

**COLUMBIA-BRAZORIA  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2011**

**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, 2011*

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**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

*Annual Financial Report  
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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, 2011, at a meeting of the board of trustees of such school district on the \_\_\_18\_\_\_ day of October, 2011.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

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## **FINANCIAL SECTION**

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# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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Houston, Texas 77077  
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## Independent Auditor's Report

October 5, 2011

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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,  
Partnering for CPA Practice Success

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 22 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Kennemer, Masters & Hargford, LLC*

# COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$ 14,900,202 (*net assets*). Of this amount, \$ 6,786,380 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 7,415,636. Approximately 66 percent of this total amount, \$ 4,893,398, 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 \$ 4,893,858, or 25 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 812,828 less than the \$ 28,735,291 generated in tax and other revenues for governmental programs. This compares to last year when expenses were more than revenues by \$ 322,269.

### Overview of the Financial Statements

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

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

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

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

## COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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 twenty-four 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 twenty-two 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, 2011

- **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 health 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 assets 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 64 of this report.

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 66 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 68 through 78 of this report. Other schedules are to be found on pages 80 through 85 of this report.

### Government-wide Financial Analysis

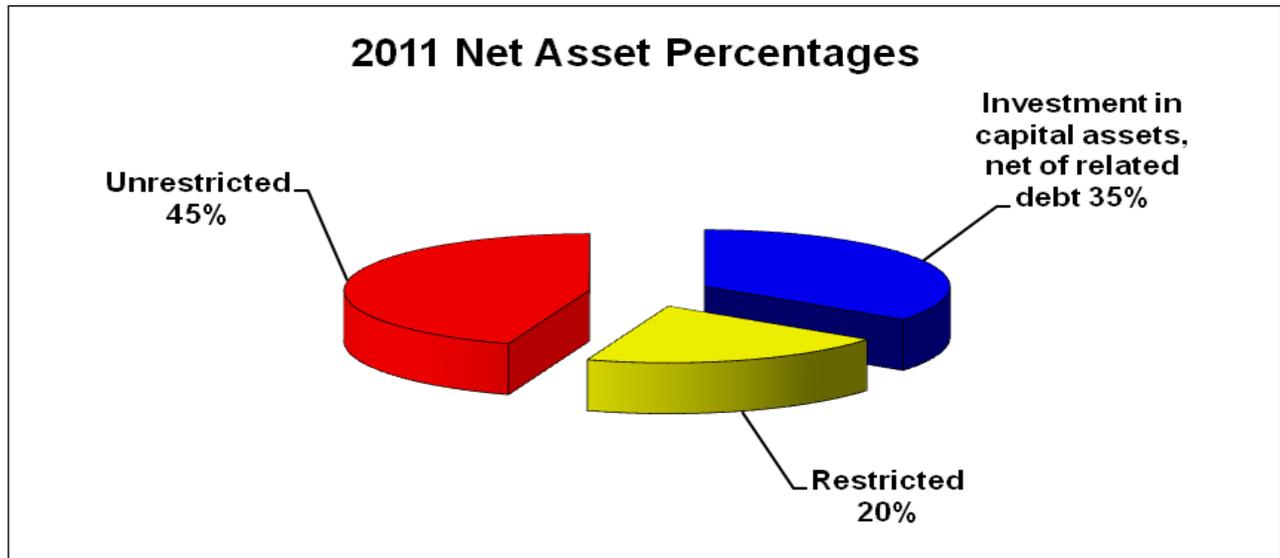
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 14,900,202 as of June 30, 2011. Net assets of the District's governmental activities increased from \$ 14,087,374 to \$ 14,900,202.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

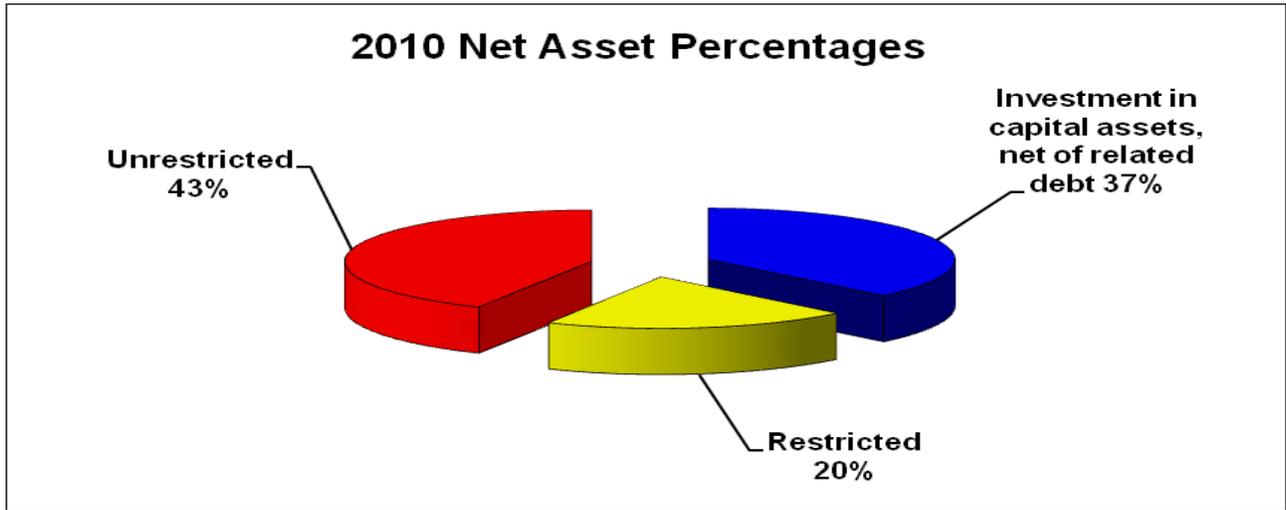
**The District's Net Assets**

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 12,139,982	\$ 11,489,084
Capital assets	<u>44,945,891</u>	<u>46,360,485</u>
Total assets	<u>57,085,873</u>	<u>57,849,569</u>
Long-term liabilities outstanding	39,808,814	41,081,910
Other liabilities	<u>2,376,857</u>	<u>2,680,285</u>
Total liabilities	<u>42,185,671</u>	<u>43,762,195</u>
Net assets:		
Invested in capital assets, net of related debt	5,137,077	5,278,575
Restricted	2,976,745	2,823,317
Unrestricted	<u>6,786,380</u>	<u>5,985,482</u>
Total net assets	<u>\$ 14,900,202</u>	<u>\$ 14,087,374</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 \$ 5,137,077. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (approximately 20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$ 6,786,380 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.



**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**



**Governmental activities.** The District's total net assets increased by \$ 812,828. The District's total revenues increased by 3%. The District's total cost of all programs and services decreased by less than 1%. The total cost of all *governmental activities* this year was \$ 27,922,463. The amount that our taxpayers paid for these activities through property taxes was \$ 9,378,551 or 33%. The amount of costs that were paid by those who directly benefited from the programs was \$ 598,033 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 \$ 6,298,381 or 22% and \$ 11,300,385 or 40%, respectively.

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

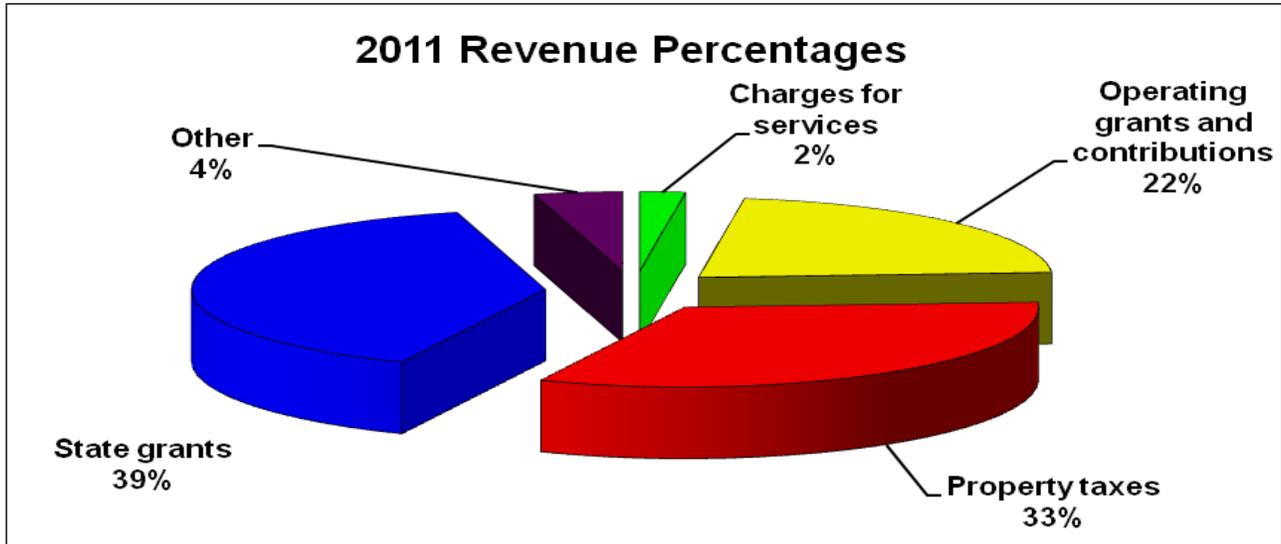
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 598,033	\$ 632,061
Operating grants & contributions	6,318,857	5,785,109
General revenues:		
Property taxes	9,378,551	9,487,827
State grants	11,300,385	11,091,819
Other	<u>1,159,941</u>	<u>875,370</u>
Total revenues	<u>28,755,767</u>	<u>27,872,186</u>
Expenses:		
Instruction	14,487,728	14,812,779
Instructional resources & media services	445,570	497,104
Curriculum & staff development	121,996	98,727
Instructional leadership	305,776	329,151
School leadership	1,305,529	1,289,081
Guidance, counseling & evaluation services	727,214	754,437
Social work services	20,315	25,818
Health services	319,249	298,606
Student (pupil) transportation	1,139,851	1,079,751
Food services	1,406,513	1,451,070

(continued)

