

**POINT ISABEL  
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2010

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2010

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
 <b><u>Basic Financial Statements</u></b>	
<i>Government Wide Statements:</i>	
A-1 Statement of Net Assets	11
B-1 Statement of Activities	12
<i>Governmental Fund Financial Statements:</i>	
C-1 Balance Sheet	14
C-2 Reconciliation for C-1	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	16
C-4 Reconciliation for C-3	17
<i>Proprietary Fund Financial Statements:</i>	
D-1 Statement of Net Assets	18
D-2 Statement of Revenues, Expenses, and Changes in Fund Net Assets	19
D-3 Statement of Cash Flows	20
<i>Fiduciary Fund Financial Statements:</i>	
E-1 Statement of Fiduciary Net Assets	21
E-2 Statement of Changes in Fiduciary Net Assets	22
Notes to the Financial Statements	23
 <b><u>Budgetary Comparison Schedules</u></b>	
G-1 Budgetary Comparison Schedule - General Fund	38
G-2 Budgetary Comparison Schedule - Child Nutrition Fund	39
G-3 Budgetary Comparison Schedule - Debt Service Fund	40
 <b><u>Combining Statements</u></b>	
<i>Nonmajor Governmental Funds:</i>	
H-1 Combining Balance Sheet	41
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48
<i>Internal Service Funds:</i>	
H-3 Combining Statement of Net Assets	55
H-4 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	56
H-5 Combining Statement of Cash Flows	57
<i>Agency Funds:</i>	
H-6 Combining Statement of Net Assets	58
 <b><u>Required Supplementary Schedules</u></b>	
J-1 Schedule of Delinquent Taxes	59
J-2 Schedule of Expenditures for Computation of Indirect Cost	61
J-3 Fund Balance and Cash Flow Calculation Worksheet	62

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2010

TABLE OF CONTENTS  
(Continued)

<u>Exhibit</u>		<u>Page</u>
	<b><u>Federal Awards Section</u></b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	65
	Schedule of Findings and Questioned Costs	67
	Schedule of Status of Prior Findings	68
	Corrective Action Plan	69
K-1	Schedule of Expenditures of Federal Awards	70
	Notes On Accounting Policies For Federal Awards	72

**CERTIFICATE OF BOARD**

Point Isabel Independent School District  
Name of District

Cameron  
County

031-909  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2010 at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of January, 2011.

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

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

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Point Isabel Independent School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Point Isabel Independent School District, as of August 31, 2010, and the respective changes in financial position and cash flows, where applicable, 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 December 17, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 38 through 40, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PATTILLO, BROWN & HILL, LLP*

December 17, 2010

# Point Isabel Independent School District

101 Port Road  
Port Isabel, Texas 78578  
<http://www.pi-isd.net>



Dr. Estella R. Pineda  
Superintendent of Schools

Phone: 956-943-0020  
Fax: 956-943-1119

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2010

Our discussion and analysis of Point Isabel Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2010. Please read it in conjunction with the District's financial statements, which begins on page 11.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$19,209,263 (*net assets*). Of this amount, \$13,254,269 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$1,614,448, or 9.1%, as a result of this year's operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11,348,645, a decrease of \$2,824,762 in comparison with the prior year. \$6,694,431 is *available for spending* at the District's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,470,715 or 16.5% of total General Fund expenditures.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to external customers. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### ***The Statement of Net Assets and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 11. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is divided into those provided by outside parties who share the costs of some programs, such as tuition received from students and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers (general revenue). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, the District has one kind of activity:

***Government Activities*** – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.



## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

***Governmental Funds*** – The District reports most of its basic services in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

***Proprietary Funds*** – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. 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 insurance and workers' compensation programs.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 21. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$17,593,000 to \$19,207,448. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$13,252,454 at August 31, 2010.

This increase in governmental net assets was the net result of three factors. First, the District's revenue exceeded the expenses by \$2,332,530. Second, the District paid bonds and other long-term debt in the amount of \$2,107,034 and acquired capital assets in the amount of \$2,816,956. Third, the District recorded depreciation in the amount of \$869,141.

