely strong protection against losses from credit defaults. Standard and Poor’s reviews investments of the Government Overnight Fund and the Corporate Overnight Fund periodically.

At August 31, 2012, the Government Overnight Fund had a weighted average maturity of 46 days and the Corporate Overnight Plus Fund had a weighted average maturity of 61 days. Although these two funds had weighted average maturities of 46 and 61 days, respectively, the District considers holdings of these funds to have a one day weighted average maturity. This is due to the fact that the share position can normally 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, 2012:

	<u>Market Value</u>
Noncategorized:	
Lone Star Investment Pool:	
Government Overnight Fund	\$ 29,941,086
Corporate Overnight Plus Fund	<u>23,145,874</u>
Total Lone Star Investment Pool:	53,086,960
Repurchase agreements	<u>7,312,022</u>
Total	<u>\$ 60,398,982</u>

Credit Risk – As of August 31, 2012, 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, 2012, 56% of the investment portfolio was invested in the Government Overnight Fund, which invests in obligations of the United States of America, or obligations backed by the full faith and credit of the United States of America and 44% was invested in the Corporate Overnight Plus Fund, which invests only in investments that are authorized by the Public Funds Investment Act.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES

Receivables and Allowances

Receivables as of August 31, 2012, 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	\$ 1,454,645	\$ 242,491	\$	\$ 1,697,136
Receivables from other governments	590,851		1,886,330	2,477,181
Other receivables	<u>329,837</u>		<u>38,377</u>	<u>368,214</u>
Gross receivables	2,375,333	242,491	1,924,707	4,542,531
Less: allowance for uncollectibles	<u>758,963</u>	<u>107,703</u>		<u>866,666</u>
Net receivables	<u>\$ 1,616,370</u>	<u>\$ 134,788</u>	<u>\$ 1,924,707</u>	<u>\$ 3,675,865</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, 2012 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	\$ 551,460	\$	\$ 39,391	\$ 590,851
Other funds		<u>1,886,330</u>		<u>1,886,330</u>
Total	<u>\$ 551,460</u>	<u>\$ 1,886,330</u>	<u>\$ 39,391</u>	<u>\$ 2,477,181</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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, 2012 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
Major Governmental Funds:			
General Fund	\$ 6,782	\$	\$ 6,782
Other Governmental Funds:			
Title I, Part C – Education of Migratory Children	_____	544	544
Totals	<u>\$ 6,782</u>	<u>\$ 544</u>	<u>\$ 7,326</u>

For the year ended August 31, 2012, the District was determined to be subject to Chapter 10 under the Texas Education Code (TEC). During the year ended August 31, 2012, the District was required to pay \$ 1,221,989 to the state and at August 31, 2012, the District had paid the state \$ 1,215,207. The under payment in the amount of \$ 6,782 is recorded as a payable to other governments. The amount incurred as Chapter 41 costs of \$ 1,218,796 (after settlements) 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 2012-2013 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, 2012, 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)	\$ 583,780	\$
Delinquent property taxes receivable (debt service fund)	107,075	
Federal food commodities		167,806
State grants	_____	328,451
Total deferred/unearned revenue from governmental funds	<u>\$ 690,855</u>	<u>\$ 496,257</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at August 31, 2012 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 2,839,716	\$ 469,870
Debt Service Fund		5,160
Capital Projects		67,148
Fiduciary Funds	<u>37,433</u>	<u>37,350</u>
Total general fund	<u>2,877,149</u>	<u>579,528</u>
Special Revenue Funds:		
General Fund:		
ESEA, Title I, Part A - Improving Basic Programs		414,958
ESEA, Title I, Part C - Education of Migratory Children		19,680
IDEA - Part B, Formula		911,235
IDEA - Part B, Preschool		26,481
National School Breakfast and Lunch Program		1,319,151
Vocational Education Grant		5,959
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting		32,739
ESEA, Title III, Part A - English Language Acquisition and Language Enhancement		67,471
Smaller Learning Communities		27,708
Public Assistant Grants (Hurricane Ike)		7,182
Texas Successful Schools	13,323	
Advanced Placement Incentives	2,783	
Instruction Material Allotment	358,094	
Read to Succeed	26	
Lowe's Grant (A.P. Beutel)	6,939	
John and James Knight Foundation	353	
PPCD Program	57,032	
Pass Grant		7,152
Dow Education Grants	11,850	
University of Houston Mentor Program	6,829	
A+ Energy Griffith	205	
African American Advisory	503	
BISD Education Foundation	11,933	
Agency Fund:		
Campus Activity Funds	<u>641,511</u>	
	<u>1,111,381</u>	<u>2,839,716</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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:		
Debt Service Fund:		
General Fund	\$ 5,160	\$ _____
Capital Projects Fund:		
General Fund	67,148	_____
Fiduciary Funds:		
Trust Fund:		
General Fund	37,350	
Agency Funds:		
General Fund		37,433
Special Revenue Fund		641,511
	<u>37,350</u>	<u>678,944</u>
Total	<u>\$ 4,098,188</u>	<u>\$ 4,098,188</u>

Interfund Transfers

There were no transfers for the year ended August 31, 2012.

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, 2012:

	<u>September 1,</u> <u>2011</u>	<u>Additions</u>	<u>Retirements &</u> <u>Adjustments</u>	<u>August 31,</u> <u>2012</u>
Non-Depreciated Capital Assets:				
Land	\$ 2,260,973	\$ _____	\$ _____	\$ 2,260,973
Construction in progress	5,541,617	3,669,863	7,280,453	1,931,027
Total non-depreciated	<u>7,802,590</u>	<u>3,669,863</u>	<u>7,280,453</u>	<u>4,192,000</u>
Depreciated Capital Assets:				
Land improvements	5,932,869			5,932,869
Buildings and improvements	181,624,670	184,929	(6,600,247)	188,409,846
Furniture, equipment & vehicles	15,047,570	219,617	_____	15,267,187
Total depreciated	<u>202,605,109</u>	<u>404,546</u>	<u>(6,600,247)</u>	<u>209,609,902</u>
Total additions/retirements		<u>\$ 4,074,409</u>	<u>\$ 680,206</u>	

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 6. CAPITAL ASSETS (Continued)