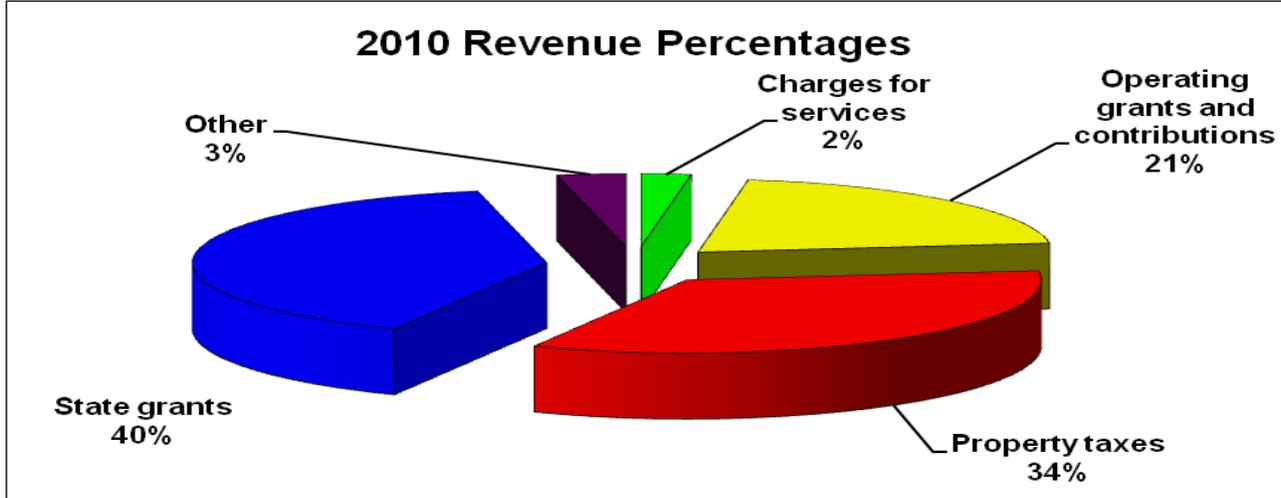
**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2011**

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

	<u>2011</u>	<u>2010</u>
Expenses:		
Cocurricular/extracurricular activities	\$ 895,089	\$ 826,490
General administration	981,371	1,004,212
Plant maintenance and operations	2,249,871	2,263,665
Security and monitoring services	242,614	208,701
Data processing services	621,511	577,875
Community services	5,652	4,627
Debt service-interest and fees on long-term debt	1,742,104	1,775,876
Payments related to shared services arrangements	858,123	831,607
Other intergovernmental charges	<u>66,863</u>	<u>64,878</u>
 Total expenses	 <u>27,942,939</u>	 <u>28,194,455</u>
 Increase (Decrease) in Net Assets	 812,828	 ( 322,269)
Beginning Net Assets	<u>14,087,374</u>	<u>14,409,643</u>
 Ending Net Assets	 <u>\$ 14,900,202</u>	 <u>\$ 14,087,374</u>



**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
JUNE 30, 2011



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

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

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *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 \$ 7,415,636, an increase of \$ 678,918 from last year's combined balance of \$ 6,736,718. Approximately 66 percent of this total amount (\$ 4,893,398) 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 \$ 60,313, 2) for prepaid items \$ 192,150, 3) for food service \$ 300,873, 4) to pay debt service \$ 1,876,109, and 5) \$ 92,793 for other purposes.

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 \$ 4,893,858, while the total fund balance was \$ 5,113,378. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 25% of the total general fund expenditures, while total fund balance represents 26% of that same amount.

The fund balance of the District's general fund increased by \$ 482,215 or 10% during the current fiscal period compared to last year's total general fund balance of \$ 4,631,163. Revenues increased approximately 1% from prior year from \$ 19,493,391 to \$ 19,767,428. Expenditures decreased approximately 3% from prior year from \$ 20,062,193 to \$ 19,498,741.

The debt service fund has a total fund balance of \$ 1,876,109, all of which is restricted for the payment of debt service. The debt service fund balance decreased by \$ 52,105 or 3% from last year's fund balance of \$ 1,928,214. The net decrease in fund balance is due to the District collecting less taxes to pay for the District's debt obligations during the fiscal year.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
JUNE 30, 2011

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

Unrestricted net assets at June 30, 2011 amounted to a surplus of \$ 580,034. The total increase in net assets was \$ 376,803 from last year's net asset balance of \$ 203,231.

### **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:

- \$ 373,369 for incomplete projects or purchases ordered in previous fiscal year but not received.
- \$ 72,199 for special projects approved from reserves.
- \$ 45,313 of donations received during the period.
- \$ 11,586 unexpected revenues and expenses appropriated.

After appropriations were amended as described above, General Fund actual revenues were below final budget by \$ 1,036,374. General Fund actual expenditures were \$ 1,775,685 below final budget appropriations. The major portion of this positive variance in expenditures resulted from estimated versus actual instructional salaries, unexpected repairs and special maintenance and technology projects started but not completed by fiscal year end.

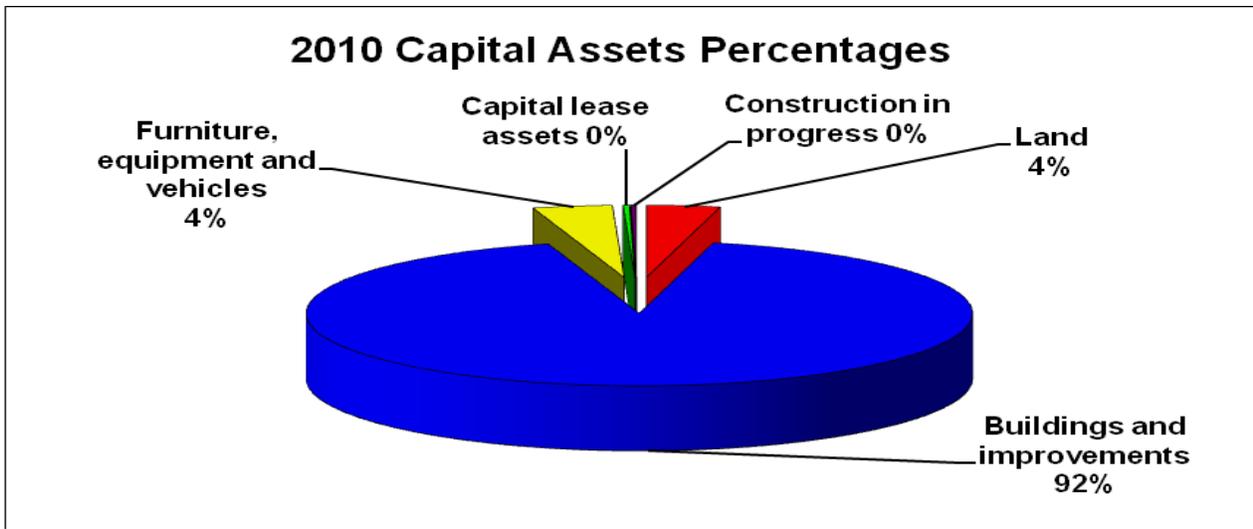
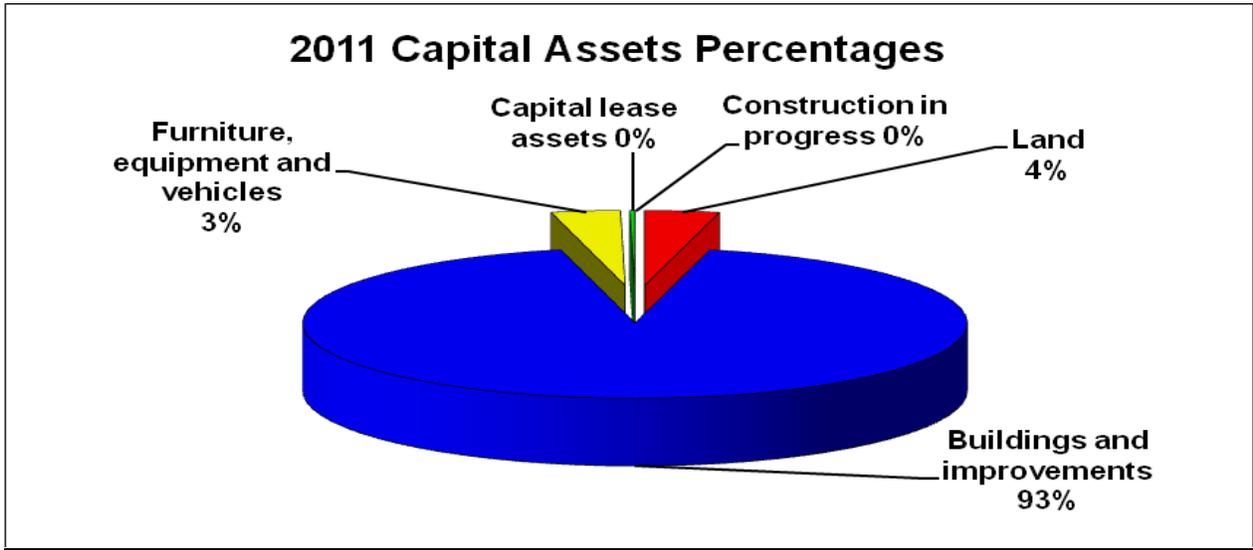
### **Capital Asset and Debt Administration**

**Capital assets.** The District's investments in capital assets for its governmental activities as of June 30, 2011 amounts to \$ 44,945,891 (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.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2011

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

	2011	2010
Land	\$ 1,630,102	\$ 1,650,915
Buildings and improvements	41,703,049	42,665,809
Furniture, equipment and vehicles	1,511,261	1,780,850
Capital lease assets	101,479	138,436
Construction in progress		124,475
	<hr/>	<hr/>
Total at historical cost	<u>\$ 44,945,891</u>	<u>\$ 46,360,485</u>



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

## **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

### *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*JUNE 30, 2011*

**Long-term debt.** At June 30, 2011, the District had total long-term debt outstanding of \$ 39,808,814, a decrease of \$ 1,273,096 from the previous year. Long-term debt is made of general obligation bonds of \$ 37,786,961, loans payable of \$ 750,000, warrants payable \$ 435,000, capital leases payable \$ 103,494, premium on general obligation bonds of \$ 67,271, and accrued interest of \$ 666,088.

