

**COLUMBIA-BRAZORIA
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2013**

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

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COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

Annual Financial Report
For the Year Ended June 30, 2013

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COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended June 30, 2013*

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Columbia-Brazoria
Independent School District
Name of School District

Brazoria
County

020-907
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 June 30, 2013, at a meeting of the board of trustees of such school district on the 19th day of November, 2013.



Linda Huebner
Signature of Board Secretary



Jonathan Champagne
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

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Independent Auditor's Report

To the Board of Trustees
Columbia-Brazoria Independent School District
West Columbia, Texas 77486

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbia-Brazoria Independent School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbia-Brazoria Independent School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 - 22 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.

Other Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kennemer, Masters & Hunsford, LLC

Lake Jackson, Texas
November 7, 2013

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

As management of the Columbia-Brazoria 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 June 30, 2013. 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 \$ 21,126,491 (*net position*). Of this amount, \$ 13,003,418 (*unrestricted net position*) 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 \$ 14,099,897. Approximately 78 percent of this total amount, \$ 11,053,499, 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 \$ 11,054,259, or 52 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 6,135,760 less than the \$ 32,136,721 generated in tax and other revenues for governmental programs. This compares to last year when expenses were less than revenues by \$ 560,517.

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

The *statement of activities* presents information 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 24 and 25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related 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 fourteen 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 and debt service fund, all of which are considered to be major funds. Data from the other twelve 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 26 through 29 of this report.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

- **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 unemployment compensation and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 30 through 32 of this report.
- **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 position that can be found on page 33. 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 35 through 67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 70 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 72 through 78 of this report. Other schedules are to be found on pages 80 through 85 of this report.

Government-wide Financial Analysis

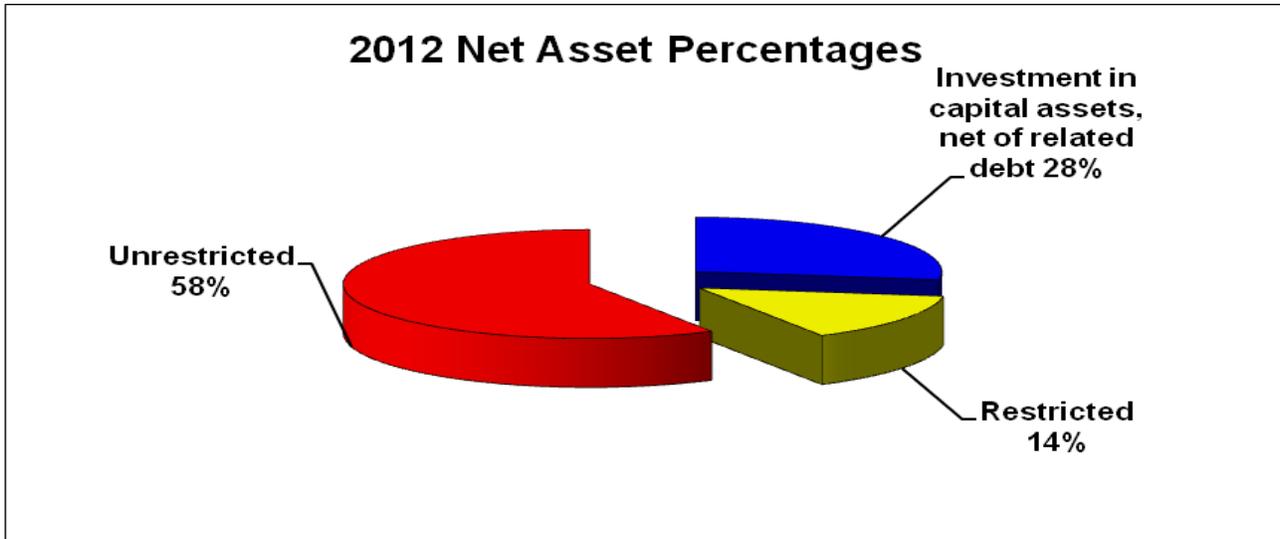
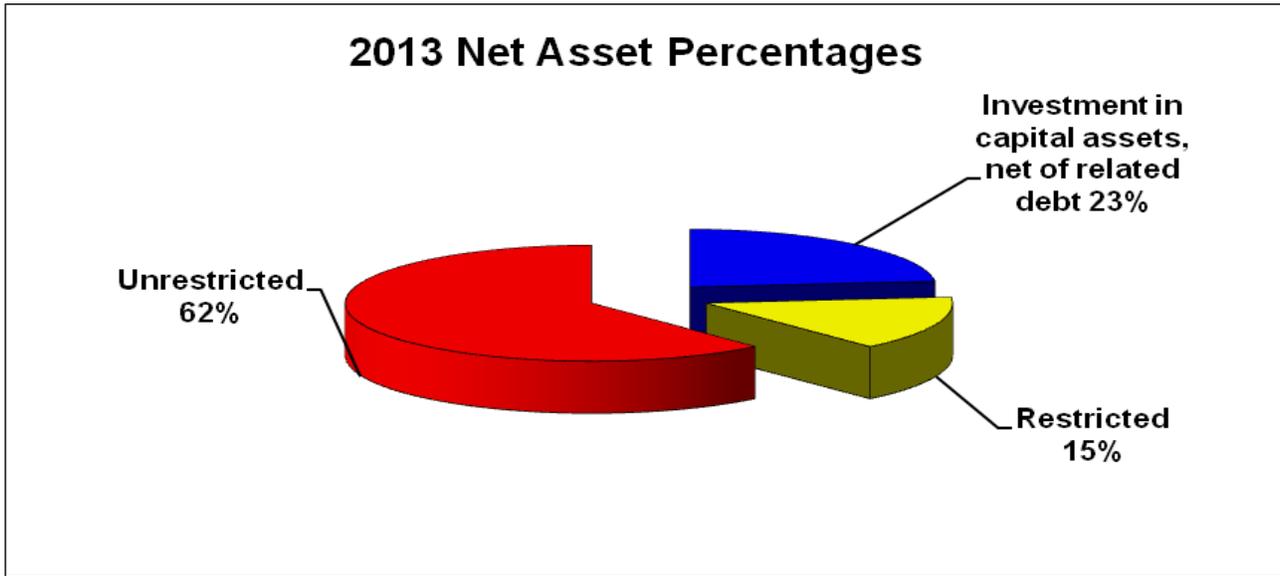
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 21,126,491 as of June 30, 2013. Net position of the District's governmental activities increased from \$ 14,990,731 to \$ 21,126,491.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The District's Net Position

	<u>2013</u>	(Restated) <u>2012</u>
Current and other assets	\$ 18,638,209	\$ 13,163,339
Capital assets	<u>43,255,900</u>	<u>43,815,650</u>
Total assets	<u>61,894,109</u>	<u>56,978,989</u>
Deferred outflows of resources	<u>-0-</u>	<u>-0-</u>
Long-term liabilities outstanding	38,325,113	39,707,293
Other liabilities	<u>2,427,464</u>	<u>2,280,965</u>
Total liabilities	<u>40,752,577</u>	<u>41,988,258</u>
Deferred inflows of resources – gain on termination of capital lease	<u>15,041</u>	<u>-0-</u>
Net position:		
Invested in capital assets, net of related debt	4,930,787	4,108,357
Restricted	3,192,286	2,150,737
Unrestricted	<u>13,003,418</u>	<u>8,731,637</u>
Total net position	<u>\$ 21,126,491</u>	<u>\$ 14,990,731</u>

Investment in capital assets (e.g., land, buildings and improvements, furniture, equipment, vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 4,930,787. 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 position (approximately 15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$ 13,003,418 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.



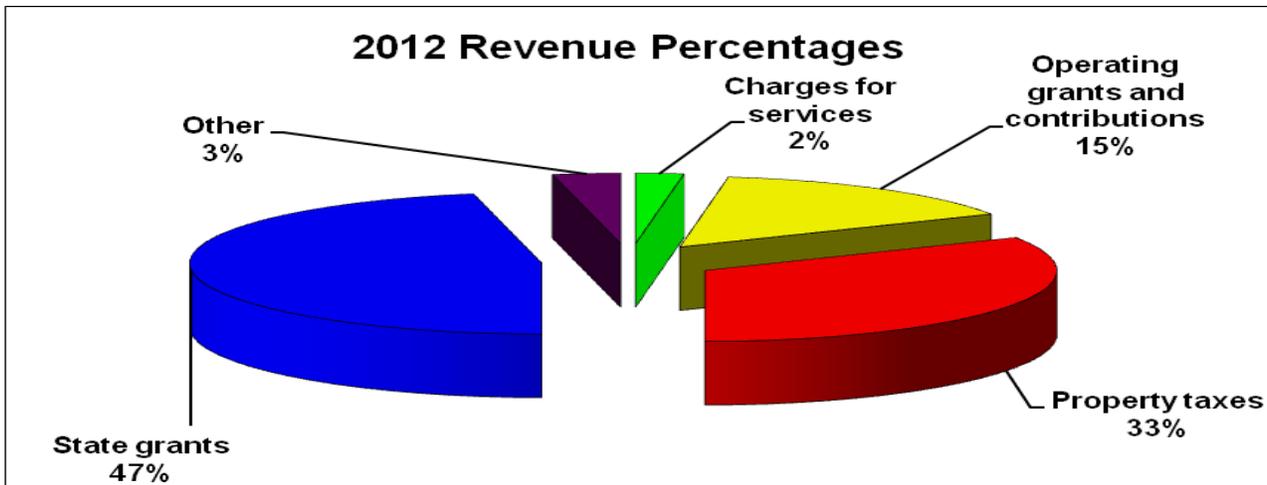
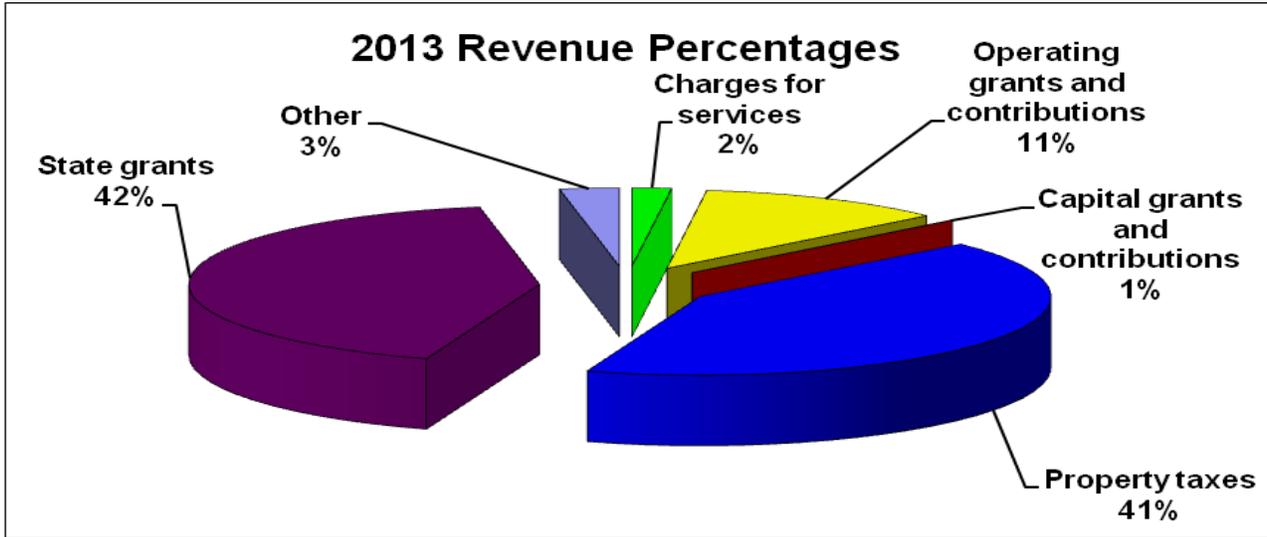
Governmental activities. The District's total net position increased by \$ 6,135,760. The District's total revenues increased by 12%. The District's total cost of all programs and services decreased by less than 7%. The total cost of all *governmental activities* this year was \$ 26,000,961. The amount that our taxpayers paid for these activities through property taxes was \$ 13,457,431 or 52%. The amount of costs that were paid by those who directly benefited from the programs was \$ 583,451 or 2%. The costs that were paid by other governments and organizations that subsidized certain programs with grants and contributions or by State equalization funding were \$ 3,702,548 or 14% and \$ 13,512,489 or 52%, respectively.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Changes in the District's Net Position