Changes in Capital Assets and Accumulated Depreciation (Continued)

	<u>September 1, 2011</u>	<u>Additions</u>	<u>Retirements & Adjustments</u>	<u>August 31, 2012</u>
Accumulated Depreciated:				
Land improvements	\$ 4,366,609	\$ 236,729	\$	\$ 4,603,338
Buildings and improvements	47,314,018	4,290,920	680,206	50,924,732
Furniture, equipment & vehicles	<u>9,947,902</u>	<u>1,010,638</u>	<u></u>	<u>10,958,540</u>
 Total accumulated depreciation	 <u>61,628,529</u>	 <u>\$ 5,538,287</u>	 <u>\$ 680,206</u>	 <u>66,486,610</u>
 Net depreciated capital assets	 <u>140,976,580</u>			 <u>143,123,292</u>
 Net capital assets	 <u>\$ 148,779,170</u>			 <u>\$ 147,315,292</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	\$ 2,869,706
0012	Instructional resources and media services	260,218
0013	Curriculum and staff development	13,524
0021	Instructional leadership	34,776
0023	School leadership	217,226
0031	Guidance, counseling, and evaluation services	41,447
0033	Health services	21,488
0034	Student (pupil) transportation	627,621
0035	Food service	381,978
0036	Extracurricular activities	727,570
0041	General administration	31,617
0051	Plant maintenance and operations	297,799
0053	Data processing services	<u>13,317</u>
	Total depreciation expense	<u>\$ 5,538,287</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 6. CAPITAL ASSETS (Continued)

Governmental Fund Construction Commitments

At August 31, 2012, 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, 2012.

General Obligation Bonds

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

The following is a summary of the District's general obligation bonded debt as of August 31, 2012:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2003	\$ 23,985,000	2022	3.75-5.50	\$ 3,450,000
2003	8,000,000	2018	0.00	8,000,000
2003	39,450,000	2023	2.00-5.00	1,400,000
2004	35,000,000	2024	2.00-5.25	3,275,000
2004	8,265,000	2016	2.00-5.00	5,475,000
2005	14,530,000	2016	2.50-5.00	7,275,000
2005	8,000,000	2021	0.00	8,000,000
2005	13,000,000	2025	3.75-4.50	825,000
2007	8,010,000	2022	4.00	7,230,000
2007	1,682,270	2018	4.00	2,041,319
2010	6,985,000	2019	2.00-5.00	6,785,000
2010	711,990	2014	1.35-1.70	738,080
2011	7,365,000	2023	2.00-4.00	7,080,000
2011	2,036,256	2021	3.00	2,106,806
2012	30,385,000	2023	2.00-4.00	29,695,000
2012	<u>56,870,000</u>	2025	2.00-3.00	<u>56,870,000</u>
Total	<u>\$ 264,275,516</u>			<u>\$ 150,246,205</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2013	\$ 8,985,000	\$ 4,068,389	\$ 13,053,389
2014	9,540,000	3,664,094	13,204,094
2015	10,715,000	3,301,581	14,016,581
2016	11,195,000	2,953,006	14,148,006
2017	11,595,000	2,592,406	14,187,406
2018-2022	75,215,000	9,210,706	84,425,706
2023-2025	<u>24,135,000</u>	<u>845,591</u>	<u>24,980,591</u>
Totals	<u>\$ 151,380,000</u>	<u>\$ 26,635,773</u>	<u>\$ 178,015,773</u>

Difference in bond payable and future principal payments is due to \$ 1,133,795 of accretion, which will occur in future years prior to payment.

On January 12, 2012, the District issued \$ 30,385,000 of Unlimited Tax Refunding Bonds, Series 2012, for the advance partial refunding of previously issued outstanding bonds (Series 2002 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 \$ 5,337,175. The economic gain resulting from the transaction was \$ 4,806,618. 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, 2012, the escrow balance was \$ 27,853,963, while the related bonds payable was \$ 27,200,000.

On August 23, 2012, the District issued \$ 56,870,000 of Tax School Building (\$ 26,050,000) and Tax Refunding Bonds (\$ 30,820,000), Series 2012A, for the advance partial refunding of previously issued outstanding bonds (Series 2003A, 2004 and 2005B). 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 \$ 5,250,698. The economic gain resulting from the transaction was \$ 4,678,114. 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, 2012, the escrow balance was \$ 32,882,786, while the related bonds payable was \$ 30,865,000.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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.

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, 2012, the escrow balance was \$ 8,506,994, 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, 2012, the escrow balance was \$ 5,177,424, while the related bonds payable was \$ 5,065,000.

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, 2012 was \$ 779,580. The sinking fund balance as of August 31, 2012 was \$ 7,312,022 (\$ 3,093,461 Series 2005 and \$ 4,218,561 Series 2003).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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>
2013	\$ 401,938	\$ 377,641	\$ 779,579
2014	401,939	377,642	779,581
2015	401,939	377,641	779,580
2016	401,939	377,642	779,581
2017	401,939	377,641	779,580
2018-2021	<u>1,807,757</u>	<u>755,284</u>	<u>2,563,041</u>
Total minimum requirements	\$ <u>3,817,451</u>	\$ <u>2,643,491</u>	\$ <u>6,460,942</u>

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, 2012.

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, 2012:

<u>Date of Issue</u>	<u>Original</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>% Rates</u>	<u>Outstanding</u> <u>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>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 7. LONG-TERM DEBT (Continued)

Maintenance Tax Note (Continued)

Presented below is a summary of maintenance tax note requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	\$	\$ 409,584	\$ 409,584
2014		409,584	409,584
2015		409,583	409,583
2016		409,584	409,584
2017		409,583	409,583
2018-2022	4,635,000	1,700,294	6,335,294
2023-2027	2,575,000	927,794	3,502,794
2028-2029	<u>2,120,000</u>	<u>220,480</u>	<u>2,340,480</u>
	<u>\$ 9,330,000</u>	<u>\$ 4,896,486</u>	<u>\$ 14,226,486</u>

Current requirements for interest expenditures accounted for in the General Fund were \$ 409,584.

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.