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 59 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 2011-2012, enrollment has continued on a slight decline as in the previous year.
- The District's 2011 taxable valuation has decreased by 2% since last year for the second year in a row. The District currently has a 10% optional homestead exemption and a maintenance and operations tax rate of \$ 1.04 for 2011, the maximum tax rate allowed by state law. The Texas school finance program underwent a major revision in Summer 2011. Under the new state laws, the District is losing approximately \$1.2 million in state revenues for 2011-2012 and the cuts will also be carried into 2012-2013. 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.
- The District refunded \$ 8,119,998 of the 2004 bond issue in September 2011.

### **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 ASSETS**  
**JUNE 30, 2011**

Exhibit A-1  
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>ASSETS:</b>	
1110	Cash and cash equivalents	\$ 6,968,136
1220	Property taxes receivable (delinquent)	1,609,676
1230	Allowance for uncollectible taxes	( 138,566)
1240	Due from other governments	2,974,393
1290	Other receivables (net)	31,456
1300	Inventories	60,314
1410	Deferred expenses	132,379
1420	Bond issuance costs	442,422
1450	Prepaid insurance	55,834
1490	Other current assets	3,938
	Capital Assets:	
1510	Land and land improvements	1,630,102
1520	Building, furniture and equipment, net	41,703,049
1530	Furniture, equipment and vehicles, net	1,511,261
1550	Capital lease assets, net	<u>101,479</u>
1000	Total assets	<u>57,085,873</u>
	<b>LIABILITIES:</b>	
2110	Accounts payable	318,798
2160	Accrued wages payable	1,895,213
2200	Accrued expenses	137,987
2300	Deferred revenue	24,859
	Noncurrent Liabilities:	
2501	Due within one year	2,017,176
2502	Due in more than one year	<u>37,791,638</u>
2000	Total liabilities	<u>42,185,671</u>
	<b>NET ASSETS:</b>	
3200	Invested in capital assets, net of related debt	5,137,077
	Restricted For:	
3820	Federal and state programs	92,793
3820	Federal and state programs (food service)	333,356
3850	Debt service	2,550,596
3900	Unrestricted	<u>6,786,380</u>
3000	Total net assets	<u>\$ 14,900,202</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, 2011**

Exhibit B-1  
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 14,487,728	\$ 280	\$ 4,191,030	\$( 10,296,418)
12	Instructional resources and media services	445,570	8	17,220	( 428,342)
13	Curriculum and staff development	121,996		109,186	( 12,810)
21	Instructional leadership	305,776	3	165,727	( 140,046)
23	School leadership	1,305,529	27	44,289	( 1,261,213)
31	Guidance, counseling, and evaluation services	727,214	9	201,968	( 525,237)
32	Social work services	20,315		19,253	( 1,062)
33	Health services	319,249	6	232,295	( 86,948)
34	Student transportation	1,139,851	22	27,734	( 1,112,095)
35	Food service	1,406,513	500,239	1,107,531	201,257
36	Extracurricular activities	895,089	97,368	16,218	( 781,503)
41	General administration	981,371	14	27,385	( 953,972)
51	Plant maintenance and operations	2,249,871	43	52,434	( 2,197,394)
52	Security and monitoring services	242,614	10	37,624	( 204,980)
53	Data processing services	621,511	4	68,963	( 552,544)
61	Community services	5,652			( 5,652)
72	Interest on long-term debt	1,739,854			( 1,739,854)
73	Bond issuance costs and fees	2,250			( 2,250)
93	Payments related to shared services arrangements	858,123			( 858,123)
99	Other intergovernmental charges	<u>66,863</u>			<u>( 66,863)</u>
TG	Total governmental activities	<u>\$ 27,942,939</u>	<u>\$ 598,033</u>	<u>\$ 6,318,857</u>	<u>\$( 21,026,049)</u>
General Revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 7,517,859
DT	Property taxes, levied for debt service				1,860,692
SF	State aid-formula grants				11,300,385
GC	Grants and contributions not restricted to specific programs				627,255
IE	Investment earnings				66,540
MI	Miscellaneous				280,444
S1	Special item - gain on sale of fixed assets				<u>185,702</u>
TR	Total general revenues, special items, and transfers				<u>21,838,877</u>
CN	Change in net assets				812,828
NB	Net assets – beginning				<u>14,087,374</u>
NE	Net assets – ending				<u>\$ 14,900,202</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, 2011**

Exhibit C-1  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>					
1110	Cash and cash equivalents	\$ 3,741,731	\$ 1,777,329	\$ 476,047	\$ 5,995,107
1220	Taxes receivable - delinquent	1,335,829	273,847		1,609,676
1230	Allowance for uncollectible taxes	( 125,042 )	( 13,524 )		( 138,566 )
1240	Receivables from other governments	2,121,473	70,522	782,398	2,974,393
1260	Due from other funds	611,256			611,256
1290	Other receivables	31,185		271	31,456
1300	Inventories	27,831		32,483	60,314
1410	Deferred expenditures	131,919		460	132,379
1450	Prepaid insurance	55,834			55,834
1490	Other current assets	3,938			3,938
1000	Total assets	<u>\$ 7,935,954</u>	<u>\$ 2,108,174</u>	<u>\$ 1,291,659</u>	<u>\$ 11,335,787</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
2110	Accounts payable	\$ 67,342	\$	\$ 15,272	\$ 82,614
2160	Accrued wages payable	1,654,029		241,184	1,895,213
2170	Due to other funds	5,457		586,975	592,432
2300	Deferred revenue	<u>1,095,748</u>	<u>232,065</u>	<u>22,079</u>	<u>1,349,892</u>
2000	Total liabilities	<u>2,822,576</u>	<u>232,065</u>	<u>865,510</u>	<u>3,920,151</u>
<b>Fund Balances:</b>					
<b>Non-Spendable:</b>					
3410	Inventories	27,830		32,483	60,313
3430	Prepaid items	191,690		460	192,150
<b>Restricted:</b>					
3450	Food service			300,873	300,873
3480	Debt service		1,876,109		1,876,109
3490	Other			92,793	92,793
<b>Unassigned:</b>					
3600	Unassigned fund balance	<u>4,893,858</u>		<u>( 460 )</u>	<u>4,893,398</u>
3000	Total fund balances	<u>5,113,378</u>	<u>1,876,109</u>	<u>426,149</u>	<u>7,415,636</u>
4000	Total liabilities and fund balances	<u>\$ 7,935,954</u>	<u>\$ 2,108,174</u>	<u>\$ 1,291,659</u>	<u>\$ 11,335,787</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 ASSETS**  
**JUNE 30, 2011**

Exhibit C-1R  
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 7,415,636
<b>Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 74,643,105 in assets less \$ 29,697,214 in accumulated depreciation.	44,945,891
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 1,092,968 and \$ 232,065, respectively.	1,325,033
The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	580,034
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. This is the debt issuance costs, which are amortized over the life of the bonds. This amount is debt issuance costs \$ 602,537 less amortization costs of \$ 160,115.	442,422
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 assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 67,271 (premium on sale of bonds of \$ 105,233 less amortization costs of \$ 37,962).	( 67,271)
Payables for bond principal are not reported in the funds.	( 37,786,961)
Payables for bond interest are not reported in the funds	( 646,593)
Payables for note principal are not reported in the funds.	( 1,185,000)
Payables for note interest are not reported in the funds	( 19,358)
Payables for capital lease principal are not reported in the funds.	( 103,494)
Payables for capital lease interest are not reported in the funds.	<u>( 137)</u>
Net assets of governmental activities – statement of net assets (A-1)	<u>\$ 14,900,202</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, 2011**

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	\$ 7,952,478	\$ 1,920,266	\$ 500,220	\$ 10,372,964
5800	State program revenues	11,190,766	615,989	306,842	12,113,597
5900	Federal program revenues	<u>624,184</u>		<u>5,508,716</u>	<u>6,132,900</u>
5020	Total revenues	<u>19,767,428</u>	<u>2,536,255</u>	<u>6,315,778</u>	<u>28,619,461</u>
EXPENDITURES:					
Current:					
0011	Instruction	9,736,376		3,885,961	13,622,337
0012	Instructional resources and media services	405,989		5,444	411,433
0013	Curriculum and staff development	13,584		109,186	122,770
0021	Instructional leadership	131,495		160,951	292,446
0023	School leadership	1,196,091			1,196,091
0031	Guidance, counseling, and evaluation services	496,651		184,570	681,221
0032	Social work services	1,283		19,253	20,536
0033	Health services	75,162		223,165	298,327
0034	Student transportation	996,146			996,146
0035	Food Service			1,387,697	1,387,697
0036	Extracurricular activities	830,826		1,181	832,007
0041	General administration	892,805			892,805
0051	Plant maintenance and operations	2,532,598			2,532,598
0052	Security and monitoring services	218,076		30,275	248,351
0053	Data processing services	538,714		59,287	598,001
0061	Community services	5,652			5,652
0071	Principal on long-term debt	304,888	980,000		1,284,888
0072	Interest on long-term debt	81,429	1,607,110		1,688,539
0073	Bond issuance costs and fees	1,000	1,250		2,250
0081	Capital outlay	114,990			114,990
0093	Payments related to shared service arrangements	858,123			858,123
0099	Other intergovernmental charges	<u>66,863</u>			<u>66,863</u>
6030	Total expenditures	<u>19,498,741</u>	<u>2,588,360</u>	<u>6,066,970</u>	<u>28,154,071</u>
1100	Excess (deficiency) of revenues over expenditures	<u>268,687</u>	<u>( 52,105 )</u>	<u>248,808</u>	<u>465,390</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property	<u>213,528</u>			<u>213,528</u>
	Total other financing sources and (uses)	<u>213,528</u>	<u>-0-</u>	<u>-0-</u>	<u>213,528</u>
1200	Net change in fund balances	482,215	( 52,105 )	248,808	678,918
0100	Fund balances – beginning	<u>4,631,163</u>	<u>1,928,214</u>	<u>177,341</u>	<u>6,736,718</u>
3000	Fund balances – ending	<u>\$ 5,113,378</u>	<u>\$ 1,876,109</u>	<u>\$ 426,149</u>	<u>\$ 7,415,636</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, 2011**