**TABLE 1**  
**POINT ISABEL INDEPENDENT SCHOOL DISTRICT**  
**NET ASSETS**

	Governmental Activities 2009	Governmental Activities 2010	Total % Change
Current and other assets	\$ 21,612,196	\$ 19,646,270	-10.01%
Capital assets	<u>32,396,587</u>	<u>34,301,088</u>	5.55%
Total Assets	<u>54,008,783</u>	<u>53,947,358</u>	-0.11%
Other liabilities	1,529,669	947,079	-61.51%
Long-term liabilities	<u>34,896,114</u>	<u>33,792,831</u>	-3.26%
Total Liabilities	<u>36,425,783</u>	<u>34,739,910</u>	-4.85%
Net assets:			
Invested in capital assets, net of related debt	( 2,499,527)	1,077,064	332.07%
Restricted	7,908,653	4,877,930	-62.13%
Unrestricted	<u>12,183,874</u>	<u>13,252,454</u>	8.06%
Total Net Assets	<u>\$ 17,593,000</u>	<u>\$ 19,207,448</u>	8.41%

**TABLE 2**  
**POINT ISABEL INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET ASSETS**

	Governmental Activities 2009	Governmental Activities 2010	Total % Change
<b>REVENUE:</b>			
Program revenue:			
Charges for services	\$ 212,423	\$ 184,263	-13.26%
Operating grants and contributions	3,607,876	5,174,596	43.42%
General revenue:			
Maintenance and operations taxes	33,487,853	33,191,191	-0.89%
Debt service taxes	3,632,434	3,905,796	7.53%
State aid - Formula Grants	5,859,101	3,497,922	-40.30%
Grants and contributions not restricted	1,773,474	1,807,643	1.93%
Investment earnings	278,937	35,290	-87.35%
Miscellaneous local and intermediate	-	200,632	100%
Total Revenue	<u>48,852,098</u>	<u>47,997,333</u>	-1.75%
<b>EXPENSES:</b>			
Instruction	13,626,128	13,808,181	1.34%
Instructional resources and media services	263,823	296,678	12.45%
Curriculum and staff development	519,843	619,611	19.19%
Instructional leadership	233,976	257,799	10.18%
School leadership	1,018,735	1,088,604	6.86%
Guidance, counseling and evaluation services	672,051	685,422	1.99%
Data processing services	1,166,757	501,577	-57.01%
Health services	155,245	170,616	9.90%
Student (pupil) transportation	634,409	813,473	28.23%
Food services	1,787,578	1,859,971	4.05%
Co-curricular/extra curricular activities	1,715,998	1,466,934	-14.51%
General administration	102,219	495,749	384.99%
Plant maintenance and operations	3,395,683	3,633,335	7.00%
Security and monitoring services	807,087	317,649	-60.64%
Community services	81,620	90,859	11.32%
Debt service - interest on long-term debt	2,293,494	2,168,728	-5.44%
Bond issuance cost and fees	1,713	2,349	37.13%
Contractual Instructional Services	17,146,185	16,792,916	-2%
Other Intergovernmental Changes	385,223	594,352	100.00%
Total Expenses	<u>46,007,767</u>	<u>45,664,803</u>	-0.75%
<b>INCREASE IN NET ASSETS</b>	2,844,331	2,332,530	-17.99%
<b>NET ASSETS, BEGINNING</b>	14,748,669	17,593,000	19.29%
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>( 718,082)</u>	
<b>NET ASSETS, ENDING</b>	<u>\$ 17,593,000</u>	<u>\$ 19,207,448</u>	9.18%

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of approximately \$11.3 million, which is a decrease of last year's total of \$14.1 million. Included in this year's total change in fund balance is a decrease of approximately \$.9 million in the District's Capital Projects Funds. In addition, the District's expenditures decreased by approximately \$2 million, with a decrease of General Fund revenues of \$1.7 million.