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

<u>Year Ended August 31</u>	<u>Estimated Federal Subsidy</u>	<u>Annual Sinking Fund Requirement</u>
2013	\$ 409,584	515,000
2014	409,584	515,000
2015	409,583	515,000
2016	409,584	515,000
2017	409,583	515,000
2018-2022	1,700,294	2,575,000
2023-2027	927,794	2,605,000
2028-2029	<u>220,480</u>	<u>1,060,000</u>
Totals	<u>\$ 4,896,486</u>	<u>\$ 8,815,000</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

NOTE 7. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2012, was as follows:

	<u>Balance</u> 09-01-11	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 08-31-12	<u>Due Within</u> <u>One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 131,867,037	\$ 87,409,168	\$ 69,030,000	\$ 150,246,205	\$ 8,830,832
Tax Notes	9,330,000			9,330,000	
Capital leases	194,075		87,563	106,512	97,891
Components of Long-Term Debt:					
Premium (discount) on general obligation bond	2,551,070	4,594,689	1,066,336	6,079,423	315,641
Accrued interest	<u>241,699</u>	<u>157,029</u>	<u>241,699</u>	<u>157,029</u>	<u>157,029</u>
Totals	<u>\$ 144,183,881</u>	<u>\$ 92,160,886</u>	<u>\$ 70,425,598</u>	<u>\$ 165,919,169</u>	<u>\$ 9,401,393</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 \$ 87,563 and \$ 17,369, respectively.

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, 2012:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2013	\$ 104,932
2014	<u>8,746</u>
	113,678
Less amount representing interest	<u>7,166</u>
Net present value of minimum lease payments	<u>\$ 106,512</u>

Operating Leases

As of August 31, 2012, 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, 2012 was \$ 182,084.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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 already exceeds 31 years, the period would be increased by such action. State law provides a state contribution rate of 6.00% for fiscal year 2012 and 6.644% for fiscal year 2011 and 2010. State law further provides a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010. 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, 2012, 2011 and 2010 were \$ 4,067,987, \$ 4,493,683 and \$ 3,892,893, respectively. The District paid additional state contributions for the years ended August 31, 2012, 2011 and 2010 in the amount of \$ 413,157, \$ 456,293 and \$ 415,313, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. Medicare part D contributions for the years ended August 31, 2012, 2011 and 2010 were \$ 162,929, \$ 161,729 and \$ 177,454, respectively. The District's total payroll for the years ended August 31, 2012, 2011 and 2010 were \$ 63,562,283, \$ 70,213,898 and \$ 70,870,248, respectively, of which \$ 57,932,001, \$ 61,578,959 and \$ 63,744,507 was covered payroll for this plan, respectively.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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)	—	\$ 673,666
Build America Bonds	—	409,584
ROTC Program	12.000	64,454
Medicaid Administrative Claiming Program (MAC)	93.778	21,900
Indirect Costs:		
School Breakfast Program	10.553	65,121
National School Lunch Program	10.555	434,879
ESEA, Title I, Part A - Improving Basic Programs	84.010	26,865
ESEA, Title I, Part A - School Improvement	84.010	1,105
ESEA, Title I, Part C - Education of Migratory Children	84.011	540
IDEA Part B - Formula	84.027	26,661
IDEA Part B - Preschool	84.173	751
ESEA, Title II, Part A – Teacher and Principal Training and Recruiting	84.367A	<u>5,677</u>
		<u>\$ 1,731,203</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.

NOTE 11. LOCAL AND INTERMEDIATE REVENUES

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

<u>Fund</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 63,984,326	\$ 12,978,234	\$	\$	\$ 76,962,560
Food sales				2,201,176	2,201,176
Investment income	40,605	266,957	3,034	1,505	312,101
Penalties, interest and other tax related income	330,050	68,337			398,387
Co-curricular income	317,863				317,863
Other tuition and fees from patrons				61,724	61,724
Enterprise activities	8,118			896,196	904,314
Grants and contributions	4,456			104,709	109,165
Other	<u>702,765</u>			<u>47,789</u>	<u>750,554</u>
Total	<u>\$ 65,388,183</u>	<u>\$ 13,313,528</u>	<u>\$ 3,034</u>	<u>\$ 3,313,099</u>	<u>\$ 82,017,844</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

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 2012, 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-INSURANCE

Dental Plan

Beginning September 1, 2001, the District established its self-funding Dental (Health) Plan program. The accrued liability for the Dental Plan self-insurance program is projected to be \$ 45,536 as of August 31, 2012.

The dental plan is funded through the employee flex spending program. During the year ended August 31, 2012, the Plan received \$ 635,848 in employee contributions, of which \$ 15,467 were forfeitures.

The accrued liability for the Dental Plan self-insurance of \$ 45,536 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2012, 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.

Changes in the dental plan claims liability amounts in fiscal 2010-2011 and 2011-2012 are presented below:

	Beginning of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2010-2011 Dental Plan	\$ 55,448	\$ 665,449	\$ 670,894	\$ 50,003
2011-2012 Dental Plan	\$ 50,003	\$ 529,252	\$ 533,719	\$ 45,536

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 \$ 482,665 as of August 31, 2012.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2012. 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, 2012

NOTE 13. SELF-INSURANCE (Continued)

The accrued liability for Workers' Compensation self insurance of \$ 482,665 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2012, 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	84
2011-12	76
9 Yr. Average	145

Changes in the workers' compensation claims liability amounts in fiscal 2010-2011 and 2011-2012 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>
2010-2011 Workers' Compensation	\$ 539,826	\$ 378,347	\$ 340,060	\$ 578,113
2011-2012 Workers' Compensation	\$ 578,113	\$ 188,195	\$ 283,643	\$ 482,665

NOTE 14. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2012, 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, 2012

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, 2011 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, 2012 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. 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	\$	8,600
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The District participates in a Shared Services Arrangement for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. 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, 2012

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:

6400	Other Operating Costs	\$	99,398
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The District participates in a Shared Services Arrangement with Deer Park Independent School District for the supply of electricity and ancillary services to all facilities of the District. Deer Park Independent School District is the fiscal agent. All services are provided by the fiscal agent for the supply of electricity, the negotiation to purchase electricity, ancillary services, or other energy related products and services, and to encourage efficiency of operation and conservation on behalf of the buyer. The District does not account for revenues of expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Deer Park ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brazosport Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District included the following expenditures in these financial statements.