	2013	(Restated) 2012
Revenues:		
Program revenues:		
Charges for services	\$ 583,451	\$ 630,573
Operating grants and contributions	3,684,750	4,309,247
Capital grants and contributions	17,798	
General revenues:		
Property taxes	13,457,431	9,363,140
State grants	13,512,489	13,410,661
Other	<u>880,802</u>	<u>891,689</u>
Total revenues	<u>32,136,721</u>	<u>28,605,310</u>
Expenses:		
Instruction	13,456,316	13,395,840
Instructional resources & media services	369,316	358,189
Curriculum & staff development	102,170	107,679
Instructional leadership	222,206	281,633
School leadership	1,322,978	1,283,028
Guidance, counseling & evaluation services	742,540	717,447
Social work services	22,114	18,684
Health services	273,612	267,880
Student (pupil) transportation	1,111,246	1,342,304
Food services	1,579,137	1,553,757
Cocurricular/extracurricular activities	867,778	846,545
General administration	813,295	834,041
Plant maintenance and operations	2,097,507	2,124,249
Security and monitoring services	190,354	236,038
Data processing services	663,837	779,018
Community services	6,628	6,348
Debt service-interest and fees on long-term debt	1,327,270	3,052,447
Payments related to shared services arrangements	768,633	776,246
Other intergovernmental charges	<u>64,024</u>	<u>63,420</u>
Total expenses	<u>26,000,961</u>	<u>28,044,793</u>
Increase in net position	6,135,760	560,517
Beginning net position (restated)	<u>14,990,731</u>	<u>14,430,214</u>
Ending net position	<u>\$ 21,126,491</u>	<u>\$ 14,990,731</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013



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 \$ 14,099,897, an increase of \$ 5,219,682 from last year's combined balance of \$ 8,880,215. Approximately 78% of this total amount (\$ 11,053,499) constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable or restricted* to indicate that it is not available for new spending because it has already been committed 1) for inventory \$ 57,234, 2) for prepaid items \$ 87,604, 3) for food service \$ 433,048, and 4) to pay debt service \$ 2,468,512.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 \$ 11,054,259, while the total fund balance was \$ 11,161,764. 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 52% of the total general fund expenditures, while total fund balance represents 53% of that same amount.

The fund balance of the District's general fund increased by \$ 4,168,841 or 60% during the current fiscal period compared to last year's total general fund balance of \$ 6,974,923. Revenues increased approximately 17% from prior year from \$ 21,774,967 to \$ 25,404,173. Expenditures increased approximately 6% from prior year from \$ 20,007,880 to \$ 21,218,957.

The debt service fund has a total fund balance of \$ 2,468,512, all of which is restricted for the payment of debt service. The debt service fund balance increased by \$ 961,519 or 64% from last year's fund balance of \$ 1,506,993. The net increase in fund balance is due to the District collecting more taxes to pay for the District's debt obligations during the fiscal year.

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 position at June 30, 2013 amounted to a surplus of \$ 745,509. The total increase in net position was \$ 104,526 from last year's net asset balance of \$ 640,983.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved revisions to appropriations. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal period for amounts reserved and designated in the prior year.
- Amendments to budget for donations received during the period.
- Amendments during the period for unexpected occurrences.
- Amendments for expenses allowed from unexpected revenue sources.

Following is a summary of amendments made to appropriations:

- \$ 43,006 for incomplete projects or purchases ordered in previous fiscal year but not received.
- \$ 593,151 for special projects approved from reserves.
- \$ 65,362 of donations received during the period.
- \$ 17,750 unexpected revenues and expenses appropriated.

After appropriations were amended as described above, General Fund actual revenues were above final budget by \$ 920,064. General Fund actual expenditures were \$ 4,128,501 below final budget appropriations. The major portion of this positive variance in expenditures resulted from estimated versus actual instructional salaries, and special maintenance and projects started but not completed by fiscal year end.

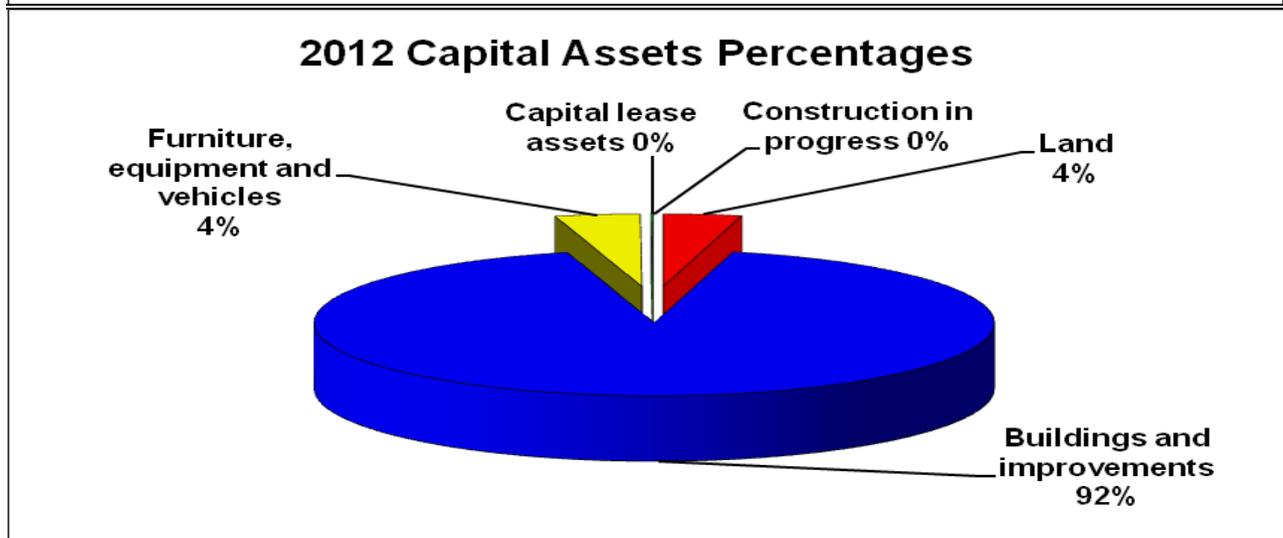
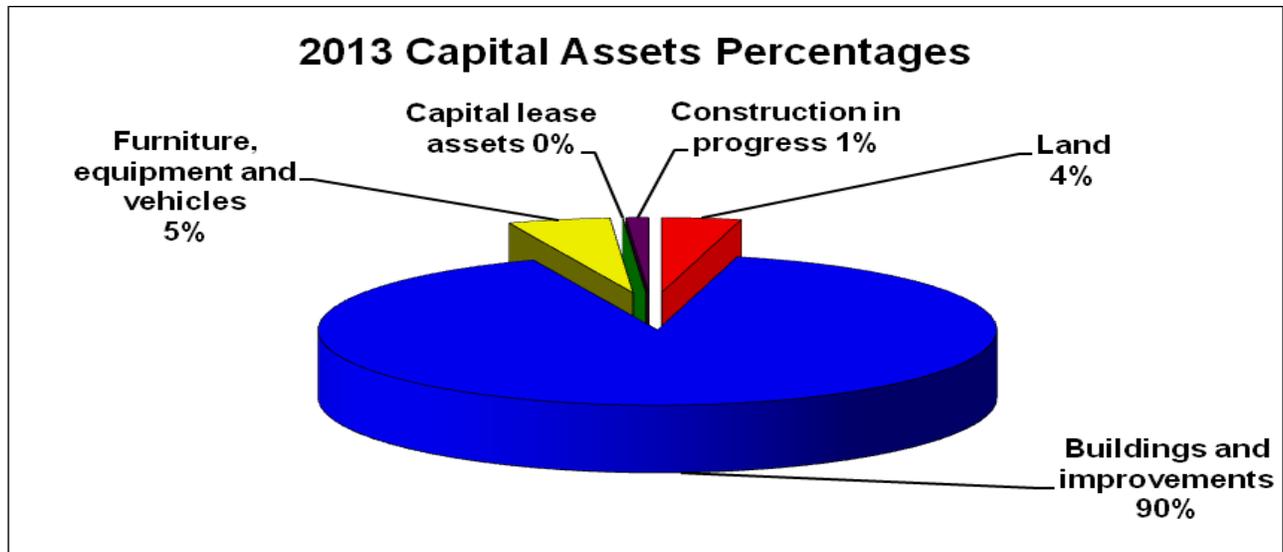
COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$ 43,255,900 (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)**

	2013	(Restated) 2012
Land	\$ 1,630,102	\$ 1,630,102
Buildings and improvements	39,047,518	40,381,763
Furniture, equipment and vehicles	2,107,588	1,766,828
Capital lease assets		36,957
Construction in progress	470,692	
Total at historical cost	<u>\$ 43,255,900</u>	<u>\$ 43,815,650</u>



COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Additional information on the District's capital assets can be found in Note 6 on pages 55 and 56 of this report.

Long-term debt. At June 30, 2013, the District had total long-term debt outstanding of \$ 38,325,113, a decrease of \$ 1,382,180 from the previous year. Long-term debt is made of general obligation bonds of \$ 36,464,306, loans payable of \$ 360,000, warrants payable \$ 255,000, capital leases payable \$ 12,434, premium on general obligation bonds of \$ 701,471, and accrued interest of \$ 531,902.