Over the course of the year, the Board of Trustees amended the District's budget several times. These amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August of 2009). Also, the second category was the Board approving several increases in appropriations to prevent budget overruns.

The District's General Fund balance of \$10,540,739 reported on page 38 differs from the General Fund's budgetary fund balance of \$8,949,433. This is principally due to conservative budgeting principles.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, the District had approximately \$34.3 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment.

This year's major additions included:

Construction in progress	\$	2,258,761
Buildings and improvements		176,897
Furniture and equipment		<u>381,298</u>
Total	\$	<u><u>2,816,956</u></u>

### Debt

At year-end, the District had approximately \$33.2 million in bonds outstanding versus approximately \$34.8 million last year. The District's general obligation bond rating continues to carry the highest rating possible, a rating that has been assigned by national rating agencies.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal year 2010 budget and tax rates. The District expects tax revenue to increase modestly for fiscal year 2011. Continued growth in the tax base and a 2 cent tax rate increase

is expected to be the driving force in increased collections. The District also expects expenditures to grow.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration Office, at 101 Port Road, Port Isabel, Texas.

## **BASIC FINANCIAL STATEMENTS**

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2010

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 12,517,510	\$ 1,815	\$ 12,519,325
1220 Property Taxes Receivable (Delinquent)	5,560,402	-	5,560,402
1230 Allowance for Uncollectible Taxes	(1,668,120)	-	(1,668,120)
1240 Due from Other Governments	3,209,639	-	3,209,639
1290 Other Receivables, net	11,700	-	11,700
1300 Inventories	15,139	-	15,139
Capital Assets:			
1510 Land	339,511	-	339,511
1520 Buildings, Net	5,526,253	-	5,526,253
1530 Furniture and Equipment, Net	754,838	-	754,838
1580 Construction in Progress	27,680,486	-	27,680,486
1000 Total Assets	<u>53,947,358</u>	<u>1,815</u>	<u>53,949,173</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	277,825	-	277,825
2160 Accrued Wages Payable	433,521	-	433,521
2180 Due to Other Governments	36,501	-	36,501
2200 Accrued Expenses	34,740	-	34,740
2300 Deferred Revenues	164,492	-	164,492
Noncurrent Liabilities			
2501 Due Within One Year	2,284,327	-	2,284,327
2502 Due in More Than One Year	31,508,504	-	31,508,504
2000 Total Liabilities	<u>34,739,910</u>	<u>-</u>	<u>34,739,910</u>
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	1,077,064	-	1,077,064
Restricted for:			
3860 Restricted for Capital Projects	807,906	-	807,906
3890 Restricted for Other Purposes	4,070,024	-	4,070,024
3900 Unrestricted Net Assets	13,252,454	1,815	13,254,269
3000 Total Net Assets	<u>\$ 19,207,448</u>	<u>\$ 1,815</u>	<u>\$ 19,209,263</u>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 13,808,181	\$ 19,340	\$ 4,170,482
12 Instructional Resources and Media Services	296,678	-	11,653
13 Curriculum and Staff Development	619,611	-	385,310
21 Instructional Leadership	257,799	-	18,943
23 School Leadership	1,088,604	-	77,110
31 Guidance, Counseling and Evaluation Services	685,422	-	108,465
33 Health Services	170,616	-	7,471
34 Student (Pupil) Transportation	813,473	-	145,410
35 Food Services	1,859,971	63,456	35,466
36 Extracurricular Activities	1,466,934	101,467	26,471
41 General Administration	495,749	-	40,006
51 Plant Maintenance and Operations	3,633,335	-	40,571
52 Security and Monitoring Services	317,649	-	15,960
53 Data Processing Services	501,577	-	6,512
61 Community Services	90,859	-	84,766
72 Debt Service - Interest on Long Term Debt	2,168,728	-	-
73 Debt Service - Bond Issuance Cost and Fees	2,349	-	-
91 Contracted Instructional Services Between Schools	16,792,916	-	-
99 Other Intergovernmental Charges	594,352	-	-
[TG] Total Governmental Activities:	45,664,803	184,263	5,174,596
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 45,664,803	\$ 184,263	\$ 5,174,596