Expenditures:

6400	Other Operating Costs	\$	2,528,441
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NOTE 17. INTERLOCAL AGREEMENT

During the year ended August 31, 2012, the District entered into an interlocal agreement with Sweeny Independent School District (SISD) for management and director services for SISD's Child Nutrition Department. SISD agrees to continue supplying necessary personnel (except the Director position), equipment, supplies, food and other costs to operate the Child Nutrition Department. The District agrees to supply a Director and other management personnel to direct and manage the SISD Child Nutrition Department in accordance with applicable laws and regulations. The parties intend that the District, in performing such services, shall act as an independent contractor and act as a third party director.

The effective commencement date of this agreement shall be September 1, 2011 and shall continue until August 31, 2012. Thereafter, this agreement shall be automatically renewed on an annual basis, unless either party provides the other party with written notice of termination no less than sixty (60) days prior to such renewal. The District included the following revenues in these financial statements.

Revenues:

5700	Local and intermediate sources	\$	40,613
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NOTE 18. SUBSEQUENT EVENT

The District has evaluated subsequent events through December 17, 2012, the date which the financial statements were available to be issued.

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, 2012

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	\$ 64,278,595	\$ 64,308,595	\$ 65,388,183	\$ 1,079,588
5800	State program revenues	27,415,662	25,303,486	21,396,916	(3,906,570)
5900	Federal program revenues	<u>930,000</u>	<u>930,000</u>	<u>1,731,203</u>	<u>801,203</u>
5020	Total revenues	<u>92,624,257</u>	<u>90,542,081</u>	<u>88,516,302</u>	<u>(2,025,779)</u>
EXPENDITURES:					
Current:					
0011	Instruction	50,641,000	49,534,280	45,953,949	3,580,331
0012	Instructional resources and media services	1,605,559	923,328	770,652	152,676
0013	Curriculum and staff development	768,595	1,109,275	851,743	257,532
0021	Instructional leadership	1,485,613	1,585,613	1,378,388	207,225
0023	School leadership	6,466,580	4,886,635	4,160,808	725,827
0031	Guidance, counseling, and evaluation services	3,154,577	3,154,577	2,815,339	339,238
0032	Social work services	151,019	201,019	110,958	90,061
0033	Health services	1,083,374	1,083,374	941,805	141,569
0034	Student transportation	2,800,770	2,335,770	1,822,338	513,432
0036	Extracurricular activities	2,818,226	3,293,226	2,874,277	418,949
0041	General administration	1,674,752	1,851,968	1,803,020	48,948
0051	Plant maintenance and operations	9,513,506	10,038,566	9,157,512	881,054
0052	Security and monitoring services	409,661	559,661	435,878	123,783
0053	Data processing services	1,097,334	1,247,334	1,129,715	117,619
0061	Community services	22,800	22,800	2,946	19,854
0071	Principal on long-term debt	398,015	398,015	87,563	310,452
0072	Interest on long-term debt	427,000	427,000	426,953	47
0091	Contracted instructional services between public schools	1,096,790	1,320,726	1,218,796	101,930
0093	Payments related to shared services arrangements	3,067,532	3,067,532	2,627,839	439,693
0095	Payments to Juvenile Justice Alternative				
	Education Programs	170,000	129,320	8,600	120,720
0099	Other intergovernmental	<u>595,000</u>	<u>595,000</u>	<u>572,752</u>	<u>22,248</u>
6030	Total expenditures	<u>89,447,703</u>	<u>87,765,019</u>	<u>79,151,831</u>	<u>8,613,188</u>
1100	Excess of revenues over expenditures	<u>3,176,554</u>	<u>2,777,062</u>	<u>9,364,471</u>	<u>6,587,409</u>
OTHER FINANCING SOURCES:					
7912	Sale of real or personal property			<u>14,353</u>	<u>14,353</u>
	Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>14,353</u>	<u>14,353</u>
1200	Net change in fund balances	3,176,554	2,777,062	9,378,824	6,601,762
0100	Fund balances – beginning	<u>17,843,235</u>	<u>17,843,235</u>	<u>17,843,235</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 21,019,789</u>	<u>\$ 20,620,297</u>	<u>\$ 27,222,059</u>	<u>\$ 6,601,762</u>

OTHER SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2012

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	\$	\$	\$	\$	\$ 4,367,063
1240	Receivables from other governments	503,244	20,224	1,024,625	29,543	109,309
1250	Other receivables					31,100
1260	Due from other funds					
1310	Inventories					<u>179,557</u>
1000	Total assets	<u>\$ 503,244</u>	<u>\$ 20,224</u>	<u>\$ 1,024,625</u>	<u>\$ 29,543</u>	<u>\$ 4,687,029</u>
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$ 18,003	\$	\$ 21,447	\$	\$ 232,662
2160	Accrued wages payable	70,283		91,943	3,062	79,760
2170	Due to other funds	414,958	19,680	911,235	26,481	1,319,151
2180	Due to other governments		544			
2300	Deferred revenues					<u>167,806</u>
2000	Total liabilities	<u>503,244</u>	<u>20,224</u>	<u>1,024,625</u>	<u>29,543</u>	<u>1,799,379</u>
	Fund Balances:					
	Non-Spendable:					
3410	Inventories					179,557
	Restricted:					
3450	Food service					2,708,093
3480	Other					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,887,650</u>
4000	Total liabilities and fund balances	<u>\$ 503,244</u>	<u>\$ 20,224</u>	<u>\$ 1,024,625</u>	<u>\$ 29,543</u>	<u>\$ 4,687,029</u>