The "AAA" long term rating on the District's Texas' bond reflects the Texas Permanent School Fund guarantee. The Standard and Poors "AAA" rating means the District's bonds possess favorable investment attributes and are to be considered as strong.

Additional information on the District's long-term debt can be found in Note 7 on pages 56 through 61 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District had seen varying student enrollment declining in some years and increasing in others. So far in 2013-2014, enrollment is on a slight increase over the previous year.
- The District's 2013 taxable valuation has increased by 10% since last year. The District currently has a 10% optional homestead exemption and a maintenance and operations tax rate of \$ 1.04 for 2013, the maximum tax rate allowed by state law. The Texas school finance program was appropriated more funds by the legislature in the summer of 2013. The District expects to receive approximately \$ 950,000 more in state revenues for 2013-2014. In 2006, the maximum tax rate dropped to 1.00 plus up to 4 cents of discretionary tax rate. Still under the current funding system, increases in property wealth does not result in a corresponding decrease in state aid during the subsequent year but is adjusted for increases or decreases in student enrollment. The District is very dependent on the state aid as it receives approximately 60% of total general fund revenues from the State.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director of Business Services, Columbia-Brazoria Independent School District, P.O. Box 158, West Columbia, Texas, 77486.

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COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 12,868,854
1220	Property taxes receivable (delinquent)	1,597,937
1230	Allowance for uncollectible taxes	(128,611)
1240	Due from other governments	4,135,806
1290	Other receivables (net)	19,385
1300	Inventories	57,234
1410	Prepaid items	15,837
1450	Prepaid insurance	69,034
1490	Other current assets	2,733
	Capital Assets:	
1510	Land and land improvements	1,630,102
1520	Building, furniture and equipment, net	39,047,518
1530	Furniture, equipment and vehicles, net	2,107,588
1580	Construction in progress	<u>470,692</u>
1000	Total assets	<u>61,894,109</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows	<u> </u>
	Total deferred outflows of resources	<u>-0-</u>
	LIABILITIES:	
2110	Accounts payable	253,646
2160	Accrued wages payable	1,977,981
2200	Accrued expenses	173,113
2300	Unearned revenue	22,724
	Noncurrent Liabilities:	
2501	Due within one year	1,879,595
2502	Due in more than one year	<u>36,445,518</u>
2000	Total liabilities	<u>40,752,577</u>
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows – gain on termination of capital lease	<u>15,041</u>
	Total deferred inflows of resources	<u>15,041</u>
	NET POSITION:	
3200	Invested in capital assets, net of related debt	4,930,787
	Restricted For:	
3820	Federal and state programs	760
3820	Federal and state programs (food service)	469,621
3850	Debt service	2,721,905
3900	Unrestricted	<u>13,003,418</u>
3000	Total net position	<u>\$ 21,126,491</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Exhibit B-1
Page 1 of 1

Data Control Codes	Functions/Programs	Expenses	1 Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
				3 Operating Grants and Contributions	4 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 13,456,316	\$ 362	\$ 2,036,780	\$	\$(11,419,174)
12	Instructional resources and media services	369,316	8	11,268		(358,040)
13	Curriculum and staff development	102,170	1	39,995		(62,174)
21	Instructional leadership	222,206	6	56,862		(165,338)
23	School leadership	1,322,978	37	49,546		(1,273,395)
31	Guidance, counseling, and evaluation services	742,540	21	156,922		(585,597)
32	Social work services	22,114	1	22,233		120
33	Health services	273,612	8	10,769		(262,835)
34	Student transportation	1,111,246	23	34,301		(1,076,922)
35	Food service	1,579,137	477,152	1,148,228	17,798	64,041
36	Extracurricular activities	867,778	105,764	16,079		(745,935)
41	General administration	813,295	19	29,367		(783,909)
51	Plant maintenance and operations	2,097,507	34	50,012		(2,047,461)
52	Security and monitoring services	190,354	5	7,918		(182,431)
53	Data processing services	663,837	10	14,470		(649,357)
61	Community services	6,628				(6,628)
72	Interest on long-term debt	1,323,995				(1,323,995)
73	Bond issuance costs and fees	3,275				(3,275)
93	Payments related to shared services arrangements	768,633				(768,633)
99	Other intergovernmental charges	64,024				(64,024)
TG	Total governmental activities	<u>\$ 26,000,961</u>	<u>\$ 583,451</u>	<u>\$ 3,684,750</u>	<u>\$ 17,798</u>	<u>\$(21,714,962)</u>
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 10,789,128
DT	Property taxes, levied for debt service					2,668,303
SF	State aid-formula grants					13,512,489
GC	Grants and contributions not restricted to specific programs					491,234
IE	Investment earnings					72,372
MI	Miscellaneous					<u>317,196</u>
TG	Total general revenues, special items, and transfers					<u>27,850,722</u>
CN	Change in net position					6,135,760
NB	Net position – beginning (restated)					<u>14,990,731</u>
NE	Net position – ending					<u>\$ 21,126,491</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013

Exhibit C-1
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
1110	Cash and cash equivalents	\$ 9,034,717	\$ 2,392,702	\$ 516,532	\$ 11,943,951
1220	Taxes receivable - delinquent	1,309,982	287,955		1,597,937
1230	Allowance for uncollectible taxes	(114,423)	(14,188)		(128,611)
1240	Receivables from other governments	3,781,414	55,436	298,956	4,135,806
1260	Due from other funds	122,982			122,982
1290	Other receivables	17,623		1,761	19,384
1300	Inventories	20,836		36,398	57,234
1410	Prepaid items	14,902		935	15,837
1450	Prepaid insurance	69,034			69,034
1490	Other assets	2,733			2,733
1000	Total assets	<u>14,259,800</u>	<u>2,721,905</u>	<u>854,582</u>	<u>17,836,287</u>
DEFERRED OUTFLOWS OF RESOURCES:					
1700	Deferred outflows				-0-
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 14,259,800</u>	<u>\$ 2,721,905</u>	<u>\$ 854,582</u>	<u>\$ 17,836,287</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
2110	Accounts payable	\$ 243,615	\$	\$ 3,750	\$ 247,365
2160	Accrued wages payable	1,741,295		236,686	1,977,981
2170	Due to other funds			122,981	122,981
2300	Unearned revenue	1,180		21,544	22,724
2000	Total liabilities	<u>1,986,090</u>	<u>-0-</u>	<u>384,961</u>	<u>2,371,051</u>
DEFERRED INFLOWS OF RESOURCES:					
2600	Deferred inflows – property taxes	1,111,946	253,393		1,365,339
	Total deferred inflows of resources	<u>1,111,946</u>	<u>253,393</u>	<u>-0-</u>	<u>1,365,339</u>
FUND BALANCES:					
Non-Spendable:					
3410	Inventories	20,836		36,398	57,234
3430	Prepaid items	86,669		935	87,604
Restricted:					
3450	Food service			433,048	433,048
3480	Debt service		2,468,512		2,468,512
Unassigned:					
3600	Unassigned	11,054,259		(760)	11,053,499
3000	Total fund balances	<u>11,161,764</u>	<u>2,468,512</u>	<u>469,621</u>	<u>14,099,897</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,259,800</u>	<u>\$ 2,721,905</u>	<u>\$ 854,582</u>	<u>\$ 17,836,287</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 14,099,897
Amounts reported for <i>governmental activities</i> in the statement of net position (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 \$ 73,760,896 in assets less \$ 30,504,996 in accumulated depreciation.	43,255,900
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds. Unearned property tax revenues for the general fund and the debt service fund amounted to \$ 1,111,946 and \$ 253,393, respectively.	1,365,339
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	745,509
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 701,471 (premium on sale of bonds of \$ 832,642 less amortization costs of \$ 131,171).	(701,471)
Gain on termination of a capital lease provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the statement of net position. This amount is amortized over the life of the operating lease substituted for the capital lease. Net gain on the termination of the capital lease was \$ 15,041 (gain of termination of capital lease of \$ 16,118 less amortization costs of \$ 1,077).	(15,041)
Payables for bond principal are not reported in the funds.	(36,464,306)
Payables for bond interest are not reported in the funds	(520,715)
Payables for note principal are not reported in the funds.	(615,000)
Payables for note interest are not reported in the funds	(11,187)
Payables for capital lease principal are not reported in the funds.	<u>(12,434)</u>
Net position of governmental activities – statement of net position (A-1)	<u>\$ 21,126,491</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit C-2
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:					
5700	Local and intermediate sources	\$ 11,229,954	\$ 2,712,224	\$ 477,132	\$ 14,419,310
5800	State program revenues	13,682,984	548,014	292,515	14,523,513
5900	Federal program revenues	<u>491,235</u>		<u>2,691,525</u>	<u>3,182,760</u>
5020	Total revenues	<u>25,404,173</u>	<u>3,260,238</u>	<u>3,461,172</u>	<u>32,125,583</u>
EXPENDITURES:					
Current:					
0011	Instruction	10,817,527		1,573,492	12,391,019
0012	Instructional resources and media services	334,861			334,861
0013	Curriculum and staff development	64,046		38,301	102,347
0021	Instructional leadership	153,215		49,246	202,461
0023	School leadership	1,211,284			1,211,284
0031	Guidance, counseling, and evaluation services	555,850		134,901	690,751
0032	Social work services	3		22,233	22,236
0033	Health services	249,833			249,833
0034	Student transportation	1,523,419			1,523,419
0035	Food Service			1,571,677	1,571,677
0036	Extracurricular activities	814,988			814,988
0041	General administration	725,068			725,068
0051	Plant maintenance and operations	2,191,343			2,191,343
0052	Security and monitoring services	191,204			191,204
0053	Data processing services	702,474			702,474
0061	Community services	6,628			6,628
0071	Principal on long-term debt	329,767	1,045,000		1,374,767
0072	Interest on long-term debt	51,773	1,251,769		1,303,542
0073	Bond issuance costs and fees	1,325	1,950		3,275
0081	Capital outlay	461,692			461,692
0093	Payments related to shared service arrangements	768,633			768,633
0099	Other intergovernmental charges	<u>64,024</u>			<u>64,024</u>
6030	Total expenditures	<u>21,218,957</u>	<u>2,298,719</u>	<u>3,389,850</u>	<u>26,907,526</u>
1100	Excess of revenues over expenditures	<u>4,185,216</u>	<u>961,519</u>	<u>71,322</u>	<u>5,218,057</u>
OTHER FINANCING SOURCES:					
7912	Sale of real or personal property	<u>1,625</u>			<u>1,625</u>
	Total other financing sources	<u>1,625</u>	<u>-0-</u>	<u>-0-</u>	<u>1,625</u>
1200	Net change in fund balances	4,186,841	961,519	71,322	5,219,682
0100	Fund balances – beginning	<u>6,974,923</u>	<u>1,506,993</u>	<u>398,299</u>	<u>8,880,215</u>
3000	Fund balances – ending	<u>\$ 11,161,764</u>	<u>\$ 2,468,512</u>	<u>\$ 469,621</u>	<u>\$ 14,099,897</u>