Data	General Revenues:
Control	Taxes:
Codes	MT Property Taxes, Levied for General Purposes
	DT Property Taxes, Levied for Debt Service
	SF State Aid - Formula Grants
	GC Grants and Contributions not Restricted
	IE Investment Earnings
	MI Miscellaneous Local and Intermediate Revenue
	TR Total General Revenues
	CN Change in Net Assets
	NB Net Assets--Beginning
	PA Prior Period Adjustment
	NE Net Assets--Ending

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



Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (9,618,359)	\$ -	\$ (9,618,359)
(285,025)	-	(285,025)
(234,301)	-	(234,301)
(238,856)	-	(238,856)
(1,011,494)	-	(1,011,494)
(576,957)	-	(576,957)
(163,145)	-	(163,145)
(668,063)	-	(668,063)
(1,761,049)	-	(1,761,049)
(1,338,996)	-	(1,338,996)
(455,743)	-	(455,743)
(3,592,764)	-	(3,592,764)
(301,689)	-	(301,689)
(495,065)	-	(495,065)
(6,093)	-	(6,093)
(2,168,728)	-	(2,168,728)
(2,349)	-	(2,349)
(16,792,916)	-	(16,792,916)
(594,352)	-	(594,352)
(40,305,944)	-	(40,305,944)
(40,305,944)	-	(40,305,944)
33,191,191	-	33,191,191
3,905,796	-	3,905,796
3,497,922	-	3,497,922
1,807,643	-	1,807,643
35,290	-	35,290
200,632	-	200,632
42,638,474	-	42,638,474
2,332,530	-	2,332,530
17,593,000	1,815	17,594,815
(718,082)	-	(718,082)
\$ 19,207,448	\$ 1,815	\$ 19,209,263

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2010

Data Control Codes	10 General Fund	Texas Fitness Now Grant	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 8,767,213	\$ 715,368	\$ (600,557)	\$ 8,882,024
1220 Property Taxes - Delinquent	5,007,814	-	552,588	5,560,402
1230 Allowance for Uncollectible Taxes	(1,502,344)	-	(165,776)	(1,668,120)
1240 Receivables from Other Governments	1,085,380	6,650	2,117,609	3,209,639
1260 Due from Other Funds	2,232,233	-	24,290	2,256,523
1290 Other Receivables	11,700	-	-	11,700
1300 Inventories	15,139	-	-	15,139
1000 Total Assets	<u>\$ 15,617,135</u>	<u>\$ 722,018</u>	<u>\$ 1,928,154</u>	<u>\$ 18,267,307</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 275,883	\$ -	\$ 1,942	\$ 277,825
2160 Accrued Wages Payable	433,521	-	-	433,521
2170 Due to Other Funds	692,136	722,018	687,955	2,102,109
2180 Due to Other Governments	36,501	-	-	36,501
2200 Accrued Expenditures	11,571	-	360	11,931
2300 Deferred Revenues	3,626,784	-	429,991	4,056,775
2000 Total Liabilities	<u>5,076,396</u>	<u>722,018</u>	<u>1,120,248</u>	<u>6,918,662</u>
Fund Balances:				
Reserved For:				
3410 Investments in Inventory	15,139	-	-	15,139
3420 Retirement of Long Term Debt	-	-	584,190	584,190
3450 Food Service/Federal or State Funds	153,102	-	-	153,102
3490 Other Reserved/Restricted Fund Balance	3,901,783	-	-	3,901,783
Unreserved and Undesignated:				
3600 Reported in the General Fund	6,470,715	-	-	6,470,715
3620 Reported in Capital Projects Funds	-	-	223,716	223,716
3000 Total Fund Balances	<u>10,540,739</u>	<u>-</u>	<u>807,906</u>	<u>11,348,645</u>
4000 Total Liabilities and Fund Balances	<u>\$ 15,617,135</u>	<u>\$ 722,018</u>	<u>\$ 1,928,154</u>	<u>\$ 18,267,307</u>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2010