Revenue Funds							
244	255	263	282	286	287	288	385
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	Smaller Learning Communities	Public Assistance Grants (Hurricane Ike)	Education Jobs Grant	ESL Summer Program	Visually Impaired
\$ 6,949	\$ 84,283	\$ 68,575	\$ 32,396	\$ 7,182	\$	\$	\$
<u>6,949</u>	<u>84,283</u>	<u>68,575</u>	<u>32,396</u>	<u>7,182</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
\$ 990	\$ 51,344	\$	\$ 2,066	\$	\$	\$	\$
5,959	200	1,104	2,622				
	32,739	67,471	27,708	7,182			
<u>6,949</u>	<u>84,283</u>	<u>68,575</u>	<u>32,396</u>	<u>7,182</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>6,949</u>	<u>84,283</u>	<u>68,575</u>	<u>32,396</u>	<u>7,182</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes						Special
		393	397	410	427	429
		Texas Successful Schools Program	Advancement Placement Incentives	Instructional Allotment Fund	Tobacco Compliance Grant	Read to Succeed
ASSETS:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments					
1250	Other receivables					
1260	Due from other funds	13,323	2,783	358,094		26
1310	Inventories					
1000	Total assets	<u>\$ 13,323</u>	<u>\$ 2,783</u>	<u>\$ 358,094</u>	<u>\$ -0-</u>	<u>\$ 26</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$	\$ 29,643	\$	\$
2160	Accrued wages payable					
2170	Due to other funds					
2180	Due to other governments					
2300	Deferred revenues			328,451		
2000	Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>358,094</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories					
Restricted:						
3450	Food service					
3480	Other	13,323	2,783			26
3000	Total fund balances	<u>13,323</u>	<u>2,783</u>	<u>-0-</u>	<u>-0-</u>	<u>26</u>
4000	Total liabilities and fund balances	<u>\$ 13,323</u>	<u>\$ 2,783</u>	<u>\$ 358,094</u>	<u>\$ -0-</u>	<u>\$ 26</u>

Revenue Funds							
461	480	481	482	483	484	485	486
Campus Activity Funds	Lowe's Grant AP Beutel	John & James Knight Foundation	PPCD Program	Dow Velasco Elementary	Toshiba American Fund Grant	Teacher Externship Program	PASS Grant
\$	\$	\$	\$	\$	\$	\$	\$
641,511	6,939	353	125 57,032				7,152
<u>641,511</u>	<u>6,939</u>	<u>353</u>	<u>57,157</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,152</u>
\$	\$	\$	\$	\$	\$	\$	\$
			2,166				7,152
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,166</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,152</u>
<u>641,511</u>	<u>6,939</u>	<u>353</u>	<u>54,991</u>				
<u>641,511</u>	<u>6,939</u>	<u>353</u>	<u>54,991</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 641,511</u>	<u>\$ 6,939</u>	<u>\$ 353</u>	<u>\$ 57,157</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,152</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes						Special
		489	490	492	494	495
		Harris County Education Grant	Dow Education Grants	University of Houston Mentor Program	A+ Energy- Griffith	Adopt-A School Bus
	ASSETS:					
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments					
1250	Other receivables					
1260	Due from other funds		11,850	6,829	205	
1310	Inventories					
1000	Total assets	<u>\$ -0-</u>	<u>\$ 11,850</u>	<u>\$ 6,829</u>	<u>\$ 205</u>	<u>\$ -0-</u>
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$ 237	\$	\$	\$
2160	Accrued wages payable					
2170	Due to other funds					
2180	Due to other governments					
2300	Deferred revenues					
2000	Total liabilities	<u>-0-</u>	<u>237</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balances:					
	Non-Spendable:					
3410	Inventories					
	Restricted:					
3450	Food service					
3480	Other		11,613	6,829	205	
3000	Total fund balances	<u>-0-</u>	<u>11,613</u>	<u>6,829</u>	<u>205</u>	<u>-0-</u>
4000	Total liabilities and fund balances	<u>\$ -0-</u>	<u>\$ 11,850</u>	<u>\$ 6,829</u>	<u>\$ 205</u>	<u>\$ -0-</u>

Revenue Funds			
496	497	498	
Conoco Phillips Grant	African American Advisory	BISD Education Foundation	Total Nonmajor Governmental (See C-2)
\$	\$	\$	\$ 4,367,063
			1,886,330
			38,377
	503	11,933	1,111,381
			179,557
<u>\$ -0-</u>	<u>\$ 503</u>	<u>\$ 11,933</u>	<u>\$ 7,582,708</u>
\$	\$	\$	\$ 355,402
			252,130
			2,839,716
			544
			496,257
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,944,049</u>
			179,557
			2,708,093
	503	11,933	751,009
<u>-0-</u>	<u>503</u>	<u>11,933</u>	<u>3,638,659</u>
<u>\$ -0-</u>	<u>\$ 503</u>	<u>\$ 11,933</u>	<u>\$ 7,582,708</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2012

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	\$	\$	\$	\$	\$ 2,243,295
5800	State program revenues					141,421
5900	Federal program revenues	<u>2,284,872</u>	<u>40,938</u>	<u>2,148,509</u>	<u>65,011</u>	<u>3,979,001</u>
5020	Total revenues	<u>2,284,872</u>	<u>40,938</u>	<u>2,148,509</u>	<u>65,011</u>	<u>6,363,717</u>
EXPENDITURES:						
Current:						
0011	Instruction	1,816,815	1,768	1,845,038	64,011	
0012	Instructional resources and media services	4,358				
0013	Curriculum and staff development	266,229	330	57,115	1,000	
0021	Instructional leadership	28,121	38,840	3,491		
0023	School leadership					
0031	Guidance, counseling and evaluation services	57,531		242,865		
0032	Social work services	60,892				
0035	Food services					6,048,827
0036	Extracurricular activities					
0041	General administration					
0061	Community services	<u>50,926</u>				
6030	Total expenditures	<u>2,284,872</u>	<u>40,938</u>	<u>2,148,509</u>	<u>65,011</u>	<u>6,048,827</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>314,890</u>
OTHER FINANCING SOURCES (USES):						
Total other financing sources and (uses)						
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	314,890
0100	Fund balances - beginning					<u>2,572,760</u>
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,887,650</u>