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

COLUMBIA-BRAZORIA 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 JUNE 30, 2013

Exhibit C-2R
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 5,219,682
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 \$ 1,821,685 was more than capital outlays \$ 1,292,315 in the current period.	(529,370)
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. Unearned property tax revenues for the general fund and the debt service fund amounted to \$(3,785) and \$ 7,948, respectively.	4,163
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	(97,840)
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 position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 57,827.	57,827
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 position. The amount of debt principal payments for general obligation bonded debt \$ 1,055,000; loans \$ 295,000; and capital leases \$ 24,767.	1,374,767
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 amount of accrued interest on long-term debt \$ 19,560.	19,560
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported in the governmental activities statement of activities (see D-2)	104,526
Gain on termination of a capital lease provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the operating lease substituted for the capital lease. Net gain on termination of capital lease was \$ 12,823.	12,823
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 basis in assets retired in the amount of \$ 30,378 (\$ 646,745 in asset cost less accumulated depreciation of \$ 616,367).	(30,378)
Change in net position of governmental activities (see B-1)	<u>\$ 6,135,760</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Exhibit D-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
	Assets:	
1110	Cash and cash equivalents	\$ <u>924,903</u>
	Total assets	924,903
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows	<u> </u>
	Total deferred outflows of resources	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 924,903</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:	
	Liabilities:	
2110	Accounts payable	\$ 6,281
2165	Accrued expenses payable	<u>173,113</u>
	Total liabilities	<u>179,394</u>
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows	<u> </u>
	Total deferred inflows of resources	<u>-0-</u>
	NET POSITION:	
3900	Unrestricted net position	<u>745,509</u>
	Total net position	<u>745,509</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 924,903</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit D-2
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>269,044</u>
Total operating revenues	<u>269,044</u>
Operating Expenses:	
Insurance claims and expenses	<u>170,925</u>
Total operating expenses	<u>170,925</u>
Operating income	<u>98,119</u>
Nonoperating Revenues:	
Interest and investment revenue	<u>6,407</u>
Total nonoperating revenues	<u>6,407</u>
Change in net position	104,526
Net position – beginning	<u>640,983</u>
Net position – ending	<u>\$ 745,509</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit D-3
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 269,044
Claims paid	<u>(172,354)</u>
Net cash provided by operating activities	<u>96,690</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>6,407</u>
Net cash provided by investing activities	<u>6,407</u>
Net increase in cash and cash equivalents	103,097
Cash and cash equivalents – beginning	<u>821,806</u>
Cash and cash equivalents – end	<u>\$ 924,903</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$ 98,119
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Changes in Liabilities:	
Accounts payable	3,913
Accrued expenses payable	<u>(5,342)</u>
Net cash provided by operating activities	<u>\$ 96,690</u>

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

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

Exhibit E-1
Page 1 of 1

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 395,482
Receivables:	
Other receivables	<u>1,160</u>
Total assets	<u>\$ 396,642</u>
LIABILITIES:	
Accounts payable	\$ 252,904
Amounts due to student groups	143,737
Due to other funds	<u>1</u>
Total liabilities	<u>\$ 396,642</u>

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

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COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Columbia-Brazoria Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources and it complies with the requirements of the appropriate version of Texas Education Agency's (the "TEA") *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The District's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". The District receives support from various PTO, booster clubs and foundation organizations. None of these organizations meet the criteria specified by GASB 61 to be included in the District's financial statements. Therefore, 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 position and the statement of changes in net position) 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*.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds are reported as receivables and payables on the government-wide Statement of Net Position.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

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. 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 unearned 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, and debt service.

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

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded unemployment compensation pool 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 various self-insurance activities of the District. See Notes 13 and 14 for additional discussion of the District's self-insurance plans.

The unemployment compensation plan is intended to be self-supporting and contributions are increased periodically to cover the cost of claims and administrative fees. As of June 30, 2013, liabilities totaled \$ 6,281 and net position of the unemployment compensation pool was \$ 10,759.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 position. As of June 30, 2013, liabilities totaled \$ 173,113 and net position of the worker's compensation program was \$ 734,750.

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.

Additionally, the District reports the following fiduciary funds:

The *agency funds* 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 and Payables

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 6 for additional discussion of interfund receivables and payables.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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 of the property tax roll on August 1, 2012, upon which the levy for the 2012-13 fiscal year was based, was \$ 742,390,204. 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 June 30, 2013, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0400 and \$ 0.2565 per \$ 100 valuation, respectively, for a total of \$ 1.2965 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2013 were 95.86% 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 June 30, 2013, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 1,195,559 and \$ 273,767 for the general and debt service funds, respectively.

Inventories

The consumption method is used to account for inventories (food products, fuel and printer/copier paper) 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 unearned revenue when received in the governmental funds. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Buildings and improvements, and 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>
Buildings and improvements	10-40
Furniture and equipment	5-10
Vehicles	5-10

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

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 general purpose 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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 position. Bond premiums and discounts are unearned 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 expenditures or expenses in the current period.

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 June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 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 June 30, 2012. 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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 June 18, 2013.

Encumbrance Accounting

The District utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate.

The District had no outstanding encumbrances as of June 30, 2013.

Fund Balances

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,

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

delegates authority to the Superintendent or the Executive Director of Business 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.

Beginning with fiscal 2011, the District implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

Nonspendable 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.

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 June 30, 2013, non-spendable fund balances includes \$ 20,836 for inventories and \$ 86,669 for prepaid items in the General Fund. The food service (Special Revenue Fund) non-spendable fund balance includes \$ 36,398 for inventories and \$ 175 for prepaid items. Other special revenue fund's non-spendable fund balance included \$ 760 for prepaid items. Restricted fund balances included \$ 2,468,512 for Debt Service Fund and \$ 433,048 for food service (Special Revenue Fund). Unassigned fund balance includes \$ 11,054,259 in the General Fund and a deficit of \$ 760 for the other special revenue funds.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2011.

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

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2011.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The statement was implemented and did not have an impact on the District's financial statements, although it has 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, 2011.

GASB Statement 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 Statement No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. The statement was implemented and did have an impact on the District's financial statements (See Note 2 Changes in Accounting Principles / Prior Period Adjustments). This statement is effective for periods beginning after December 15, 2012.

GASB Statement 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.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", was issued June 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 June 15, 2013.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The management of the District does 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, 2014.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. 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, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued April 2013. 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, 2013

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 2. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2013, the District implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result, bond issuance costs are no longer accounted for as an asset to be amortized over future periods. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

During the year ended June 30, 2013, the District determined there was an additional \$ 27,566 in accumulated depreciation for capital leases that was not reported for the year ended June 30, 2012. The amount was previously expensed but never added to accumulated depreciation. Previously, capital lease accumulated depreciation was \$ 120,261 for the year ended June 30, 2012. The restated accumulated depreciation for capital leases for the year ended June 30, 2012 is \$ 147,827.

The following represents the retroactive restatement of net position and changes in net position as a result of implementation of GASB Statement No. 65 and prior period adjustment as noted above:

	<u>2012</u>	<u>2011</u>
<u>Governmental Activities</u>		
Net position, June 30, previously reported	\$ 15,700,987	\$ 14,900,202
Elimination of net bond issuance costs	(682,690)	(442,422)
Additional accumulated depreciation for capital leases	<u>(27,566)</u>	<u>(27,566)</u>
Net position, June 30, restated	\$ <u>14,990,731</u>	<u>14,430,214</u>
Change in net position for the year ended June 30, 2012, previously reported	\$ 800,785	
Expenses:		
Debt Service – Interest and Fees on Long-Term Debt:		
Current year bond issuance costs	(288,098)	
Current year amortization of bond issuance costs	<u>47,830</u>	
Change in net position for the year ended June 30, 2012, restated	\$ <u>560,517</u>	<u>560,517</u>
Net position, June 30, 2012, restated		\$ <u>14,990,731</u>

This change in accounting principle had no effect on governmental funds fund balance or changes in fund balance.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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 as reported on the statement of net position at June 30, 2013 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary (Internal Service) Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 100	\$	\$	\$ 100
Financial Institution Deposits:				
Demand deposits	10,353,675	924,903	395,482	11,674,060
Lone Star	1,130,454			1,130,454
Texstar	<u>459,722</u>			<u>459,722</u>
	<u>\$11,943,951</u>	<u>\$ 924,903</u>	<u>\$ 395,482</u>	<u>\$13,264,336</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 June 30, 2013, in addition to petty cash of \$ 100, the carrying amount of the District's cash, savings, and time deposits was \$ 11,674,060. The financial institutions balances were \$ 12,454,430 at June 30, 2013. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 12,204,430 was covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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: Prosperity Bank, West Columbia, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 17,411,160.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 14,376,908 and occurred on March 12, 2013.
- 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. A securities lending program as permitted by Government Code 2256.0115;
5. Banker's acceptances as permitted by Government Code 2256.012;
6. Commercial paper as permitted by Government Code 2256.013;
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
9. Public funds investment pools as permitted by Government Code 2256.016.

The District invests in Lone Star and Texstar to provide its liquidity needs. Lone Star and Texstar are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Lone Star and Texstar are 2(a)7 like funds, 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. Lone Star and Texstar are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At June 30, 2013 Lone Star and Texstar had a weighted average maturity of 57 days and 55 days, respectively. Although Lone Star and Texstar portfolios had a weighted average maturity of 57 days and 55 days, respectively, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

All of the District's investments 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The following table includes the portfolio balances of all investment types of the District at June 30, 2013.

	<u>Market Value</u>
Local Government Investment Pools:	
Lone Star	\$ 1,130,454
Texstar	<u>459,722</u>
 Total local government investment pools	 \$ <u>1,590,176</u>

Credit Risk - As of June 30, 2013, the LGIPs (which represent 100% of the unrestricted portfolio) are rated AAAM by Standard and Poor's or AAA by Finch.

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 June 30, 2013, 100% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools).