Exhibit C-2R  
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 678,918
<b>Amounts reported for governmental activities in the statement of activities (B-1) are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$ 1,822,967 was more than capital outlays \$ 432,394 in the current period.	( 1,390,573)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 58,120 and \$ 3,752, respectively.	( 61,872)
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	( 45,742)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 17,662	17,662
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. The amount of debt principal payments for general obligation bonded debt \$ 980,000; loans \$ 270,000; and capital leases \$ 34,888.	1,284,888
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 \$ 16,288 less the amortization of bond issuance costs \$ 39,523.	( 23,235)
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)	376,803
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 \$ 24,021 (\$ 299,089 in asset cost less accumulated depreciation of \$ 275,068).	( <u>24,021</u> )
Change in net assets of governmental activities (see B-1)	\$ <u>812,828</u>

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

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

Exhibit D-1  
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	ASSETS:	
	Current Assets:	
1110	Cash and cash equivalents	\$ <u>973,029</u>
	Total current assets	973,029
	Noncurrent Assets:	
	Total noncurrent assets	<u>-0-</u>
	Total assets	<u>973,029</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts payable	146,356
2165	Accrued expenses payable	137,987
2170	Due to other funds	<u>108,652</u>
	Total current liabilities	392,995
	Noncurrent Liabilities:	
	Total noncurrent liabilities	<u>-0-</u>
	Total liabilities	<u>392,995</u>
	NET ASSETS:	
3900	Unrestricted net assets	<u>580,034</u>
	Total net assets	\$ <u><u>580,034</u></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 ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

Exhibit D-2  
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>435,934</u>
Total operating revenues	<u>435,934</u>
Operating Expenses:	
Insurance claims and expenses	<u>67,357</u>
Total operating expenses	<u>67,357</u>
Operating income (loss)	<u>368,577</u>
Nonoperating Revenues (Expenses):	
Interest and investment revenue	<u>8,226</u>
Total nonoperating revenues (expenses)	<u>8,226</u>
Changes in net assets	376,803
Net assets – beginning	<u>203,231</u>
Net assets – ending	<u>\$ 580,034</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, 2011**

Exhibit D-3  
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 538,014
Claims paid	<u>( 291,303)</u>
Net cash provided by operating activities	<u>246,711</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>8,226</u>
Net cash provided by investing activities	<u>8,226</u>
Net increase in cash and cash equivalents	254,937
Balances – beginning	<u>718,092</u>
Balances – end	<u>\$ 973,029</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 368,577
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Changes in Assets and Liabilities:	
Receivables, net	102,080
Accounts payable	10,990
Accrued expenses payable	( 66,217)
Due to other funds	<u>( 168,719)</u>
Net cash provided by operating activities	<u>\$ 246,711</u>

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

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET ASSETS*  
*FIDUCIARY FUNDS*  
*JUNE 30, 2011*

Exhibit E-1  
Page 1 of 1

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 164,074
Due from other funds	<u>89,828</u>
Total assets	<u>\$ 253,902</u>
LIABILITIES:	
Accounts payable	\$ 115,731
Amounts due to student groups	<u>138,171</u>
Total liabilities	<u>\$ 253,902</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, 2011*

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# **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

### **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 identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No.'s 91 and 93* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *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 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, 2011

### 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 Statement No. 14, *The Financial Reporting Entity*. The District has also implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The District receives support from various PTO, booster clubs and foundation organizations. None of these organizations meet the criteria specified by GASB 39 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 assets and the statement of changes in net assets) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 Balances. 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 remain as due to/due from on the government-wide Statement of Activities.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED JUNE 30, 2011*

**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. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**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 deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes; state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, 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 medical insurance plan provided for the benefit of eligible employees and its self-funded worker's compensation program. The revenues of these funds are received from both the general and special revenue funds, and District employees and the expenses are comprised of claims paid on behalf of the District and its employees. The general fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the District. See Notes 12 and 13 for additional discussion of the District's self-insurance plans.

The medical insurance plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. As of June 30, 2011, liabilities totaled \$ 255,008. The District switched to the State Health Plan during the previous fiscal year. The fund has \$ 255,008 in cash remaining to cover the liabilities.

# COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

### 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 assets. As of June 30, 2011, liabilities totaled \$ 137,987 and net assets of the worker's compensation program was \$ 580,034.

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.

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

Additionally, the District reports the following fiduciary funds:

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

#### **Cash and Investments**

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

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

#### **Interfund Receivables 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 5 for additional discussion of interfund receivables and payables.

# **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

#### **Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (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, 2010, upon which the levy for the 2009-10 fiscal year was based, was \$ 737,684,998. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and Interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2011, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.04 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, 2011 were 94.67% 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, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 1,210,787 and \$ 260,323 for the general and debt service funds, respectively.

##### **Delinquent Taxes Receivable**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property 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.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

**Inventories**

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

**Capital Assets and Depreciation**

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

**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, 2011*

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

#### **Capital Assets and Depreciation (Continued)**

##### **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **Budgetary Data**

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

The official school budget is prepared for adoption for required governmental funds prior to 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.

# **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

#### **Budgetary Data (Continued)**

The Official Budget was prepared for adoption for the general fund, food service (special revenue fund) and debt service fund prior to June 30, 2010. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

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 7, 2011.

#### **Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

The District had no outstanding encumbrances as of June 30, 2011.

#### **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, 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.

# COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

#### Fund Balances (Continued)

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

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, 2011, non-spendable fund balances includes \$ 27,830 for inventories and \$ 191,690 for prepaid items in the general fund. The food service (special revenue fund) non-spendable fund balance includes \$ 32,483 for inventories. Other special revenue fund's non-spendable fund balance included \$ 460 for prepaid items. Restricted fund balances included \$ 1,876,109 for debt service fund, \$ 300,873 for food service fund, and \$ 92,793 for other special revenue funds. Unassigned fund balance includes \$ 4,893,858 in the general fund and a deficit \$ 460 for the other special revenue funds.

#### 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.

## **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. The statement was implemented by the District during the fiscal year with minimal adjustments to the financial statements.

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

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

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

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

GASB No. 59, "Financial Instrument Omnibus", was issued December 2009. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2011.

GASB No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2012.

GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2011.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

**NOTE 2. NEW PRONOUNCEMENTS (Continued)**

GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2011.

GASB No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2011.

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

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

Cash and cash equivalents, current investments, and non-current investments at June 30, 2011 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)	\$ 700	\$	\$	\$ 700
Financial Institution Deposits:				
Demand deposits	4,224,647	973,029	164,074	5,361,750
Lone Star	1,127,868			1,127,868
Texstar	458,691			458,691
Texas Class	183,201			183,201
	<u>\$ 5,995,107</u>	<u>\$ 973,029</u>	<u>\$ 164,074</u>	<u>\$ 7,132,210</u>

# **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

#### **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, 2011, in addition to petty cash of \$ 700, the carrying amount of the District's cash, savings, and time deposits was \$ 5,361,750. The financial institutions balances were \$ 5,712,593 at June 30, 2011. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 5,462,593 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.

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 \$ 9,124,892.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 8,535,082 and occurred on February 15, 2011.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

#### **Investments**

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

## **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

##### **Investments (Continued)**

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.

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 participates in three Local Government Investment Pools (LGIPs): Lone Star, Texstar, and Texas Class. Advisory boards consisting of participants or their designees, maintains oversight responsibility for Lone Star, Texstar, and Texas Class.

The District invests in Lone Star, Texstar, Texas Class to provide its liquidity needs. Lone Star, Texstar, and Texas Class 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, Texstar, and MBI Texas Class are 2(a)7 like funds, meaning that they are structured similar to a

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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

**Investments (Continued)**

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, Texstar, and Texas Class are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At June 30, 2011 Lone Star, Texstar, and Texas Class had a weighted average maturity of 40 days, 50 days, and 51 days, respectively. Although Lone Star, Texstar, and Texas Class portfolios had a weighted average maturity of 40 days, 50 days, and 51 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.

The following table includes the portfolio balances of all investment types of the District at June 30, 2011.

	<u>Market Value</u>
Local Government Investment Pools:	
Lone Star	\$ 1,127,868
Texstar	458,691
Texas Class	<u>183,201</u>
Total local government investment pools	<u>\$ 1,769,760</u>

Credit Risk – As of June 30, 2011, the LGIPs (which represent approximately 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, 2011, 100% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools).

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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

**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, 2011, and holds no direct investments in derivatives at June 30, 2011.