<b>Total Fund Balances - Governmental Funds</b>	\$	11,348,645
The District uses internal service funds to charge the costs of certain activities, such as transportation, insurance, catering and workers' compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		3,458,263
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$51,180,516 and the accumulated depreciation was \$18,783,929. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to (decrease) net assets.		(2,499,527)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase net assets.		4,489,046
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(869,141)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		3,280,162
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>19,207,448</b>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		10 General Fund	Texas Fitness Now Grant	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 33,297,989	\$ -	\$ 3,902,485	\$ 37,200,474
5800	State Program Revenues	4,187,675	6,705	205,441	4,399,821
5900	Federal Program Revenues	1,806,334	-	4,274,006	6,080,340
5020	Total Revenues	39,291,998	6,705	8,381,932	47,680,635
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	9,498,333	6,705	3,758,301	13,263,339
0012	Instructional Resources and Media Services	293,462	-	3,216	296,678
0013	Curriculum and Instructional Staff Development	240,581	-	379,030	619,611
0021	Instructional Leadership	250,159	-	7,640	257,799
0023	School Leadership	1,058,630	-	29,974	1,088,604
0031	Guidance, Counseling and Evaluation Services	601,223	-	84,199	685,422
0033	Health Services	169,779	-	837	170,616
0034	Student (Pupil) Transportation	812,117	-	121,836	933,953
0035	Food Services	1,844,121	-	3,380	1,847,501
0036	Extracurricular Activities	1,372,194	-	75	1,372,269
0041	General Administration	981,446	-	-	981,446
0051	Facilities Maintenance and Operations	3,748,580	-	2,079	3,750,659
0052	Security and Monitoring Services	313,697	-	2,452	316,149
0053	Data Processing Services	505,915	-	1,662	507,577
0061	Community Services	6,093	-	84,766	90,859
<b>Debt Service:</b>					
0071	Debt Service - Principal on Long Term Debt	-	-	2,065,652	2,065,652
0072	Debt Service - Interest on Long Term Debt	-	-	1,810,717	1,810,717
0073	Debt Service - Bond Issuance Cost and Fees	-	-	2,349	2,349
<b>Capital Outlay:</b>					
0081	Facilities Acquisition and Construction	136,250	-	2,245,911	2,382,161
<b>Intergovernmental:</b>					
0091	Contracted Instructional Services Between Schools	16,792,916	-	-	16,792,916
0099	Other Intergovernmental Charges	594,352	-	-	594,352
6030	Total Expenditures	39,219,848	6,705	10,604,076	49,830,629
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	72,150	-	(2,222,144)	(2,149,994)
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	1,338,018	1,338,018
8911	Transfers Out (Use)	(1,338,018)	-	-	(1,338,018)
7080	Total Other Financing Sources (Uses)	(1,338,018)	-	1,338,018	-
1200	Net Change in Fund Balances	(1,265,868)	-	(884,126)	(2,149,994)
0100	Fund Balance - September 1 (Beginning)	12,555,344	-	1,618,063	14,173,407
1300	Increase (Decrease) in Fund Balance	(748,737)	-	73,969	(674,768)
3000	Fund Balance - August 31 (Ending)	\$ 10,540,739	\$ -	\$ 807,906	\$ 11,348,645

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

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(2,149,994)
The District uses internal service funds to charge the costs of certain activities, such as transportation, insurance, catering and workers' compensation, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		510,370
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase net assets.		4,489,046
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(869,141)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		352,249
<b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>2,332,530</u>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2010

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,815	\$ 3,635,486
Due from Other Funds	-	275
Total Assets	1,815	3,635,761
<b>LIABILITIES</b>		
Current Liabilities:		
Due to Other Funds	-	154,689
Accrued Expenses	-	22,809
Total Liabilities	-	177,498
<b>NET ASSETS</b>		
Unrestricted Net Assets	1,815	3,458,263
Total Net Assets	\$ 1,815	\$ 3,458,263