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended June 30, 2013, and holds no direct investments in derivatives at June 30, 2013.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES, AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of June 30, 2013, for the government's individual major funds and nonmajor 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	\$ 1,309,982	\$ 287,955	\$	\$ 1,597,937
Receivables from other governments	3,781,414	55,436	298,956	4,135,806
Other receivables	<u>17,623</u>	<u></u>	<u>1,761</u>	<u>19,384</u>
Gross receivables	5,109,019	343,391	300,717	5,753,127
Less: allowance for uncollectibles	<u>114,423</u>	<u>14,188</u>	<u></u>	<u>128,611</u>
Net total receivables	<u>\$ 4,994,596</u>	<u>\$ 329,203</u>	<u>\$ 300,717</u>	<u>\$ 5,624,516</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 June 30, 2013 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Funds:				
General	\$ 3,556,093	\$	\$ 225,321	\$ 3,781,414
Debt service			55,436	55,436
Other funds	<u></u>	<u>289,811</u>	<u>9,145</u>	<u>298,956</u>
Total	<u>\$ 3,556,093</u>	<u>\$ 289,811</u>	<u>\$ 289,902</u>	<u>\$ 4,135,806</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Deferred Inflows of Resources/Unearned Revenue

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of June 30, 2013, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources (Unavailable)</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 1,111,946	\$
Delinquent property taxes receivable (debt service fund)	253,393	
Federal food commodities		21,544
Advance Funding:		
Other	<u> </u>	<u>1,180</u>
Totals	<u>\$ 1,365,339</u>	<u>\$ 27,724</u>

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds:		
ESEA Title I part A Improving Basic Skills	\$ 45,360	\$
IDEA Part B Formula	41,125	
IDEA Part B Discretionary	22,449	
Vocational Education Basic	2,681	
Title II Part A Teacher/Principal	6,152	
Title III Part A LEP	1,529	
SSI(F) College Readiness Initiative	<u>3,685</u>	
	122,981	-0-
Agency Funds	<u>1</u>	
Total General Fund	<u>122,982</u>	<u>-0-</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
General Fund:		
ESEA Title I part A Improving Basic Skills	\$	\$ 45,360
IDEA Part B Formula		41,125
IDEA Part B Discretionary		22,449
Vocational Education Basic		2,681
Title II Part A Teacher/Principal		6,152
Title III Part A LEP		1,529
SSI(F) College Readiness Initiative		<u>3,685</u>
Total Special Revenue Fund	<u>-0-</u>	<u>122,981</u>
Agency Funds:		
General Fund		<u>1</u>
Total	<u>\$ 122,982</u>	<u>\$ 122,982</u>

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 June 30, 2013:

	(Restated) Balance July 1, 2012	Additions	Transfers & Retirements	Balance June 30, 2013
Non-Depreciated Capital Assets:				
Land and land improvements	\$ 1,630,102	\$	\$	\$ 1,630,102
Construction in progress		<u>470,692</u>		<u>470,692</u>
Total non-depreciated	<u>1,630,102</u>	<u>470,692</u>	<u>-0-</u>	<u>2,100,794</u>
Depreciated Capital Assets:				
Buildings and improvements	64,428,661	43,270		64,471,931
Furniture, equipment & vehicles	6,871,779	778,353	(461,961)	7,188,171
Assets under capital lease	<u>184,784</u>		<u>(184,784)</u>	<u>-0-</u>
Total depreciated	<u>71,485,224</u>	<u>821,623</u>	<u>(646,745)</u>	<u>71,660,102</u>
Total additions/retirements		<u>\$ 1,292,315</u>	<u>\$ (646,745)</u>	

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 6. CAPITAL ASSETS (Continued)

Changes in Capital Assets and Accumulated Depreciation (Continued)

Accumulated Depreciated:

Buildings and improvements	\$24,046,900	\$ 1,377,513	\$	\$ 25,424,413
Furniture, equipment & vehicles	5,104,951	418,964	(443,332)	5,080,583
Assets under capital lease	<u>147,827</u>	<u>25,208</u>	(<u>173,035</u>)	<u>-0-</u>
Total	<u>29,299,678</u>	<u>\$ 1,821,685</u>	<u>\$(616,367)</u>	<u>30,504,996</u>
Net depreciated capital assets	<u>42,185,546</u>			<u>41,155,106</u>
Net capital assets	<u>\$43,815,648</u>			<u>\$ 43,255,900</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	\$ 1,151,414
0012	Instructional resources and media services	35,795
0021	Instructional leadership	20,799
0023	School leadership	118,024
0031	Guidance, counseling, and evaluation services	55,437
0033	Health services	25,219
0034	Student transportation	156,813
0035	Food service	28,611
0036	Extracurricular activities	60,541
0041	General administration	91,494
0053	Data processing services	<u>77,538</u>
	Total depreciation expense	<u>\$ 1,821,685</u>

NOTE 7. LONG-TERM DEBT

Loans

Long-term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. On August 14, 2009 the District issued notes in the amount of \$ 400,000 with a net effective interest rate of 4.84% for the renovations and roof repairs to the high school auditorium. During the year ended June 30, 2013, the District paid \$ 200,000 in principal payments and \$ 25,057 in interest on loans.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED JUNE 30, 2013***NOTE 7. LONG-TERM DEBT (Continued)****Loans (Continued)**

The following is a summary of the District's loan debt at June 30, 2013:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates %</u>	<u>Outstanding Balance</u>
08-14-09	\$ <u>400,000</u>	2016	4.84	\$ <u>360,000</u>
	\$ <u>400,000</u>			\$ <u>360,000</u>

The following is a summary of loan transactions for the year ended June 30, 2013:

Loan Balance - July 1, 2012	\$ 560,000
Maturities	(<u>200,000</u>)
Loan Balance - June 30, 2013	\$ <u>360,000</u>

Presented below is a summary of loan requirements to maturity:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2014	\$ 10,000	\$ 17,182	\$ 27,182
2015	130,000	13,794	143,794
2016	<u>220,000</u>	<u>5,324</u>	<u>225,324</u>
Totals	\$ <u>360,000</u>	\$ <u>36,300</u>	\$ <u>396,300</u>

Time Warrants

Long-term debts are accounted for through the appropriate fund, and consist of time warrants made in accordance with the provisions of the Texas Education Code. On June 18, 2009, time warrants (Columbia-Brazoria Independent School District Maintenance Tax Warrants, Series 2009) in the amount of \$ 500,000 were issued with interest rates from 2.50% to 4.10% for construction of a building. During the year ended June 30, 2013, the District paid \$ 95,000 in principal payments and \$ 11,643 in interest on these warrants.

The following is a summary of the District's time warrant debt at June 30, 2013:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates %</u>	<u>Outstanding Balance</u>
06-08-09	\$ <u>500,000</u>	2015	2.50-4.10	\$ <u>255,000</u>
	\$ <u>500,000</u>			\$ <u>255,000</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 7. LONG-TERM DEBT (Continued)

Time Warrants (Continued)

The following is a summary of time warrant transactions for the year ended June 30, 2013:

Time Warrant Balance - July 1, 2012	\$ 350,000
Maturities	<u>(95,000)</u>
Time Warrant Balance - June 30, 2013	<u>\$ 255,000</u>

Presented below is a summary of time warrant debt requirements to maturity.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2014	\$ 95,000	\$ 8,270	\$ 103,270
2015	<u>160,000</u>	<u>3,280</u>	<u>163,280</u>
	<u>\$ 255,000</u>	<u>\$ 11,550</u>	<u>\$ 266,550</u>

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 reported 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 straight-line method.

The following is a summary of the District's general obligation bonded debt at June 30, 2013:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rates %</u>	<u>Outstanding Balance</u>
2004	\$ 28,175,000	2034	2.50-5.00	\$ 10,175,000
2007 REF	7,855,000	2025	4.00-4.10	7,500,000
2007 CAB	999,582	2017	4.10-4.20	1,259,881
2009	250,000	2014	5.25	220,000
2009 REF	2,730,000	2014	3.00-3.50	580,000
2011 REF	7,560,000	2030	2.00-4.00	7,560,000
2011 CAB	1,031,571	2027	3.88	1,106,686
2012 REF	7,640,000	2031	2.00-3.50	7,640,000
2012 CAB	<u>416,451</u>	2017	1.30	<u>422,739</u>
	<u>\$ 56,657,604</u>			<u>\$ 36,464,306</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The following is a summary of general obligation bond transactions for the year ended June 30, 2013:

General Obligation Bond Balance - July 1, 2012	\$ 37,421,466
Accretion	97,840
Maturities	<u>(1,055,000)</u>
General Obligation Bond Balance - June 30, 2013	<u>\$ 36,464,306</u>

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

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2014	\$ 1,290,000	\$ 1,280,377	\$ 2,570,377
2015	1,235,000	1,241,909	2,476,909
2016	1,280,000	1,201,462	2,481,462
2017	1,265,000	1,193,359	2,458,359
2018	1,290,000	1,185,493	2,475,493
2019-2023	7,460,000	5,230,304	12,690,304
2024-2028	7,945,000	3,891,540	11,836,540
2029-2033	12,735,000	2,051,600	14,786,600
2034-2035	<u>2,870,000</u>	<u>84,375</u>	<u>2,954,375</u>
Totals	<u>\$ 37,370,000</u>	<u>\$ 17,360,419</u>	<u>\$ 54,730,419</u>

The \$ 905,694 difference between the general obligation bonds outstanding at June 30, 2013 of \$ 36,464,306 and the general obligation bond principal requirements of \$ 37,370,000 represents the amount of capital appreciation bonds to be accreted as interest over the life of these bonds.

Bond indebtedness of the District is recorded in the governmental activities statement of net position, 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.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2013.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 7. LONG-TERM DEBT (Continued)

Debt Issuances and Defeased Debt

During the year ended June 30, 2008, the District issued \$ 8,854,000 in Unlimited Tax Schoolhouse and Refunding Bonds, Series 2007, \$ 8,770,000 for the partial refunding of previously issued Unlimited Tax Schoolhouse Building, Series 1999. The District placed the proceeds of the refunding, in the amount of \$ 9,031,347, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 726,724. The economic gain resulting from the transaction was \$ 502,916. The outstanding balance of these defeased bonds at June 30, 2013 was \$ 8,770,000 and the balance held in escrow was \$ 8,846,493.

During the year ended June 30, 2010, the District issued \$ 2,730,000 in Unlimited Tax Schoolhouse and Refunding Bonds, Series 2009, \$ 2,735,000 for the refunding of previously issued Unlimited Tax Schoolhouse Building, Series 1999. The District placed the proceeds of the refunding, in the amount of \$ 2,795,477, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 105,778. The economic gain resulting from the transaction was \$ 96,969. The outstanding balance of these defeased bonds at June 30, 2013 was \$ 595,000 and the balance held in escrow was \$ 594,423.

During the year ended June 30, 2012, the District issued \$ 8,119,998 in Unlimited Tax Schoolhouse and Refunding Bonds, Series 2011, \$ 8,120,000 for the partial refunding of previously issued Unlimited Tax Schoolhouse Building, Series 2004. The District placed the proceeds of the refunding, in the amount of \$ 8,879,004, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 691,825. The economic gain resulting from the transaction was \$ 499,094. The outstanding balance of these defeased bonds at June 30, 2013 was \$ 8,120,000 and the balance held in escrow was \$ 8,320,652.