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

**Receivables and Allowances**

Receivables as of June 30, 2011, 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	\$ 1,335,829	\$ 273,847	\$	\$ 1,609,676
Receivables from other governments	2,121,473	70,522	782,398	2,974,393
Other receivables	<u>31,185</u>	<u></u>	<u>271</u>	<u>31,456</u>
Gross receivables	3,488,487	344,369	782,669	4,615,525
Less: allowance for uncollectibles	<u>125,042</u>	<u>13,524</u>	<u></u>	<u>138,566</u>
Net total receivables	<u>\$ 3,363,445</u>	<u>\$ 330,845</u>	<u>\$ 782,669</u>	<u>\$ 4,476,959</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.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

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

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

Amounts due from federal, state, and local governments as of June 30, 2011 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Funds:				
General	\$ 1,835,375	\$	\$ 286,098	\$ 2,121,473
Debt service			70,522	70,522
Other funds		<u>710,784</u>	<u>71,614</u>	<u>782,398</u>
Total	<u>\$ 1,835,375</u>	<u>\$ 710,784</u>	<u>\$ 428,234</u>	<u>\$ 2,974,393</u>

**Deferred Revenue**

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

As of June 30, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 1,092,968	\$
Delinquent property taxes receivable (debt service fund)	232,065	
Federal food commodities		22,079
Advance Funding:		
State grants and other		<u>2,780</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 1,325,033</u>	<u>\$ 24,859</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Receivables and Payables**

Interfund balances at June 30, 2011 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	\$ 65,699	\$
IDEA Part B Formula	62,737	
IDEA Part B Preschool	3,896	
IDEA Part B Discretionary	4,549	
Vocational Education Basic	16,544	
Title II Part A Teacher/Principal	115,688	
Title III Part A LEP	1,413	
ARRA Title XIV SFSF	220,556	
IDEA Part B Formula ARRA - LEA	36,759	
Accelerated Reading Program	6,251	
SSI(F) College Readiness	25,338	
Pre-Kindergarten	<u>27,545</u>	<u>          </u>
	<u>586,975</u>	<u>-0-</u>
Internal Service Funds:		
Medical Plan	<u>24,281</u>	<u>          </u>
Agency Funds	<u>          </u>	<u>5,457</u>
Total General Fund	<u>611,256</u>	<u>5,457</u>
Special Revenue Funds:		
General Fund:		
Title I part A Improving Basic Skills		65,699
IDEA Part B Formula		62,737
IDEA Part B Preschool		3,896
IDEA Part B Discretionary		4,549
Vocational Education Basic		16,544
Title II Part A Teacher/Principal		115,688
Title III Part A LEP		1,413
ARRA Title XIV SFSF		220,556
IDEA Part B Formula ARRA - LEA		36,759
Accelerated Reading Program		6,251
SSI(F) College Readiness		25,338
Pre-Kindergarten	<u>          </u>	<u>27,545</u>
Total Special Revenue Fund	<u>-0-</u>	<u>586,975</u>

(continued)

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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

**Interfund Receivables and Payables (Continued)**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Internal Service Funds:		
General Fund:		
Medical Plan	\$	\$ 24,281
Agency Funds	_____	84,371
Total Internal Service Funds	_____ -0-	_____ 108,652
Agency Funds:		
General Fund	5,457	
Internal Service Fund:		
Medical Plan	_____ 84,371	_____
Total Agency Funds	_____ 89,828	_____ -0-
Total	\$ _____ 701,084	\$ _____ 701,084

**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, 2011:

	Balance July 1, 2010	Additions	Transfers & Retirements	Balance June 30, 2011
Non-Depreciated Capital Assets:				
Land and land improvements	\$ 1,650,915	\$	\$( 20,813)	\$ 1,630,102
Construction in progress	_____ 124,475	_____ 114,990	( _____ 239,465)	_____ -0-
Total non-depreciated	_____ 1,775,390	_____ 114,990	( _____ 260,278)	_____ 1,630,102
Depreciated Capital Assets:				
Buildings and improvements	66,228,838	182,338	239,465	66,650,641
Furniture, equipment & vehicles	6,320,788	135,066	( 278,276)	6,177,578
Assets under capital lease	_____ 184,784	_____	_____	_____ 184,784
Total depreciated	_____ 72,734,410	_____ 317,404	( _____ 38,811)	_____ 73,013,003
Total additions/retirements		\$ _____ 432,394	\$( _____ 299,089)	

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

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

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

Accumulated Depreciated:

Buildings and improvements	\$ 23,563,029	\$ 1,384,563	\$	\$ 24,947,592
Furniture, equipment & vehicles	4,539,938	401,447	( 275,068)	4,666,317
Assets under capital lease	<u>46,348</u>	<u>36,957</u>	<u>          </u>	<u>83,305</u>
Total	<u>28,149,315</u>	<u>\$ 1,822,967</u>	<u>\$ ( 275,068)</u>	<u>29,697,214</u>
Net depreciated capital assets	<u>44,585,095</u>			<u>43,315,789</u>
Net capital assets	<u>\$46,360,485</u>			<u>\$ 44,945,891</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	\$ 1,100,091
0012	Instructional resources and media services	45,266
0021	Instructional leadership	17,197
0023	School leadership	131,602
0031	Guidance, counseling, and evaluation services	55,901
0033	Health services	26,364
0034	Student transportation	171,023
0035	Food service	31,999
0036	Extracurricular activities	67,558
0041	General administration	101,268
0053	Data processing services	<u>74,698</u>
	Total depreciation expense	<u>\$ 1,822,967</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2011

**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 December 17, 2003 the District issued notes in the amount of \$ 725,000 with net effective interest rates of 1.00 to 3.25% for the purchase of equipment and furniture. On February 1, 2007 the District issued notes in the amount of \$ 815,000 with net effective interest rates of 3.73 to 3.89% for the purchase of equipment and various fund maintenance projects. 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. The District paid \$ 195,000 in principal payments and \$ 39,918 in interest on these loans. Loan payment requirements are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2012	\$ 190,000	\$ 32,489	\$ 222,489
2013	200,000	25,057	225,057
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>750,000</u>	\$ <u>93,846</u>	\$ <u>843,846</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. The District paid \$ 65,000 in principal payments and \$ 16,753 in interest on these warrants. Warrant payment requirements are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2012	\$ 85,000	\$ 14,622	\$ 99,622
2013	95,000	11,643	106,643
2014	95,000	8,270	103,270
2015	<u>160,000</u>	<u>3,280</u>	<u>163,280</u>
	\$ <u>435,000</u>	\$ <u>37,815</u>	\$ <u>472,815</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

**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 in the governmental activities statement of net assets 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.

On July 7, 2009 the District issued \$ 2,730,000 Series 2009 Unlimited Tax Refunding Bonds. The refunding portion was for \$ 2,735,000 Unlimited Tax Schoolhouse Building Bonds, Series 1999.

The following is a summary of the District's general obligation bonded debt at June 30, 2011:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2004	\$ 28,175,000	2034	2.50-5.00	\$ 27,080,000
2007	7,855,000	2025	4.00-4.10	7,650,000
2007 CAB	999,582	2017	4.10-4.20	1,136,961
2009	250,000	2014	5.25	240,000
2009	<u>2,730,000</u>	2014	3.00-3.50	<u>1,680,000</u>
	<u>\$ 40,009,582</u>			<u>\$ 37,786,961</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2012	\$ 1,020,000	\$ 1,589,597	\$ 2,609,597
2013	1,055,000	1,556,140	2,611,140
2014	1,095,000	1,519,545	2,614,545
2015	1,170,000	1,480,417	2,650,417
2016	1,220,000	1,434,298	2,654,298
2017-2021	6,515,000	6,683,902	13,198,902
2022-2026	6,805,000	5,262,424	12,067,424
2027-2031	9,675,000	3,350,700	13,025,700
2032-2035	<u>9,520,000</u>	<u>880,425</u>	<u>10,400,425</u>
Totals	<u>\$ 38,075,000</u>	<u>\$ 23,757,448</u>	<u>\$ 61,832,448</u>

# **COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

#### **General Obligation Bonds (Continued)**

The \$ 288,039 difference between the general obligation bonds outstanding at June 30, 2011 of \$ 37,786,961 and the general obligation bond principal requirements of \$ 38,075,000 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 assets and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

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, 2011.

#### **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 an increase of \$ 726,724. The economic gain resulting from the transaction was \$ 502,916. The outstanding balance of these defeased bonds at June 30, 2011 was \$ 8,770,000 and the balance held in escrow was \$ 8,866,316.

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 an increase of \$ 105,778. The economic gain resulting from the transaction was \$ 96,969. The outstanding balance of these defeased bonds at June 30, 2011 was \$ 1,710,000 and the balance held in escrow was \$ 1,707,325.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED JUNE 30, 2011***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, 2011 was as follows:

	Balance 07-01-10	Additions	Reductions	Balance 06-30-11	Due Within One Year
Long-Term Debt:					
General obligation					
bonds	\$ 38,731,219	\$ 45,742	\$ 990,000	\$ 37,786,961	\$ 1,020,000
Loans	945,000		195,000	750,000	190,000
Warrants	500,000		65,000	435,000	85,000
Capital leases	138,382		34,888	103,494	38,426
Components of Long-Term Debt:					
Premium on general obligation bonds payable	84,933		17,662	67,271	17,662
Accrued interest payable	<u>682,376</u>	<u>666,088</u>	<u>682,376</u>	<u>666,088</u>	<u>666,088</u>
Totals	<u>\$41,081,910</u>	<u>\$ 711,830</u>	<u>\$ 1,984,926</u>	<u>\$39,808,814</u>	<u>\$ 2,017,176</u>

**NOTE 8. LEASES****Capital Leases**

On November 5, 2008, the District entered into a capital lease authorized under local government code 45.103 for \$ 184,784 and is for thirteen copiers with a net effective interest rate of 9.70% and is a sixty month lease that expires in 2014.

The leased assets and related obligations are accounted for in the government activities column of the government-wide financial statements as capital assets and noncurrent liabilities. Current requirements for principal and interest payments are accounted for in the general fund. During the year ended June 30, 2011, the District paid these leases with debt service expenditures for principal and interest in the amount of \$ 34,888 and \$ 11,897, respectively.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**

**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, 2011:

<u>Year Ended June 30</u>	<u>Amount</u>
2012	\$ 46,785
2013	46,785
2014	<u>23,392</u>
Total	116,962
Less amount representing interest	<u>13,468</u>
Net present value of minimum lease payments	<u><u>\$ 103,494</u></u>

**Operating Leases**

Commitments under operating lease (non-capital) agreements for copier usage and maintenance provide for minimum future rental payments as of June 30, 2011 as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2012	\$ 38,401
2013	38,401
2014	<u>19,201</u>
Total	<u><u>\$ 96,003</u></u>

Rental expenditures on the above-mentioned equipment for the year ended June 30, 2011 were \$ 38,401.