Revenue Funds							
244	255	263	282	286	287	288	385
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	Smaller Learning Communities	Public Assistance Grants (Hurricane Ike)	Education Jobs Grant	ESL Summer Program	Visually Impaired
\$	\$	\$	\$	\$	\$	\$	\$
							9,651
<u>58,158</u>	<u>447,663</u>	<u>107,845</u>	<u>322,471</u>		<u>2,112,176</u>	<u>6,659</u>	
<u>58,158</u>	<u>447,663</u>	<u>107,845</u>	<u>322,471</u>	<u>-0-</u>	<u>2,112,176</u>	<u>6,659</u>	<u>9,651</u>
4,142	57,042	97,450	157,076			6,659	9,651
5,805	339,044	10,395	41,929		757,231		
1,288			123,466				
46,923					1,354,945		
	51,577						
<u>58,158</u>	<u>447,663</u>	<u>107,845</u>	<u>322,471</u>	<u>-0-</u>	<u>2,112,176</u>	<u>6,659</u>	<u>9,651</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, 2012

Data Control Codes		Special				
		393	397	410	427	429
		Texas Successful Schools Program	Advancement Placement Incentives	Instructional Allotment Fund	Tobacco Compliance Grant	Read to Succeed
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	
5800	State program revenues		4,576	771,009	351	26
5900	Federal program revenues					
5020	Total revenues	<u>-0-</u>	<u>4,576</u>	<u>771,009</u>	<u>351</u>	<u>26</u>
	EXPENDITURES:					
	Current:					
0011	Instruction		8,046	771,009	351	
0012	Instructional resources and media services					
0013	Curriculum and staff development		1,380			
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0035	Food services					
0036	Extracurricular activities					
0041	General administration					
0061	Community services					
6030	Total expenditures		<u>9,426</u>	<u>771,009</u>	<u>351</u>	<u>-0-</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(4,850)</u>	<u>-0-</u>	<u>-0-</u>	<u>26</u>
	OTHER FINANCING SOURCES (USES):					
	Total other financing sources and (uses)					
1200	Net changes in fund balances	-0-	(4,850)	-0-	-0-	26
0100	Fund balances - beginning	<u>13,323</u>	<u>7,633</u>			
3000	Fund balances - ending	<u>\$ 13,323</u>	<u>\$ 2,783</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 26</u>

Revenue Funds

461	480	481	482	483	484	485	486
Campus Activity Funds	Lowe's Grant AP Beutel	John & James Knight Foundation	PPCD Program	Dow Velasco Elementary	Toshiba American Fund Grant	Teacher Externship Program	PASS Grant
\$ 896,196	\$ 6,939	\$	\$ 61,724	\$ 1,181	\$ 145	\$ 20	\$ 7,152
<u>896,196</u>	<u>6,939</u>	<u>-0-</u>	<u>61,724</u>	<u>1,181</u>	<u>145</u>	<u>20</u>	<u>7,152</u>
			42,448	1,181	145	20	7,152
720,726							
<u>720,726</u>	<u>-0-</u>	<u>-0-</u>	<u>42,448</u>	<u>1,181</u>	<u>145</u>	<u>20</u>	<u>7,152</u>
<u>175,470</u>	<u>6,939</u>	<u>-0-</u>	<u>19,276</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
175,470	6,939	-0-	19,276	-0-	-0-	-0-	-0-
<u>466,041</u>		<u>353</u>	<u>35,715</u>				
\$ <u>641,511</u>	\$ <u>6,939</u>	\$ <u>353</u>	\$ <u>54,991</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, 2012

		Special Revenue				
		489	490	492	494	495
Data Control Codes		Harris County Education Grant	Dow Education Grants	University of Houston Mentor Program	A+ Energy-Griffith	Adopt-A School Bus
REVENUES:						
5700	Local and intermediate sources	\$ 24	\$ 28,458	\$	\$ 578	\$ 1,229
5800	State program revenues			9,919		
5900	Federal program revenues					
5020	Total revenues	<u>24</u>	<u>28,458</u>	<u>9,919</u>	<u>578</u>	<u>1,229</u>
EXPENDITURES:						
Current:						
0011	Instruction	24	16,845	3,053	373	1,229
0012	Instructional resources and media services					
0013	Curriculum and staff development			37		
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0035	Food services					
0036	Extracurricular activities					
0041	General administration					
0061	Community services					
6030	Total expenditures	<u>24</u>	<u>16,845</u>	<u>3,090</u>	<u>373</u>	<u>1,229</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>11,613</u>	<u>6,829</u>	<u>205</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES):						
Total other financing sources and (uses)						
1200	Net changes in fund balances	-0-	11,613	6,829	205	-0-
0100	Fund balances - beginning					
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ 11,613</u>	<u>\$ 6,829</u>	<u>\$ 205</u>	<u>\$ -0-</u>

<u>Revenue Funds</u>			
496	497	498	
<u>Conoco Phillips Grant</u>	<u>African American Advisory</u>	<u>BISD Education Foundation</u>	<u>Total Nonmajor Governmental (See C-2)</u>
\$ 685	\$ 753	\$ 64,720	\$ 3,313,099
			936,953
			<u>11,573,303</u>
<u>685</u>	<u>753</u>	<u>64,720</u>	<u>15,823,355</u>
685	250	52,787	4,965,250
			761,589
			723,264
			195,206
			1,354,945
			347,319
			60,892
			6,048,827
			720,726
			51,577
			<u>50,926</u>
<u>685</u>	<u>250</u>	<u>52,787</u>	<u>15,280,521</u>
<u>-0-</u>	<u>503</u>	<u>11,933</u>	<u>542,834</u>
<u>-0-</u>	<u>503</u>	<u>11,933</u>	<u>542,834</u>
			<u>3,095,825</u>
<u>\$ -0-</u>	<u>\$ 503</u>	<u>\$ 11,933</u>	<u>\$ 3,638,659</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
AUGUST 31, 2012

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	\$ 365,140	\$ 1,378,300	\$ 1,743,440
	Total current assets	365,410	1,378,300	1,743,440
	Noncurrent Assets:			
	Total noncurrent assets	-----	-----	-0-
	Total assets	<u>365,140</u>	<u>1,378,300</u>	<u>1,743,440</u>
	LIABILITIES:			
	Current Liabilities:			
2165	Accrued expenses payable	45,536	482,665	528,201
	Total current liabilities	45,536	482,665	528,201
	Noncurrent Liabilities:			
	Total noncurrent liabilities	-----	-----	-0-
	Total liabilities	<u>45,536</u>	<u>482,665</u>	<u>528,201</u>
	NET ASSETS:			
3900	Unrestricted net assets	<u>319,604</u>	<u>895,635</u>	<u>1,215,239</u>
	Total net assets	<u>\$ 319,604</u>	<u>\$ 895,635</u>	<u>\$ 1,215,239</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2012