During the year ended June 30, 2012, the District issued \$ 7,979,997 in Unlimited Tax Schoolhouse and Refunding Bonds, Series 2012, \$ 7,980,000 for the partial refunding of previously issued Unlimited Tax Schoolhouse Building, Series 2004. The District placed the proceeds of the refunding, in the amount of \$ 8,462,946, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issued being refunded. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 930,072. The economic gain resulting from the transaction was \$ 804,660. The outstanding balance of these defeased bonds at June 30, 2013 was \$ 7,980,000 and the balance held in escrow was \$ 8,146,129.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 7. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>07-01-12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-13</u>	<u>Due Within</u> <u>One Year</u>
Long-Term Debt:					
General Obligation Bonds:					
Term Bonds	\$34,730,000	\$	\$ 1,055,000	\$33,675,000	\$ 1,290,000
Capital appreciation bonds	<u>2,691,466</u>	<u>97,840</u>	<u> </u>	<u>2,789,306</u>	<u>(101,682)</u>
	37,421,466	97,840	1,055,000	36,464,306	1,188,318
Loans	560,000		200,000	360,000	10,000
Warrants	350,000		95,000	255,000	95,000
Capital leases	65,068		52,634	12,434	2,379
Components of Long-Term Debt:					
Premium on general obligation bonds payable	759,298		57,827	701,471	51,996
Accrued interest payable	<u>551,461</u>	<u>531,902</u>	<u>551,461</u>	<u>531,902</u>	<u>531,902</u>
	<u>\$39,707,293</u>	<u>\$ 629,742</u>	<u>\$ 2,011,922</u>	<u>\$38,325,113</u>	<u>\$ 1,879,595</u>

NOTE 8. LEASES

Capital Leases

During the year ended June 30, 2013, the District terminated a capital lease for copiers and obtained an operating lease for new copiers. At the time of the termination, the District owed \$ 40,877 on the capital lease and assumed a lease buy-out obligation in the amount of \$ 13,011. The buy-out obligation calls for a monthly payment of \$ 246 for sixty months, ending on April 18, 2018. This obligation has been calculated based upon a fair value interest of five (5%) percent. The related assets (copiers) were retired with a net value of \$ 11,749 (original cost of \$ 184,784 less accumulated depreciation of \$ 173,035). This resulted in a gain on capital lease transactions of \$ 16,118. This gain is reported for governmental activities as a deferred inflow of resources and will be accreted over the life of the operating lease and the buy-out obligation.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 8. LEASES (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments, as of June 30, 2013:

<u>Year Ended June 30</u>	<u>Amount</u>
2014	\$ 2,946
2015	2,946
2016	2,947
2017	2,946
2018	<u>2,210</u>
Total	13,995
Less amount representing interest	<u>1,561</u>
Net present value of minimum lease payments	<u>\$ 12,434</u>

Operating Leases

During the year ended June 30, 2013, the District entered into an operating lease for copiers, which calls for a monthly payment of \$ 4,351 and a quarterly payment of \$ 9,951 for equipment and maintenance, respectively. These operating leases are for sixty months with final payments scheduled for April 18, 2018 and January 18, 2018. The equipment operating lease replaces a previous capital lease (see capital lease note) while the maintenance operating lease replaces a previous operating lease with a payment requirement of \$ 3,200 per month.

Commitments under operating lease (non-capital) agreements for copier usage and maintenance provide for minimum future lease payments as of June 30, 2013 as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2014	\$ 92,015
2015	92,015
2016	92,015
2017	92,015
2018	<u>65,695</u>
Total	<u>\$ 433,755</u>

Rental and maintenance expenditures on the above-mentioned equipment for the year ended June 30, 2013 were \$ 13,053 and \$ 26,940, respectively. Total rental expenditure for the year ended June 30, 2013 was \$ 29,376.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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.

Funding Policy - State law provides a state contribution rate of 6.0% for fiscal year 2011-2012 and 2012-2013. State law further provides a member contribution rate of 6.4% for fiscal years 2011-2013. In certain instances, the reporting District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (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 during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the 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.

Types of staff members covered. All staff members who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C, Section 822.002 are covered. Service retirement is as follows:

Normal	any combination of age plus years of credited service which equals or exceeds 80 age 65 with 5 years of service
Reduced	age 55 with at least 5 years of credited service any age below 50 with 30 or more years of credited service

A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met.

Contributions made by the State on behalf of the District are recorded in the financial statements as both revenue and expense. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2013, 2012, and 2011 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
District payroll	\$ 17,440,052	\$ 17,255,898	\$ 19,237,989
District TRS payroll	\$ 14,780,406	\$ 14,550,522	\$ 16,516,025
District contributions	\$ 99,893	\$ 139,569	\$ 214,743
Federal contributions	\$ 51,882	\$ 53,714	\$ 98,901
State contributions	\$ 745,839	\$ 673,106	\$ 613,311
Medicare part D	\$ 57,410	\$ 35,230	\$ 49,195
State contribution rate	6.000%	6.000%	6.644%
Employee contributions	\$ 946,585	\$ 931,236	\$ 1,057,060
Employee contribution rate	6.400%	6.400%	6.400%

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 9. PENSION PLAN OBLIGATIONS (Continued)

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 to 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 Internet web-site, www.trs.state.tx.us, under the TRS Publications heading.

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)	---	\$ 473,908
Medicaid Administrative Claiming Program (MAC)	93.778	<u>17,327</u>
Total direct costs		<u>\$ 491,235</u>

NOTE 11. LOCAL AND INTERMEDIATE REVENUES

For the year ended June 30, 2013, local and intermediate revenues for governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 10,798,216	\$ 2,660,355	\$	\$ 13,458,571
Food sales			477,132	477,132
Investment income	55,324	10,643		65,967
Penalties, interest and other tax related income	178,028	41,226		219,254
Gifts and bequests	66,613			66,613
Co-curricular income	77,384			77,384
Other	<u>54,389</u>			<u>54,389</u>
Total	<u>\$ 11,229,954</u>	<u>\$ 2,712,224</u>	<u>\$ 477,132</u>	<u>\$ 14,419,310</u>

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 13. SELF-INSURED UNEMPLOYMENT COMPENSATION

Effective October 1, 2011, the District replaced their unemployment compensation insurance policy with a public entity risk-sharing pool that is managed by an independent third party administrator. Claims are evaluated and administered by this third party administrator and paid by the District. Claims administration has been provided by TASB Risk Management Fund during the year ended June 30, 2013.

The risk-sharing pool meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly 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 the risk-sharing pool.

The accrued liability for unemployment compensation pool of \$ 6,281 includes estimated incurred but not reported claims. This liability reported in the fund at June 30, 2013, 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.

NOTE 14. SELF-INSURED WORKERS' COMPENSATION

Effective September 1, 1998, the District replaced their workers' compensation insurance policy with a self-insured plan that is managed by an independent third party administrator. Claims are evaluated and administered by this third party administrator and paid by the District. Claims administration has been provided by Claim Administrative Services, Inc. during the year ended June 30, 2013.

The accrued liability for Workers' Compensation self insurance of \$ 173,113 includes estimated incurred but not reported claims. This liability reported in the fund at June 30, 2013, 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 14. SELF-INSURED WORKERS' COMPENSATION (Continued)

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

<u>Fiscal Year</u>	<u>Claims</u>
2003-04	43
2004-05	16
* 2005-06	9
2006-07	14
2007-08	16
2008-09	13
2009-10	33
2010-11	35
2011-12	37
2012-13	32
10 Period Average	25

*Ten-months ended

Changes in the workers' compensation claims liability amounts in fiscal 2011-2012 and 2012-2013 are represented below:

	<u>Beginning of Fiscal-Year/ Period Liability</u>	<u>Current-Year/ Period Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year/ Period-End</u>
2011-2012 Workers' Compensation	\$ 137,987	\$ 128,067	\$ 87,599	\$ 178,455
2012-2013 Workers' Compensation	178,455	75,520	80,862	173,113

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 June 30, 2013 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.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NOTE 16. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement with Energy for Schools which is the lead administrative organization for the purchase of electricity. Deer Park Independent School District serves as fiscal agent for this program. 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 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, 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 the District.

The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The expenditures are coded to function 93 and account 6492, Payment to Fiscal Agent/Member Districts of Shared Services Arrangements amount to \$ 768,633.

NOTE 17. INTERLOCAL AGREEMENT

The District participates in an interlocal agreement with Damon Independent School District (DISD) for various services. The District is providing the following services for DISD: 1) maintenance services to school buildings and grounds, 2) technology network services for maintenance of technology equipment, 3) technology technician services for routine relocation and set up of computer, phone and other peripheral device, 4) transportation mechanic for routine maintenance to vehicles, 5) administrator services for supervisory, training, or appraisal services, and 5) school district officer services for security.

The amounts charged and collected for personnel services are coded to revenue account 5729, Services to Other School Districts in the amount of \$ 24,603. The reimbursement of other expenditures is coded to various functions and accounts within the General Fund, in the amount of \$ 36,791. The total collected from Damon ISD for the year was \$ 61,394.

NOTE 18. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 7, 2013, the date which the financial statements were available to be issued.

On August 26, 2013, the District issued \$ 5,000,000 of Unlimited Tax School Building Bonds, Series 2013. The proceeds from the bonds will be used for the purpose of designing, constructing, renovating, acquiring and equipping school facilities in the District. As approved by the Board of Trustees, the District has spent approximately \$ 461,691.93 in various renovations as June 30, 2013. These renovation expenditures are to be reimbursed from the proceeds of the new bonds discussed above.