**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 6.644% for fiscal year 2010-2011 and 6.58% for fiscal year 2009. State law further provides a member contribution rate of 6.4% for fiscal years 2009-2011. In certain instances, the reporting District is required to make all or a portion of the state's 6.644% contribution. For fiscal year 2011 the rate is 6.644%,

# COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

fiscal year 2010 the rate was limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January through August 2010. 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, 2011, 2010, and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
District payroll	\$ 19,237,989	\$ 19,083,557	\$ 18,915,833
District TRS payroll	\$ 16,516,025	\$ 16,432,308	\$ 15,997,971
District contributions	\$ 214,743	\$ 182,340	\$ 158,401
Federal contributions	\$ 98,901	\$ 86,764	\$ 90,203
State contributions	\$ 613,311	\$ 653,823	\$ 650,019
Medicare part D	\$ 56,428	\$ 43,779	\$ 37,397
State contribution rate	6.644%	6.644%	6.580%
Employee contributions	\$ 1,057,060	\$ 1,055,179	\$ 1,023,871
Employee contribution rate	6.400%	6.400%	6.400%

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.trstate.tx.us](http://www.trstate.tx.us), under the TRS Publications heading.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED JUNE 30, 2011***NOTE 10. LOCAL, INTERMEDIATE AND OUT-OF-STATE REVENUES**

For the year ended June 30, 2011, local and intermediate revenues for governmental funds consisted of the following:

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes	\$ 7,580,033	\$ 1,864,444		\$ 9,444,477
Food sales			500,220	500,220
Investment income	43,816	14,498		58,314
Penalties, interest and other tax related income	188,847	41,324		230,171
Gifts and bequests	35,372			35,372
Co-curricular income	89,209			89,209
Other	15,201			15,201
Total	<u>\$ 7,952,478</u>	<u>\$ 1,920,266</u>	<u>\$ 500,220</u>	<u>\$ 10,372,964</u>

**NOTE 11. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**NOTE 12. SELF-INSURED HEALTH CARE**

During the year ended June 30, 2010 employees of the District were covered by a self-funded health insurance plan (the "plan") only until August 31, 2009. Beginning September 1, 2009 the District chose to go to the State Insurance Plan. See Note 1 for additional discussion of the plan.

At June 30, 2011, the District has recorded liabilities of \$ 255,008 in the internal service fund which represents non-claim expenses. The District has cash of \$ 255,008 in the internal service fund to cover the liabilities.

**NOTE 13. 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, 2011.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

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

The accrued liability for Workers' Compensation self insurance of \$ 137,987 includes estimated incurred but not reported claims. This liability reported in the fund at June 30, 2011, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

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

<u>Fiscal Year</u>	<u>Claims</u>
2001-02	15
2002-03	34
2003-04	43
2004-05	16
* 2005-06	9
2006-07	14
2007-08	16
2008-09	13
2009-10	33
2010-11	35
10 Period Average	23

\*Ten-months ended

Changes in the workers' compensation claims liability amounts in fiscal 2009-2010 and 2010-2011 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>
2009-2010 Workers' Compensation	\$ 139,657	\$ 158,361	\$ 93,814	\$ 204,204
2010-2011 Workers' Compensation	204,204	( 10,021)	56,196	137,987

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED JUNE 30, 2011*

**NOTE 14. 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, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 15. 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. The expenditures coded to function 93 and account 6492, Payment to Fiscal Agent/Member Districts of Shared Services Arrangements amount to \$ 858,123.

**NOTE 16. EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through October 5, 2011, the date which the financial statements were available to be issued. On September 1, 2011, the District issued \$ 8,119,998 in Unlimited Tax Refunding Bonds, Series 2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED JUNE 30, 2011**

**EXHIBIT G-1**  
**Page 1 of 1**

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5700	Local and intermediate sources	\$ 8,868,467	\$ 8,907,045	\$ 7,952,478	\$( 954,567)
5800	State program revenues	11,473,589	11,473,589	11,190,766	( 282,823)
5900	Federal program revenues	<u>398,168</u>	<u>423,168</u>	<u>624,184</u>	<u>201,016</u>
5020	Total revenues	<u>20,740,224</u>	<u>20,803,802</u>	<u>19,767,428</u>	<u>( 1,036,374)</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	10,358,836	10,396,959	9,736,376	660,583
0012	Instructional resources and media services	448,743	419,202	405,989	13,213
0013	Curriculum and staff development	92,536	104,001	13,584	90,417
0021	Instructional leadership	159,259	159,259	131,495	27,764
0023	School leadership	1,195,410	1,218,734	1,196,091	22,643
0031	Guidance, counseling, and evaluation services	517,689	517,689	496,651	21,038
0032	Social work services	46,938	43,260	1,283	41,977
0033	Health services	386,287	386,787	75,162	311,625
0034	Student transportation	1,061,189	1,049,678	996,146	53,532
0036	Extracurricular activities	764,504	833,853	830,826	3,027
0041	General administration	919,558	937,816	892,805	45,011
0051	Plant maintenance and operations	2,579,007	2,793,784	2,532,598	261,186
0052	Security and monitoring services	209,335	228,565	218,076	10,489
0053	Data processing services	621,377	691,758	538,714	153,044
0061	Community services	6,223	6,223	5,652	571
0071	Principal on long-term debt	324,903	314,903	304,887	10,016
0072	Interest on long-term debt	81,430	81,430	81,430	-0-
0073	Bond issuance costs and fees	1,000	1,000	1,000	-0-
0081	Capital outlay		122,525	114,990	7,535
0093	Payments related to shared services arrangements	900,000	900,000	858,123	41,877
0099	Other intergovernmental charges	<u>66,000</u>	<u>67,000</u>	<u>66,863</u>	<u>137</u>
6030	Total expenditures	<u>20,740,224</u>	<u>21,274,426</u>	<u>19,498,741</u>	<u>1,775,685</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>( 470,624)</u>	<u>268,687</u>	<u>739,311</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of real or personal property		<u>15,597</u>	<u>213,528</u>	<u>197,931</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>15,597</u>	<u>213,528</u>	<u>197,931</u>
1200	Net change in fund balances	-0-	( 455,027)	482,215	937,242
0100	Fund balances – beginning	<u>4,631,163</u>	<u>4,631,163</u>	<u>4,631,163</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 4,631,163</u>	<u>\$ 4,176,136</u>	<u>\$ 5,113,378</u>	<u>\$ 937,242</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

Data Control Codes		Special				
		204 ESEA Title IV Safe and Drug Free Schools	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
ASSETS:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments		137,599	111,049	6,392	4,549
1290	Other receivables					
1300	Inventories					
1410	Deferred expenditures					
1000	Total assets	\$ <u>-0-</u>	\$ <u>137,599</u>	\$ <u>111,049</u>	\$ <u>6,392</u>	\$ <u>4,549</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable		71,900	48,312	2,496	
2170	Due to other funds		65,699	62,737	3,896	4,549
2300	Deferred revenues					
2000	Total liabilities	<u>-0-</u>	<u>137,599</u>	<u>111,049</u>	<u>6,392</u>	<u>4,549</u>
Fund Balances:						
Non-Spendable:						
3140	Inventories					
3430	Prepaid items					
Restricted:						
3450	Food service					
3590	Other					
Unassigned:						
3600	Unassigned fund balance					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities and fund balances	\$ <u>-0-</u>	\$ <u>137,599</u>	\$ <u>111,049</u>	\$ <u>6,392</u>	\$ <u>4,549</u>

Revenue Funds

240	244	255	262	263	266	279	283
Child Nutrition Fund	Vocational Education Basic	Title II Part A Teacher/Principal	Title II Part D Technology	Title III Part A LEP	ARRA Title XIV SFSF	ARRA Title II Part D Technology	IDEA Part B Formula ARRA - LEA
\$ 382,407	\$ 16,576	\$ 124,698	\$	\$ 5,000	\$ 254,206	\$	\$ 50,653
271 32,483							460
<u>\$ 415,161</u>	<u>\$ 16,576</u>	<u>\$ 124,698</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 254,206</u>	<u>\$ -0-</u>	<u>\$ 51,113</u>
\$ 11 59,715	\$ 32 16,544	\$ 9,010 115,688	\$	\$ 1,400 2,187 1,413	\$ 33,650 220,556	\$	\$ 12,920 1,434 36,759
<u>22,079</u>							
<u>81,805</u>	<u>16,576</u>	<u>124,698</u>	<u>-0-</u>	<u>5,000</u>	<u>254,206</u>	<u>-0-</u>	<u>51,113</u>
32,483							460
300,873							( 460 )
<u>333,356</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 415,161</u>	<u>\$ 16,576</u>	<u>\$ 124,698</u>	<u>\$ -0-</u>	<u>\$ 5,000</u>	<u>\$ 254,206</u>	<u>\$ -0-</u>	<u>\$ 51,113</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

Data Control Codes		284	285	289	289	Special
		IDEA Part B Preschool ARRA - LEA	ESEA Title I Part A ARRA/Stimulus	Summer School LEP	SLDS Classroom Link ISDS	Optional Extended Year
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$	\$ 847	\$	\$	\$
1240	Receivables from other governments		62			
1290	Other receivables					
1300	Inventories					
1410	Deferred expenditures					
1000	Total assets	\$ <u>-0-</u>	\$ <u>909</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$	\$ 909	\$	\$	\$
2160	Accrued wages payable					
2170	Due to other funds					
2300	Deferred revenues					
2000	Total liabilities	<u>-0-</u>	<u>909</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances:</b>						
<b>Non-Spendable:</b>						
3410	Inventories					
3430	Prepaid items					
<b>Restricted:</b>						
3450	Food service					
3490	Other					
<b>Unassigned:</b>						
3600	Unassigned fund balances					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities and fund balances	\$ <u>-0-</u>	\$ <u>909</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Revenue Funds				
404	404	411	415	
Accelerated Reading Program	SSI(F) College Readiness Initiative	Technology	Pre-Kindergarten	Total Nonmajor Governmental Funds
\$ 6,251	\$ 25,338	\$ 92,793	\$ 40,025	\$ 476,047
				782,398
				271
				32,483
				460
<u>\$ 6,251</u>	<u>\$ 25,338</u>	<u>\$ 92,793</u>	<u>\$ 40,025</u>	<u>\$ 1,291,659</u>
\$ 6,251	\$ 25,338	\$ -0-	\$ 40,025	\$ 15,272
				241,184
				586,975
				22,079
<u>6,251</u>	<u>25,338</u>	<u>-0-</u>	<u>40,025</u>	<u>865,510</u>
				32,483
				460
		92,793		300,873
				92,793
				( 460 )
<u>-0-</u>	<u>-0-</u>	<u>92,793</u>	<u>-0-</u>	<u>426,149</u>
<u>\$ 6,251</u>	<u>\$ 25,338</u>	<u>\$ 92,793</u>	<u>\$ 40,025</u>	<u>\$ 1,291,659</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