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	\$ <u>635,848</u>	\$ <u>572,485</u>	\$ <u>1,208,333</u>
Total operating revenues	<u>635,848</u>	<u>572,485</u>	<u>1,208,333</u>
Operating Expenses:			
Insurance claims and expenses	<u>529,252</u>	<u>188,195</u>	<u>717,447</u>
Total operating expenses	<u>529,252</u>	<u>188,195</u>	<u>717,447</u>
Operating income	<u>106,596</u>	<u>384,290</u>	<u>490,886</u>
Nonoperating Revenues:			
Interest and investment revenue	<u>197</u>	<u>759</u>	<u>956</u>
Total nonoperating revenues	<u>197</u>	<u>759</u>	<u>956</u>
Change in net assets	106,793	385,049	491,842
Net assets – beginning	<u>212,811</u>	<u>510,586</u>	<u>723,397</u>
Net assets – ending	<u>\$ 319,604</u>	<u>\$ 895,635</u>	<u>\$ 1,215,239</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2012

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	\$ 635,848	\$ 572,785	\$ 1,208,633
Claims paid	(533,719)	(283,643)	(817,362)
Net cash provided by operating activities	<u>102,129</u>	<u>289,142</u>	<u>391,271</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>197</u>	<u>759</u>	<u>956</u>
Net cash provided by investing activities	<u>197</u>	<u>759</u>	<u>956</u>
Net increase in cash and cash equivalents	102,326	289,901	392,227
Balances – beginning of the year	<u>262,814</u>	<u>1,088,399</u>	<u>1,351,213</u>
Balances – end of the year	<u>\$ 365,140</u>	<u>\$ 1,378,300</u>	<u>\$ 1,743,440</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income	\$ 106,596	\$ 384,290	\$ 490,886
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	(4,467)	(95,448)	(99,915)
Net cash provided by operating activities	<u>\$ 102,129</u>	<u>\$ 289,142</u>	<u>\$ 391,271</u>

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2012

Last Ten Years Ended August 31,	1		2		3		10	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes		Beginning Balance September 1, 2011	
	Maintenance	Debt Service						
2002 and Prior	\$ Various	\$ Various	\$	Various	\$	Various	\$	159,717
2003	1.362600	0.423110				5,830,878,487		55,908
2004	1.362600	0.110200				5,942,025,104		63,584
2005	1.362600	0.160200				5,946,464,855		59,212
2006	1.362600	0.210200				6,167,488,798		61,196
2007	1.228200	0.195500				6,422,002,991		70,807
2008	0.94840	0.185500				6,785,512,912		80,768
2009	1.010000	0.182200				7,328,104,426		130,973
2010	1.040000	0.188500				6,666,775,818		219,502
2011	1.04000	0.201500				6,238,933,790		632,759
2012 (School Year Under Audit)	1.040000	0.201500				6,068,476,601		
1000 Totals							\$	<u>1,534,426</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, 2012
\$	\$ 6,939	\$ 338	\$(36,993)	\$ 115,447
	2,149	95	(512)	53,152
	2,747	222	(398)	60,217
	2,722	320	(432)	55,738
	4,462	688	(730)	55,316
	7,829	1,246	(2,060)	59,672
	15,683	3,068	(2,041)	59,976
	40,405	7,289	(2,077)	81,202
	89,994	16,311	(2,646)	110,551
	283,958	55,017	(15,990)	277,794
<u>75,340,137</u>	<u>63,529,726</u>	<u>12,893,026</u>	<u>1,850,686</u>	<u>768,071</u>
<u>\$ 75,340,137</u>	<u>\$ 63,986,614</u>	<u>\$ 12,977,620</u>	<u>\$ 1,786,807</u>	<u>\$ 1,697,136</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2012

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	\$	\$	\$ 345,234	\$ 874,042	\$	\$	\$ 1,219,276
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	146,197						146,197
6212	Audit services				43,194			43,194
6213	Tax appraisal & collection (Appraisal District costs only from function 99)		572,752					572,752
621X	Other professional services		10,884	2,000				12,884
6220	Tuition & transfer payments							-0-
6230	Education service centers			50	400			450
6240	Contract maintenance & repair				67,440			67,440
6250	Utilities							-0-
6260	Rentals				14,862			14,862
6290	Miscellaneous contract			29,337	77,064		47,935	154,336
6320	Textbooks & reading			2,693				2,693
6330	Testing materials							-0-
63XX	Other supplies/materials	1,406		13,569	18,560			33,535
6410	Travel, subsistence, stipends	7,587		9,551	7,574			24,712
6420	Ins. & bonding costs							-0-
6430	Election costs	18,278						18,278
6490	Miscellaneous operating	11,961		34,400	19,463			65,823
6500	Debt service							-0-
6600	Capital outlay				52,216			52,216
TOTAL		\$ 185,428	\$ 583,636	\$ 436,832	\$ 1,174,815	\$ -0-	\$ 47,935	\$ 2,428,647

Total expenditures for General and Special Revenue Funds (9) \$ 94,432,352

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 333,285	
Total Debt & Lease (6500)	(11) 514,516	
Plant Maintenance (Function 51, 6100-6400)	(12) 8,972,308	
Food (Function 35, 6341 and 6499)	(13) 2,389,088	
Stipends (6413)	(14) -0-	
Column 4 (above) - Total Indirect Cost	<u>1,174,815</u>	
Subtotal		<u>13,384,012</u>
Net Allowed Direct Cost		<u>\$ 81,048,340</u>

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 188,409,846
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) \$ 15,267,187
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 2,140,328
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$ 4,995,261

Note A - \$ 10,747 in function 53 expenditures directly related to function 41 are included in this report in administrative costs.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
AUGUST 31, 2012
UNAUDITED

Exhibit J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/12 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>27,222,059</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	1,147,122
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	541,587
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)	5,000,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing deferred revenues)	2,967,946
7	Estimate of two months' average cash disbursements during the fiscal year	13,191,972
8	Estimate of delayed payments from state sources (58XX)	
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	
10	Estimate of delayed payments from federal sources (59XX)	
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)	
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>23,598,627</u>
13	Excess (deficit) unassigned General Fund fund balance (1- 12)	\$ <u><u>3,623,432</u></u>

Excess Fund Balance – State funding reductions implemented by the 82nd Legislature resulted in an escalating decrease for the second year of the biennium. This combined with reductions in federal funding has resulted in a budgeted deficit for 2012-13 of \$ 2,482,174. The excess fund balance will be used to cover a portion of the anticipated shortfall.