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REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2013

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	\$ 8,562,530	\$ 10,618,261	\$ 11,229,954	\$ 611,693
5800	State program revenues	13,475,008	13,475,008	13,682,984	207,976
5900	Federal program revenues	<u>390,840</u>	<u>390,840</u>	<u>491,235</u>	<u>100,395</u>
5020	Total revenues	<u>22,428,378</u>	<u>24,484,109</u>	<u>25,404,173</u>	<u>920,064</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	12,194,512	12,226,370	10,817,527	1,408,843
0012	Instructional resources and media services	365,882	369,556	334,861	34,695
0013	Curriculum and staff development	94,549	126,225	64,046	62,179
0021	Instructional leadership	214,738	214,738	153,215	61,523
0023	School leadership	1,195,874	1,218,511	1,211,284	7,227
0031	Guidance, counseling, and evaluation services	543,566	572,350	555,850	16,500
0032	Social work services		50	3	47
0033	Health services	281,547	293,707	249,833	43,874
0034	Student transportation	1,181,189	1,723,156	1,523,419	199,737
0036	Extracurricular activities	776,564	870,243	814,988	55,255
0041	General administration	918,958	944,608	725,068	219,540
0051	Plant maintenance and operations	2,396,649	2,574,730	2,191,343	383,387
0052	Security and monitoring services	230,162	230,162	191,204	38,958
0053	Data processing services	688,153	800,517	702,474	98,043
0061	Community services	6,223	6,723	6,628	95
0071	Principal on long-term debt	348,312	348,312	329,767	18,545
0072	Interest on long-term debt	52,000	52,000	51,773	227
0073	Bond issuance costs and fees	1,500	1,500	1,325	175
0080	Capital outlay		1,836,000	461,692	1,374,308
0093	Payments related to shared services arrangements	870,000	870,000	768,633	101,367
0099	Other intergovernmental charges	<u>68,000</u>	<u>68,000</u>	<u>64,024</u>	<u>3,976</u>
6030	Total expenditures	<u>22,428,378</u>	<u>25,347,458</u>	<u>21,218,957</u>	<u>4,128,501</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(863,349)</u>	<u>4,185,216</u>	<u>5,048,565</u>
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real or personal property			1,625	1,625
7913	Proceeds from capital leases		<u>217,092</u>		<u>(217,092)</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>217,092</u>	<u>1,625</u>	<u>(215,467)</u>
1200	Net change in fund balances	-0-	(646,257)	4,186,841	4,833,098
0100	Fund balances – beginning	<u>6,974,923</u>	<u>6,974,923</u>	<u>6,974,923</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 6,974,923</u>	<u>\$ 6,328,666</u>	<u>\$ 11,161,764</u>	<u>\$ 4,833,098</u>

OTHER SUPPLEMENTARY INFORMATION

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

Data Control Codes						Special
		211 ESEA Title I, Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary	240 Child Nutrition Fund
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
	Assets:					
1110	Cash and cash equivalents	\$	\$	\$	\$	\$ 516,532
1240	Receivables from other governments	106,133	99,151		54,629	9,042
1290	Other receivables					1,761
1300	Inventories					36,398
1410	Prepaid items	338	196			175
1000	Total assets	<u>106,471</u>	<u>99,347</u>	<u>-0-</u>	<u>54,629</u>	<u>563,908</u>
	DEFERRED OUTFLOWS OF RESOURCES:					
1700	Deferred outflows					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 106,471</u>	<u>\$ 99,347</u>	<u>\$ -0-</u>	<u>\$ 54,629</u>	<u>\$ 563,908</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$ 181	\$ 2,966	\$	\$	\$ 159
2160	Accrued wages payable	60,930	55,256		32,180	72,584
2170	Due to other funds	45,360	41,125		22,449	
2300	Unearned revenue					21,544
2000	Total liabilities	<u>106,471</u>	<u>99,347</u>	<u>-0-</u>	<u>54,629</u>	<u>94,287</u>
	DEFERRED INFLOWS OF RESOURCES:					
2600	Deferred inflows					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	FUND BALANCE:					
	Non-Spendable:					
3140	Inventories					36,398
3430	Prepaid items	338	196			175
	Restricted:					
3450	Food service					433,048
	Unassigned:					
3600	Unassigned	(338)	(196)			
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>469,621</u>
4000	Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 106,471</u>	<u>\$ 99,347</u>	<u>\$ -0-</u>	<u>\$ 54,629</u>	<u>\$ 563,908</u>

Revenue Funds

244	255	262	287	289	404	410	
Vocational Education Basic	Title II Part A Teacher/ Principal	Title III Part A Language Education Program	IDEA Education Jobs Fund	Summer School Language Education Program	SSI(F) College Readiness Initiative	Instructional Materials Allotment (IMA)	Total Nonmajor Governmental Funds
\$ 2,474	\$ 16,853	\$ 1,529	\$	\$	\$ 9,145	\$	\$ 516,532
							298,956
							1,761
							36,398
<u>226</u>							<u>935</u>
<u>2,700</u>	<u>16,853</u>	<u>1,529</u>	<u>-0-</u>	<u>-0-</u>	<u>9,145</u>	<u>-0-</u>	<u>854,582</u>
							-0-
<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>\$ 2,700</u>	<u>\$ 16,853</u>	<u>\$ 1,529</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 9,145</u>	<u>\$ -0-</u>	<u>\$ 854,582</u>
\$ 19	\$ 425	\$	\$	\$	\$	\$	\$ 3,750
	10,276				5,460		236,686
2,681	6,152	1,529			3,685		122,981
							21,544
<u>2,700</u>	<u>16,853</u>	<u>1,529</u>	<u>-0-</u>	<u>-0-</u>	<u>9,145</u>	<u>-0-</u>	<u>384,961</u>
							-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
							36,398
226							935
							433,048
<u>(226)</u>							<u>(760)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>469,621</u>
<u>\$ 2,700</u>	<u>\$ 16,853</u>	<u>\$ 1,529</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 9,145</u>	<u>\$ -0-</u>	<u>\$ 854,582</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Data Control Codes						Special
		211 ESEA Title I, Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary	240 Child Nutrition Fund
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$ 477,132
5800	State program revenues					36,241
5900	Federal program revenues	<u>672,189</u>	<u>521,951</u>	<u>22,919</u>	<u>196,699</u>	<u>1,129,785</u>
5020	Total revenues	<u>672,189</u>	<u>521,951</u>	<u>22,919</u>	<u>196,699</u>	<u>1,643,158</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	533,255	425,377	22,919	196,699	
0013	Curriculum and staff development	33,633	1,088			
0021	Instructional leadership	16,270	32,976			
0031	Guidance, counseling and evaluation services	66,798	62,510			
0032	Social work services	22,233				
0035	Food services					<u>1,571,677</u>
6030	Total expenditures	<u>672,189</u>	<u>521,951</u>	<u>22,919</u>	<u>196,699</u>	<u>1,571,677</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	-0-	71,481
	OTHER FINANCING SOURCES (USES):					
	Total other financing sources and (uses)					
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	71,481
0100	Fund balances – beginning					<u>398,140</u>
3000	Fund balances – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 469,621</u>

Revenue Funds

244	255	262	287	289	404	410	
Vocational Education Basic	Title II Part A Teacher/ Principal	Title III Part A Language Education Program	IDEA Education Jobs Fund	Summer School Language Education Program	SSI(F) College Readiness Initiative	Instructional Materials Allotment (IMA)	Total Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$	\$	\$ 477,132
					29,979	226,295	292,515
<u>27,444</u>	<u>74,710</u>	<u>13,887</u>	<u>30,826</u>	<u>1,115</u>			<u>2,691,525</u>
<u>27,444</u>	<u>74,710</u>	<u>13,887</u>	<u>30,826</u>	<u>1,115</u>	<u>29,979</u>	<u>226,295</u>	<u>3,461,172</u>
21,851	71,130 3,580	13,887	30,826	1,115	29,979	226,454	1,573,492
5,593							38,301
							49,246
							134,901
							22,233
							<u>1,571,677</u>
<u>27,444</u>	<u>74,710</u>	<u>13,887</u>	<u>30,826</u>	<u>1,115</u>	<u>29,979</u>	<u>226,454</u>	<u>3,389,850</u>
-0-	-0-	-0-	-0-	-0-	-0-	(159)	71,322
-0-	-0-	-0-	-0-	-0-	-0-	(159)	71,322
						159	<u>398,299</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 469,621</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

EXHIBIT H-3
Page 1 of 1

<u>Data Control Codes</u>		<u>Unemployment Compensation</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
	Assets:			
1110	Cash and cash equivalents	\$ 17,040	\$ 907,863	\$ 924,903
	Total assets	17,040	907,863	924,903
	DEFERRED OUTFLOWS OF RESOURCES:			
1700	Deferred outflows	-	-	-0-
	Total deferred outflows of resources	-0-	-0-	-0-
	Total assets and deferred outflows of resources	<u>\$ 17,040</u>	<u>\$ 907,863</u>	<u>\$ 924,903</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
	Current Liabilities:			
2110	Accounts payable	\$ 6,281	\$	\$ 6,281
2165	Accrued expenses payable	-	173,113	173,113
	Total liabilities	6,281	173,113	179,394
	DEFERRED INFLOWS OF RESOURCES:			
2600	Deferred inflows	-	-	-0-
	Total deferred inflows of resources	-0-	-0-	-0-
	NET POSITION:			
3900	Unrestricted net position	10,759	734,750	745,509
	Total net position	10,759	734,750	745,509
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,040</u>	<u>\$ 907,863</u>	<u>\$ 924,903</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT H-4
Page 1 of 1

	<u>Unemployment Compensation</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>31,368</u>	\$ <u>237,676</u>	\$ <u>269,044</u>
Total operating revenues	<u>31,368</u>	<u>237,676</u>	<u>269,044</u>
Operating Expenses:			
Insurance claims and expenses	<u>32,712</u>	<u>138,213</u>	<u>170,925</u>
Total operating expenses	<u>32,712</u>	<u>138,213</u>	<u>170,925</u>
Operating income (loss)	<u>(1,344)</u>	<u>99,463</u>	<u>98,119</u>
Nonoperating Revenues:			
Interest and investment revenue	<u>130</u>	<u>6,277</u>	<u>6,407</u>
Total nonoperating revenues	<u>130</u>	<u>6,277</u>	<u>6,407</u>
Change in net position	<u>(1,214)</u>	<u>105,740</u>	<u>104,526</u>
Net position – beginning	<u>11,973</u>	<u>629,010</u>	<u>640,983</u>
Net position – ending	<u>\$ 10,759</u>	<u>\$ 734,750</u>	<u>\$ 745,509</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

EXHIBIT H-5
Page 1 of 1

	<u>Unemployment Compensation</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 31,368	\$ 237,676	\$ 269,044
Claims paid	<u>(28,799)</u>	<u>(143,555)</u>	<u>(172,354)</u>
Net cash provided by operating activities	<u>2,569</u>	<u>94,121</u>	<u>96,690</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>130</u>	<u>6,277</u>	<u>6,407</u>
Net cash provided by investing activities	<u>130</u>	<u>6,277</u>	<u>6,407</u>
Net increase in cash and cash equivalents	2,699	100,398	103,097
Cash and cash equivalents – beginning	<u>14,341</u>	<u>807,465</u>	<u>821,806</u>
Cash and cash equivalents – end	<u>\$ 17,040</u>	<u>\$ 907,863</u>	<u>\$ 924,903</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$(1,344)	\$ 99,463	\$ 98,119
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Liabilities:			
Accounts payable	3,913		3,913
Accrued expenses payable	<u> </u>	<u>(5,342)</u>	<u>(5,342)</u>
Net cash provided (used) by operating activities	<u>\$ 2,569</u>	<u>\$ 94,121</u>	<u>\$ 96,690</u>

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COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2013