Data Control Codes		Special				
		204 ESEA Title IV Safe and Drug Free Schools	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					
5900	Federal program revenues	<u>2,153</u>	<u>786,974</u>	<u>532,488</u>	<u>22,972</u>	<u>104,823</u>
5020	Total revenues	<u>2,153</u>	<u>786,974</u>	<u>532,488</u>	<u>22,972</u>	<u>104,823</u>
	EXPENDITURES:					
	Current:					
0011	Instruction		633,465	453,148	22,972	104,823
0012	Instructional resources and media services					
0013	Curriculum and staff development		195	1,327		
0021	Instructional leadership		35,161	26,143		
0031	Guidance, counseling and evaluation services		98,900	51,813		
0032	Social work services		19,253			
0033	Health services			57		
0035	Food service					
0036	Extracurricular activities					
0052	Security and monitoring services	2,153				
0053	Data processing services					
6030	Total expenditures	<u>2,153</u>	<u>786,974</u>	<u>532,488</u>	<u>22,972</u>	<u>104,823</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	OTHER FINANCING SOURCES (USES):					
	Total other financing sources and (uses)					
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	-0-
0100	Fund balances – beginning					
3000	Fund balances – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds

240	244	255	262	263	266	279	283
Child Nutrition Fund	Vocational Education Basic	Title II Part A Teacher/Principal	Title II Part D Technology	Title III Part A LEP	ARRA Title XIV SFSF	ARRA Title II Part D Technology	IDEA Part B Formula ARRA - LEA
\$ 500,220 35,039 <u>1,072,492</u>	\$  <u>41,223</u>	\$  <u>222,630</u>	\$  <u>1,259</u>	\$  <u>14,222</u>	\$  <u>2,333,528</u>	\$  <u>539</u>	\$  <u>258,353</u>
<u>1,607,751</u>	<u>41,223</u>	<u>222,630</u>	<u>1,259</u>	<u>14,222</u>	<u>2,333,528</u>	<u>539</u>	<u>258,353</u>
	32,393	159,254	1,259	14,222	1,879,521	539	243,255
		29,787			5,444		15,098
	8,830	33,589			48,498		
					66,058		
					25,027		
1,387,697					223,108		
					1,181		
					28,122		
					56,569		
<u>1,387,697</u>	<u>41,223</u>	<u>222,630</u>	<u>1,259</u>	<u>14,222</u>	<u>2,333,528</u>	<u>539</u>	<u>258,353</u>
<u>220,054</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>220,054</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>113,302</u>							
<u>\$ 333,356</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

Data Control Codes		Special				
		284	285	289	289	401
		IDEA Part B Preschool ARRA - LEA	ESEA Title I Part A ARRA/Stimulus	Summer School LEP	SLDS Classroom Link ISDs	Optional Extended Year
REVENUES:						
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					167
5900	Federal program revenues	694	110,574	1,074	2,718	
5020	Total revenues	694	110,574	1,074	2,718	167
EXPENDITURES:						
Current:						
0011	Instruction	694	96,293	1,074		167
0012	Instructional resources and media services					
0013	Curriculum and staff development		14,281			
0021	Instructional leadership					
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0033	Health services					
0035	Food service					
0036	Extracurricular activities					
0052	Security and monitoring services					
0053	Data processing services				2,718	
6030	Total expenditures	694	110,574	1,074	2,718	167
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	-0-	-0-
OTHER FINANCING SOURCES (USES):						
Total other financing sources and (uses)						
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	-0-
0100	Fund balances – beginning					
3000	Fund balances – ending	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Revenue Funds				
404	404	411	415	
Accelerated Reading Program	SSI(F) College Readiness Initiative	Technology	Pre-Kindergarten	Total Nonmajor Governmental Funds
\$ 38,565	\$ 31,621	\$ 84,533	\$ 116,917	\$ 500,220
				306,842
				5,508,716
<u>38,565</u>	<u>31,621</u>	<u>84,533</u>	<u>116,917</u>	<u>6,315,778</u>
38,565	31,621	55,779	116,917	3,885,961
				5,444
				109,186
				160,951
				184,570
				19,253
				223,165
				1,387,697
				1,181
				30,275
				59,287
<u>38,565</u>	<u>31,621</u>	<u>55,779</u>	<u>116,917</u>	<u>6,066,970</u>
<u>-0-</u>	<u>-0-</u>	<u>28,754</u>	<u>-0-</u>	<u>248,808</u>
				-0-
-0-	-0-	28,754	-0-	248,808
		64,039		177,341
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 92,793</u>	<u>\$ -0-</u>	<u>\$ 426,149</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2011**

**EXHIBIT H-3**  
**Page 1 of 1**

<u>Data Control Codes</u>		<u>Medical Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	ASSETS:			
	Current Assets:			
1110	Cash and cash equivalents	\$ 255,008	\$ 718,021	\$ 973,029
	Total current assets	255,008	718,021	973,029
	Noncurrent Assets:			
	Total noncurrent assets	_____	_____	-0-
	Total assets	<u>255,008</u>	<u>718,021</u>	<u>973,029</u>
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts payable	146,356		146,356
2165	Accrued expenses payable		137,987	137,987
2170	Due to other funds	<u>108,652</u>	_____	<u>108,652</u>
	Total current liabilities	255,008	137,987	392,995
	Noncurrent Liabilities:			
	Total noncurrent liabilities	_____	_____	-0-
	Total liabilities	<u>255,008</u>	<u>137,987</u>	<u>392,995</u>
	NET ASSETS:			
3900	Unrestricted net assets	_____	580,034	580,034
	Total net assets	<u>\$ -0-</u>	<u>\$ 580,034</u>	<u>\$ 580,034</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

**EXHIBIT H-4**  
**Page 1 of 1**

	<u>Medical Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>168,719</u>	\$ <u>267,215</u>	\$ <u>435,934</u>
Total operating revenues	<u>168,719</u>	<u>267,215</u>	<u>435,934</u>
Operating Expenses:			
Insurance claims and expenses	<u>2,764</u>	<u>64,593</u>	<u>67,357</u>
Total operating expenses	<u>2,764</u>	<u>64,593</u>	<u>67,357</u>
Operating income (loss)	<u>165,955</u>	<u>202,622</u>	<u>368,577</u>
Nonoperating Revenues (Expenses):			
Interest and investment revenue	<u>2,108</u>	<u>6,118</u>	<u>8,226</u>
Total nonoperating revenues (expenses)	<u>2,108</u>	<u>6,118</u>	<u>8,226</u>
Change in net assets	168,063	208,740	376,803
Net assets – beginning	( <u>168,063</u> )	<u>371,294</u>	<u>203,231</u>
Net assets – ending	\$ <u><u>-0-</u></u>	\$ <u><u>580,034</u></u>	\$ <u><u>580,034</u></u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

*EXHIBIT H-5*  
*Page 1 of 1*

	Medical Plan	Worker's Compensation	Total (See D-3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 248,820	\$ 289,194	\$ 538,014
Claims paid	( 160,493)	( 130,810)	( 291,303)
Net cash provided (used) by operating activities	<u>88,327</u>	<u>158,384</u>	<u>246,711</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Net cash provided (used) by noncapital financing activities	<u>          </u>	<u>          </u>	<u>-0-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Net cash provided (used) by capital and related financing activities	<u>          </u>	<u>          </u>	<u>-0-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and dividends	<u>2,108</u>	<u>6,118</u>	<u>8,226</u>
Net cash provided by investing activities	<u>2,108</u>	<u>6,118</u>	<u>8,226</u>
Net increase (decrease) in cash and cash equivalents	90,435	164,502	254,937
Balances – beginning	<u>164,573</u>	<u>553,519</u>	<u>718,092</u>
Balances – end	<u>\$ 255,008</u>	<u>\$ 718,021</u>	<u>\$ 973,029</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 165,955	\$ 202,622	\$ 368,577
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Assets and Liabilities:			
Receivables, net	80,101	21,979	102,080
Accounts payable	10,990		10,990
Accrued expenses payable		( 66,217)	( 66,217)
Due to other funds	( 168,719)		( 168,719)
Net cash provided (used) by operating activities	<u>\$ 88,327</u>	<u>\$ 158,384</u>	<u>\$ 246,711</u>

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**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**YEAR ENDED JUNE 30, 2011**

Last Ten Years Ended August 31,	Tax Rates		3 Assessed/Appraised Value for School Tax Purposes	10 Beginning Balance July 1, 2010
	1 Maintenance	2 Debt Service		
2002 and Prior	\$ -----	\$ -----	\$ -----	\$ 412,744
2003	1.47980	0.09650	444,562,330	53,738
2004	1.47980	0.09650	499,458,796	52,401
2005	1.47980	0.39020	534,111,658	73,137
2006	1.50000	0.27000	544,090,282	76,349
2007	1.37000	0.27000	592,613,476	93,310
2008	1.04000	0.25650	651,787,582	110,512
2009	1.04000	0.25650	760,691,631	238,719
2010	1.04000	0.25650	703,524,720	610,316
2011 (School Year Under Audit)	1.04000	0.25650	737,684,998	
1000 Totals				\$ <u>1,721,226</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, 2011
\$	\$ 13,892	\$ 1,705	\$( 96,615)	\$ 300,532
	2,666	174	( 1,094)	49,804
	3,258	212	( 1,334)	47,597
	4,997	1,318	( 1,790)	65,032
	8,304	1,495	( 1,456)	65,094
	13,943	2,748	( 1,109)	75,510
	21,154	5,217	( 472)	83,669
	51,441	12,687	( 583)	174,008
	281,475	69,421	( 15,011)	244,409
<u>9,564,086</u>	<u>7,186,625</u>	<u>1,772,471</u>	<u>( 100,969)</u>	<u>504,021</u>
<u>\$ 9,564,086</u>	<u>\$ 7,587,755</u>	<u>\$ 1,867,448</u>	<u>\$( 220,433)</u>	<u>\$ 1,609,676</u>