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, 2012

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	\$ 2,243,295	\$ 300,295
5800	State program revenues	43,000	243,000	141,421	(101,579)
5900	Federal program revenues	<u>3,996,000</u>	<u>4,256,005</u>	<u>3,979,001</u>	<u>(277,004)</u>
5020	Total revenues	<u>5,982,000</u>	<u>6,442,005</u>	<u>6,363,717</u>	<u>(78,288)</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>5,982,000</u>	<u>6,443,505</u>	<u>6,048,827</u>	<u>394,678</u>
6030	Total expenditures	<u>5,982,000</u>	<u>6,443,505</u>	<u>6,048,827</u>	<u>394,678</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	(1,500)	314,890	316,390
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources (uses)				-0-
1200	Net change in fund balances	-0-	(1,500)	314,890	316,390
0100	Fund balances – beginning	<u>2,572,760</u>	<u>2,572,760</u>	<u>2,572,760</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 2,572,760</u>	<u>\$ 2,571,260</u>	<u>\$ 2,887,650</u>	<u>\$ 316,390</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2012

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	\$ 12,831,107	\$ 12,831,107	\$ 13,313,528	\$ 482,421
5020	Total revenues	12,831,107	12,831,107	13,313,528	482,421
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	7,799,581	7,799,581	7,710,000	89,581
0072	Interest on long-term debt	4,915,814	4,715,814	3,932,670	783,144
0073	Bond issuance costs and fees	215,000	415,000	373,297	41,703
6030	Total expenditures	12,930,395	12,930,395	12,015,967	914,428
1100	Excess (deficiency) of revenues over expenditures	(99,288)	(99,288)	1,297,561	1,396,849
	OTHER FINANCING SOURCES (USES):				
7911	Sale of bonds			61,205,000	61,205,000
7916	Premium on bonds			4,594,689	4,594,689
8949	Payment to escrow agent			(65,407,472)	(65,407,472)
	Total other financing sources and (uses)	-0-	-0-	392,217	392,217
1200	Net change in fund balances	(99,288)	(99,288)	1,689,778	1,789,066
0100	Fund balances -- beginning	9,599,453	9,599,453	9,599,453	-0-
3000	Fund balances -- ending	\$ 9,500,165	\$ 9,500,165	\$ 11,289,231	\$ 1,789,066

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FEDERAL AWARDS SECTION

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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:
10260 Westheimer, Suite 410
Houston, Texas 77042
(281) 974-3416 Fax: (281) 974-3764

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with *Government Auditing
Standards*

December 17, 2012

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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, others within the entity, 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:
9 West Way Court
Lake Jackson, Texas 77566
(979) 297-4078 Fax: (979) 297-8848
(800) 369-4075

Houston Office:
10260 Wasethsimer, Suite 410
Houston, Texas 77042
(281) 974-3416 Fax: (281) 974-3764

Independent Auditor's Report

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

December 17, 2012

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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

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

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, 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, 2012

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:
 - 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:
 - 84.410 ARRA, Education Jobs Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 366,638.
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, 2012

Page 1 of 1

PRIOR YEAR'S FINDING/NONCOMPLIANCE

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2012

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

EXHIBIT K-1
PAGE 1 OF 2

(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>322,471</u>
Passed Through State Department of Education:			
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	12610101020905	2,139,019
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	13610101020905	81,282
ESEA, Title I, Part A - School Improvement Programs*	84.010A	12610104020905042	92,122
ESEA, Title I, Part A - School Improvement Programs*	84.010A	13610104020905042	419
			<u>2,312,842</u>
ESEA, Title I, Part C - Education of Migratory Children	84.011	12615001020905	<u>41,478</u>
IDEA - Part B, Formula **	84.027	126600010209056600	2,071,417
IDEA - Part B, Formula **	84.027	136600010209056600	103,753
			<u>2,175,170</u>
Vocational Education - Basic Grant	84.048	1242000602090504	51,209
Vocational Education - Basic Grant	84.048	1342000602090504	6,949
			<u>58,158</u>
IDEA - Part B, Preschool **	84.173	126610010209056610	62,699
IDEA - Part B, Preschool	84.173	136610010209056610	3,063
			<u>65,762</u>
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	12671001020905	106,741
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	13671001020905	1,103
			<u>107,844</u>
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	12694501020905	436,805
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	13694501020905	16,535
			<u>453,340</u>
English Second Language (ESL) - Summer School Program	84.369A	069551102	<u>6,659</u>
Education Jobs Fund	84.410	11550101020905	<u>2,112,176</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>7,655,900</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

EXHIBIT K-1
PAGE 2 OF 2

(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 Agriculture</u>			
Direct Program:			
Healthier School Challenge***	10.555	—	\$ 10,005
Commodity Supplement Program ***	10.555	20905	<u>388,597</u>
			<u>398,602</u>
Passed Through State Department of Education:			
School Breakfast Program ***	10.553	71401101	868,845
National School Lunch Program ***	10.555	71301101	<u>3,211,555</u>
			<u>4,080,400</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 4,479,002</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	-	<u>\$ 64,454</u>
TOTAL DEPARTMENT OF DEFENSE			<u>\$ 64,454</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>\$ 21,900</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>\$ 21,900</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 12,221,256</u>
*, **, *** - Cluster Programs			
RECONCILIATION:			
Federal Program Revenues (Exhibit C-2)			\$ 13,304,506
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			(673,666)
Build America Bonds not considered federal revenue for the Schedule of Federal Awards			<u>(409,584)</u>
Total federal financial assistance (Schedule of expenditures of Federal Awards)			<u>\$ 12,221,256</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, 2012

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 \$ 405,647, while the monetary value of goods used and recognized as income and expenditures was \$ 388,597.
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.