Last Ten Years Ended August 31,	1		2		3	10
	Tax Rates				Assessed/Appraised Value for School Tax Purposes	Beginning Balance July 1, 2012
	Maintenance	Debt Service				
2004 and Prior	\$ -----	\$ -----	\$ -----		\$ -----	\$ 337,919
2005	1.47980	0.39020	534,111,658			55,997
2006	1.50000	0.27000	544,090,282			53,089
2007	1.37000	0.27000	592,613,476			63,614
2008	1.04000	0.25650	651,787,582			69,564
2009	1.04000	0.25650	760,691,631			150,064
2010	1.04000	0.25650	703,524,720			181,377
2011	1.04000	0.25650	737,684,998			238,152
2012	1.04000	0.25650	724,747,551			479,665
2013 (School Year Under Audit)	1.04000	0.25650	742,390,204			
1000 Totals						\$ <u>1,629,441</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance June 30, 2013
\$	\$ 8,927	\$ 969	\$(47,598)	\$ 280,425
	1,643	433	(738)	53,183
	3,699	666	(866)	47,858
	6,802	1,341	(1,253)	54,218
	6,299	1,554	(1,342)	60,369
	14,750	3,638	(1,700)	129,976
	24,251	5,981	(2,171)	148,974
	732,402	180,636	841,453	166,567
	1,853,570	457,154	2,048,380	217,321
<u>9,625,089</u>	<u>8,162,238</u>	<u>2,013,090</u>	<u>989,285</u>	<u>439,046</u>
<u>\$ 9,625,089</u>	<u>\$ 10,814,581</u>	<u>\$ 2,665,462</u>	<u>\$ 3,823,450</u>	<u>\$ 1,597,937</u>

COLUMBIA-BRAZORIA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2013

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	\$	\$	\$ 189,815	\$ 315,050	\$ 123,641	\$	\$ 628,506
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	613						613
6212	Audit services				19,062			19,062
6213	Tax appraisal & collection		76,828					76,828
621X	Other professional services	4,175		3,427	520	6,149		14,271
6220	Tuition & transfer payments							-0-
6230	Education service centers				2,500			2,500
6240	Contract maint. & repair					59,793		59,793
6250	Utilities							-0-
6260	Rentals				520			520
6290	Miscellaneous contract							-0-
6320	Textbooks & reading							-0-
6330	Testing materials							-0-
63XX	Other supplies/materials	1,252		4,411	8,837	4,811		19,311
6410	Travel, subsistence, stipends	6,704		5,168	5,160	300		17,332
6420	Ins. & bonding costs	18,161						18,161
6430	Election costs	4,787						4,787
6490	Miscellaneous operating	20,409		3,682	3,397	6,580		34,068
6500	Debt service							-0-
6600	Capital outlay							-0-
TOTAL		\$ 56,101	\$ 76,828	\$ 206,503	\$ 355,046	\$ 201,274	\$ -0-	\$ 895,752

Total expenditures for General and Special Revenue Funds (9) \$ 24,608,807

FISCAL PERIOD

Total Capital Outlay (6600)	(10) \$	1,292,315
Total Debt & Lease (6500)	(11)	382,865
Plant Maintenance (Function 51, 6100-6400)	(12)	2,103,347
Food (Function 35, 6341 and 6499)	(13)	707,015
Stipends (6413)	(14)	-0-
Column 4 (above) - Total Indirect Cost		355,046
Subtotal		4,840,588
Net Allowed Direct Cost		\$ 19,768,219

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$	64,471,931
Historical Cost of Buildings over 50 years old	(16) \$	9,529,465
Amount of Federal Money in Building Cost (Net of Above)	(17) \$	-0-
Total Cost of Furniture and Equipment before Depreciation (1530 & 1540)	(18) \$	7,188,171
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	435,703
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$	904,918

Note A - \$ 106,660 in Function 53 expenditures are included in this report on administrative costs.

\$ 64,024 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
JUNE 30, 2013
UNAUDITED

EXHIBIT J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 06/30/13 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>11,161,764</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	107,505
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	
4	Total Committed Fund Balance (from Exhibit C-1 – total of object 351X-354X for the General Fund only)	
5	Total Assigned Fund Balance (from Exhibit C-1 – total of object 355X-359X for the General Fund only)	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing unearned revenues)	9,458,709
7	Estimate of two month's average cash disbursements during the fiscal year	3,754,917
8	Estimate of delayed payments from state sources (58XX) including August payment delays	
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)	<u>820,341</u>
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>14,141,472</u>
13	Excess (deficit) unassigned General Fund balance (1- 12)	\$(<u>2,979,708</u>)

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - FOOD SERVICE SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2013

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	\$ 527,302	\$ 527,302	\$ 477,132	\$(50,170)
5800	State program revenues	38,251	38,251	36,241	(2,010)
5900	Federal program revenues	<u>1,135,223</u>	<u>1,150,179</u>	<u>1,129,785</u>	<u>(20,394)</u>
5020	Total revenues	<u>1,700,776</u>	<u>1,715,732</u>	<u>1,643,158</u>	<u>(72,574)</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>1,700,776</u>	<u>1,778,989</u>	<u>1,571,677</u>	<u>207,312</u>
6030	Total expenditures	<u>1,700,776</u>	<u>1,778,989</u>	<u>1,571,677</u>	<u>207,312</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(63,257)</u>	<u>71,481</u>	<u>134,738</u>
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources and (uses)				<u>-0-</u>
1200	Net change in fund balances	<u>-0-</u>	<u>(63,257)</u>	<u>71,481</u>	<u>134,738</u>
0100	Fund balances – beginning	<u>398,140</u>	<u>398,140</u>	<u>398,140</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 398,140</u>	<u>\$ 334,883</u>	<u>\$ 469,621</u>	<u>\$ 134,738</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013

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	\$ 1,811,054	\$ 1,811,054	\$ 2,712,224	\$ 901,170
5800	State program revenues	<u>508,466</u>	<u>508,466</u>	<u>548,014</u>	<u>39,548</u>
5020	Total revenues	<u>2,319,520</u>	<u>2,319,520</u>	<u>3,260,238</u>	<u>940,718</u>
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	1,045,000	1,045,000	1,045,000	-0-
0072	Interest on long-term debt	1,272,520	1,272,520	1,251,769	20,751
0073	Bond issuance costs and fees	<u>2,000</u>	<u>2,000</u>	<u>1,950</u>	<u>50</u>
6030	Total expenditures	<u>2,319,520</u>	<u>2,319,520</u>	<u>2,298,719</u>	<u>20,801</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>961,519</u>	<u>961,519</u>
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources and (uses)				<u>-0-</u>
1200	Net change in fund balances	-0-	-0-	961,519	961,519
0100	Fund balances – beginning	<u>1,506,993</u>	<u>1,506,993</u>	<u>1,506,993</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 1,506,993</u>	<u>\$ 1,506,993</u>	<u>\$ 2,468,512</u>	<u>\$ 961,519</u>

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FEDERAL AWARDS SECTION

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KENNEMER, MASTERS & LUNSFORD

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Independent Auditor's Report

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

Board of Trustees
Columbia-Brazoria Independent School District
West Columbia, Texas 77486

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia-Brazoria Independent School District (the "District"), as of and for year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2013.

Internal Control over Financial Reporting

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

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

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

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

We noted certain matters that we reported to management of the District, in a separate letter dated November 7, 2013.

Purpose of this Report

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

Kennemer, Masters & Hunsford, LLC

Lake Jackson, Texas
November 7, 2013

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

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Independent Auditor's Report

On Compliance for each Major Program and on Internal
Control over Compliance Required by OMB Circular A-133

Board of Trustees
Columbia-Brazoria Independent School District
West Columbia, Texas 77486

Report on Compliance for Each Major Federal Program

We have audited Columbia-Brazoria Independent School District's 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 June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Columbia-Brazoria Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

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

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

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

Kennemer, Masters & Hunsford, LLC

Lake Jackson, Texas 77566
November 7, 2013

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Page 1 of 1

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings, which are required to be reported under Sec._510(a):
No.
7. Major programs include:
 - IDEA Part B Cluster Programs:
 - 84.027 IDEA Part B Formula Program
 - 84.173 IDEA Part B Preschool Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

The audit disclosed the following finding required to be reported:

None.

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

The audit disclosed the following finding required to be reported:

None.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2013

Page 1 of 1

None.

None.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

EXHIBIT K-1
Page 1 of 2

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>			
Passed Through State Department of Education:			
ESEA Title I Part A, Improving Basic Programs	84.010	12610101020907	\$ 128,735
ESEA Title I Part A, Improving Basic Programs	84.010	13610101020907	536,707
ESEA Title I Part A, School Improvement Program	84.010	13610104020907042	<u>6,747</u>
			<u>672,189</u>
IDEA Part B, Formula	84.027	126600010209076600	49,038
IDEA Part B, Formula	84.027	136600010209076600	472,913
IDEA Part B, High Cost	84.027	13660006020907	<u>196,699</u>
			<u>718,650</u>
IDEA Part B, Preschool	84.173	136610010209076610	<u>22,919</u>
Education Jobs Fund	84.410	11550101020907	<u>30,826</u>
Vocational Education, Basic Grant	84.048	1342000602090704	<u>27,444</u>
Title III, Part A – Language Education Program	84.365	12671001020907	1,600
Title III, Part A – Language Education Program	84.365	13671001020907	<u>12,287</u>
			<u>13,887</u>
Title II, Part A - Teacher/Principal	84.367	12694501020907	1,543
Title II, Part A - Teacher/Principal	84.367	13694501020907	<u>73,167</u>
			<u>74,710</u>
Summer School Language Education Program	84.369	69551202	<u>1,115</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>1,561,740</u>
<u>U. S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program	10.555	---	\$ <u>88,496</u>
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401301	334,685
National School Lunch Program	10.555	71301301	<u>706,604</u>
			<u>1,041,289</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>1,129,785</u>

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2013

EXHIBIT K-1
Page 2 of 2

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures Indirect Costs or Award Amount</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Texas HHSC:			
Medicaid Administrative Claiming (MAC)	93.778	---	\$ <u>17,327</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ <u>17,327</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>2,708,852</u>
RECONCILIATION:			
Federal program revenues (Exhibit C-2)			\$ 3,182,760
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			<u>473,908</u>
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>2,708,852</u>

See notes to supplement Schedule of Expenditures of Federal Awards.

COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

NOTE 1 – BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources 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 position.

The modified accrual basis of accounting is used for these funds. 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 liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are 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 unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

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 goods received was \$ 88,351, while the monetary value of goods used and recognized as income and expenditures was \$ 88,496.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 3 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-2:

Total shown on Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ 2,708,852
Federal Revenue Not Included in the Schedule of Federal Awards:	
School Health and Related Services (SHARS)	<u>473,908</u>
Total federal revenue (Exhibit C-2)	<u>\$ 3,182,760</u>

SCHEDULE FOR ELECTRONIC FILING

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COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 JUNE 30, 2013

SCHEDULE L-1
Page 1 of 1

<u>Code</u>	<u>Questions</u>	<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? – Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 341,702

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