**COLUMBIA-BRAZORIA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COST FOR 2011-2012**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2011**

**EXHIBIT J-2**  
**Page 1 of 1**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Office	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Costs	6 (Other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$	\$	\$ 199,658	\$ 314,481	\$ 265,072	\$	\$ 779,211
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	12,535						12,535
6212	Audit services				31,670			31,670
6213	Tax appraisal & collection		79,730					79,730
621X	Other professional services	650			104,394			105,044
6220	Tuition & transfer payments							-0-
6230	Education service centers				3,250			3,250
6240	Contract maint. & repair					6,430		6,430
6250	Utilities							-0-
6260	Rentals				25			25
6290	Miscellaneous contract							-0-
6320	Textbooks & reading							-0-
6330	Testing materials							-0-
63XX	Other supplies/materials	2,678		1,687	9,757	4,661		18,783
6410	Travel, subsistence, stipends	2,592		2,280	5,551	7,294		17,717
6420	Ins. & bonding costs	11,400						11,400
6430	Election costs	7,812						7,812
6490	Miscellaneous operating	22,398		886	2,124	4,245		29,653
6500	Debt service							-0-
6600	Capital outlay							-0-
TOTAL		\$ 60,065	\$ 79,730	\$ 204,511	\$ 471,252	\$ 287,702	\$ -0-	\$ 1,103,260

Total expenditures for General and Special Revenue Funds (9) \$ 25,545,235

FISCAL PERIOD

Total Capital Outlay (6600)	(10) \$	432,394
Total Debt & Lease (6500)	(11)	387,317
Plant Maintenance (Function 51, 6100-6400)	(12)	2,278,606
Food (Function 35, 6341 and 6499)	(13)	649,667
Stipends (6413)	(14)	-0-
Column 4 (above) - Total Indirect Cost		471,252
Subtotal		4,219,236
Net Allowed Direct Cost		\$ 21,235,999

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$	66,650,641
Historical Cost of Buildings over 50 years old	(16) \$	1,448,931
Amount of Federal Money in Building Cost (Net of Above)	(17) \$	-0-
Total Cost of Furniture and Equipment before Depreciation (1530 & 1540)	(18) \$	6,362,362
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	243,085
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$	899,158

Note A - \$ 143,592 in Function 53 expenditures are included in this report on administrative costs.

\$ 66,863 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, 2011**  
**UNAUDITED**

EXHIBIT J-3  
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 06/30/11 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>5,113,378</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	219,520
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 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 deferred revenues)	4,478,431
7	Estimate of one month's average cash disbursements during the regular school session (9/1/11 - 5/31/12)	2,101,990
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.	469,224
10	Estimate of delayed payments from federal sources (59XX).	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds).	
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>7,269,165</u>
13	Excess (deficit) unassigned General Fund balance (1- 12)	\$( <u>2,155,787</u> )

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - FOOD SERVICE SPECIAL REVENUE FUND**  
**YEAR ENDED JUNE 30, 2011**

**EXHIBIT J-4**  
**Page 1 of 1**

Data Control Codes		Food Service Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 548,550	\$ 548,550	\$ 500,220	\$( 48,330)
5800	State program revenues	44,139	44,139	35,039	( 9,100)
5900	Federal program revenues	<u>971,352</u>	<u>971,352</u>	<u>1,072,492</u>	<u>101,140</u>
5020	Total revenues	<u>1,564,041</u>	<u>1,564,041</u>	<u>1,607,751</u>	<u>43,710</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>1,564,041</u>	<u>1,564,041</u>	<u>1,387,697</u>	<u>176,344</u>
6030	Total expenditures	<u>1,564,041</u>	<u>1,564,041</u>	<u>1,387,697</u>	<u>176,344</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>220,054</u>	<u>220,054</u>
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources and (uses)				<u>-0-</u>
1200	Net change in fund balances	-0-	-0-	220,054	220,054
0100	Fund balances – beginning	<u>113,302</u>	<u>113,302</u>	<u>113,302</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 113,302</u>	<u>\$ 113,302</u>	<u>\$ 333,356</u>	<u>\$ 220,054</u>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2011**

*Exhibit J-5*  
*Page 1 of 1*

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 1,998,285	\$ 1,998,285	\$ 1,920,266	\$( 78,019)
5800	State program revenues	<u>582,325</u>	<u>592,325</u>	<u>615,989</u>	<u>23,664</u>
5020	Total revenues	<u>2,580,610</u>	<u>2,590,610</u>	<u>2,536,255</u>	<u>( 54,355)</u>
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	980,000	980,000	980,000	-0-
0072	Interest on long-term debt	1,607,110	1,607,110	1,607,110	-0-
0073	Bond issuance costs and fees	<u>3,500</u>	<u>3,500</u>	<u>1,250</u>	<u>2,250</u>
6030	Total expenditures	<u>2,580,610</u>	<u>2,590,610</u>	<u>2,588,360</u>	<u>2,250</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>( 52,105)</u>	<u>( 52,105)</u>
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources and (uses)				<u>-0-</u>
1200	Net change in fund balances	-0-	-0-	( 52,105)	( 52,105)
0100	Fund balances – beginning	<u>1,928,214</u>	<u>1,928,214</u>	<u>1,928,214</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 1,928,214</u>	<u>\$ 1,928,214</u>	<u>\$ 1,876,109</u>	<u>\$( 52,105)</u>

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**FEDERAL AWARDS SECTION**

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# KENNEMER, MASTERS & LUNSFORD

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## Independent Auditor's Report

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

October 5, 2011

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

We have audited 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 the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

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Board of Trustees  
Columbia-Brazoria Independent School District  
October 5, 2011  
Page 2

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated October 5, 2011.

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

*Kennemer, Masters & Hungford, LLC*

# KENNEMER, MASTERS & LUNSFORD

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## Independent Auditor's Report

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

October 5, 2011

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

### Compliance

We have audited Columbia-Brazoria Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the 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, 2011.

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

Internal Control Over Compliance

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

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

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

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

*Kennerly, Masters & Hunsford, LLC*

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*YEAR ENDED JUNE 30, 2011*

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:
  - ESEA, Title I, Part A Cluster Programs:
    - 84.010 ESEA, Title I, Part A - Improving Basic Programs
    - 84.389 ESEA, Title I, Part A - ARRA/Stimulus
  - IDEA, Part B Cluster Programs:
    - 84.027 IDEA, Part B - Formula
    - 84.173 IDEA, Part B - Preschool
    - 84.027 IDEA, Part B - Discretionary
    - 84.391 IDEA, Part B - Formula - ARRA - LEA
    - 84.392 IDEA, Part B - Preschool - ARRA – LEA
  - 84.394 ARRA - Title XIV - SFSF
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 no findings required to be reported.

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

The audit disclosed no findings required to be reported.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*YEAR ENDED JUNE 30, 2011*

*Page 1 of 1*

None.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*YEAR ENDED JUNE 30, 2011*

None.

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

**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	84.010A	10610101020907	\$ 110,279
ESEA Title I, Part A, Improving Basic Programs	84.010	11691001020907	<u>676,695</u>
			<u>786,974</u>
ESEA Title I Part A - ARRA/Stimulus	84.389	10551001020907	<u>110,574</u>
IDEA Part B, Formula	84.027	106600010209076600	58,547
IDEA Part B, Formula	84.027	116600010209076600	473,941
IDEA Part B, High Cost	84.027	11660001020907	<u>104,823</u>
			<u>637,311</u>
IDEA Part B, Formula - ARRA - LEA	84.391	10554001020907	<u>258,353</u>
IDEA Part B, Preschool	84.173	116610010209076610	<u>22,972</u>
IDEA Part B, Preschool - ARRA - LEA	84.392	1055001020907	<u>694</u>
ARRA - Title XIV - SFSF	84.394	10557001020907	261,147
ARRA - Title XIV - SFSF	84.394	11557001020907	<u>2,072,381</u>
			<u>2,333,528</u>
Vocational Education, Basic Grant	84.048	1142000602090704	<u>41,223</u>
ESEA, Title IV Safe and Drug-Free School and Communities Act	84.186	10685001020907	<u>2,153</u>
Title III, Part A - Bilingual	84.365	10671001020907	4,292
Title III, Part A - Bilingual	84.365	11671001020907	<u>9,930</u>
			<u>14,222</u>
Title II, Part A - Teacher/Principal	84.367	10694501020907	19,953
Title II, Part A - Teacher/Principal	84.367	11694501020907	<u>202,677</u>
			<u>222,630</u>
Title II, Part D - Technology	84.318	10630001020907	<u>1,259</u>
ARRA - Title I, Part D - Technology	84.386	10553001020907	<u>539</u>
SLDS Classroom Link ISDS	84.372	10635002020907	<u>2,718</u>
Summer School LEP	84.369	69551002	<u>1,074</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ <u>4,436,224</u></b>
<u>U. S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program	10.555	---	\$ <u>44,254</u>
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401001	352,388
National School Lunch Program	10.555	71301001	<u>675,850</u>
			<u>1,028,238</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ <u>1,072,492</u></b>

**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued**  
**YEAR ENDED JUNE 30, 2011**

*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 Katy Independent School District:			
Medicaid Administrative Claiming (MAC)	93.778	---	\$ <u>23,448</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ <u>23,448</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>5,532,164</u>
RECONCILIATION:			
Federal program revenues (Exhibit C-2)			\$ 6,132,900
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			( <u>600,736</u> )
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>5,532,164</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, 2011*

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

Special Revenue Funds - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

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

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and 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 deferred revenues until earned.

3. Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 58,374, while the monetary value of goods used and recognized as income and expenditures was \$ 44,254.
4. The District participates in numerous State and Federal grant programs that 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, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

**SCHEDULE FOR ELECTRONIC FILING**

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**COLUMBIA-BRAZORIA INDEPENDENT SCHOOL DISTRICT**  
*REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS*  
 JUNE 30, 2011

*SCHEDULE L-1*  
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<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?	\$ 137,379

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