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ -	\$ 2,526,073
State Program Revenues	-	497
Total Operating Revenues	-	2,526,570
OPERATING EXPENSES:		
Payroll Costs	-	320,439
Supplies and Materials	-	47,893
Other Operating Costs	-	1,647,868
Total Operating Expenses	-	2,016,200
Operating Income	-	510,370
Total Net Assets - September 1 (Beginning)	1,815	2,947,893
Total Net Assets - August 31 (Ending)	\$ 1,815	\$ 3,458,263

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ -	\$ 2,551,245
Cash Payments to Employees for Services	-	(55,552)
Cash Payments for Other Operating Expenses	-	(1,908,792)
Net Cash Provided by Operating Activities	-	586,901
Net Increase in Cash and Cash Equivalents	-	586,901
Cash and Cash Equivalents at Beginning of the Year:	1,815	3,048,585
Cash and Cash Equivalents at the End of the Year:	\$ 1,815	\$ 3,635,486
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>    Provided by Operating Activities:</u>		
Operating Income (Loss):	\$ -	\$ 510,370
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	-	40,583
Increase (decrease) in Accounts Payable	-	(21,658)
Increase (decrease) in Due to Other Funds	-	57,606
Net Cash Provided by Operating Activities	\$ -	\$ 586,901

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



POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2010

	836-849 Investment Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 257,509	\$ 439,929
Other Receivables	-	7,440
Total Assets	<u>257,509</u>	<u>\$ 447,369</u>
<b>LIABILITIES</b>		
Accounts Payable	10,909	\$ 49,835
Due to Other Governments	-	225,841
Due to Student Groups	-	105,926
Accrued Expenses	-	65,767
Total Liabilities	<u>10,909</u>	<u>\$ 447,369</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>246,600</u>	
Total Net Assets	<u>\$ 246,600</u>	

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

	836-849 Investment Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 247,214
State Program Revenues	5,858
Total Additions	253,072
<b>DEDUCTIONS:</b>	
Payroll Costs	118,296
Professional and Contracted Services	25,226
Supplies and Materials	1,643
Other Operating Costs	3,883
Total Deductions	149,048
Change in Net Assets	104,024
Total Net Assets - September 1 (Beginning)	142,576
Total Net Assets - August 31 (Ending)	\$ 246,600

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Point Isabel Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. 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* 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”) and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

The Board of School Trustees (the “Board”), a seven-member group, has governance responsibilities over all activities related to educational services within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity” and there are no component units within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the District.

The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants through the Department of Education and the Department of Agriculture. If revenue is not program revenue, it is general revenue used to support all of the District’s functions.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (Continued)

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property tax revenue. 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.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**D. BASIS OF PRESENTATION - FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **General Fund** - is used to account for financial resources used for general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds, are accounted for in this fund.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. BASIS OF PRESENTATION - FUND ACCOUNTING** (Continued)

2. *Texas Fitness Now Grant* – is used to account for resources restricted to, or designated for specific purposes as stipulated within the contract.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. *Special Revenue Funds* - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Normally, unused balances are returned to the grantor at the close of specified project periods.
2. *Debt Service Fund* - is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
3. *Capital Projects Funds* - are used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.
4. *Permanent Funds* - are used to account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Fund:

1. *Internal Service Funds* - are used to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis.
2. *Enterprise Fund* - are used to account for revenues and expenses related to services provided to organizations inside the District.

Fiduciary funds:

1. *Private Purpose Trust Funds* - are used to account for donations, which have stipulations that the principal may not be expended; only the income may be used for a specific purpose.
2. *Agency Funds* – are used to account for resources held for others in a custodial capacity.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance and food service items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
4. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. The District defines capital assets 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**E. OTHER ACCOUNTING POLICIES** (Continued)

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	10
Vehicles	5-8
Office Equipment	5
Computer Equipment	5

5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
7. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts and service Districts to display these codes in the financial statements filed with the agency in order to insure accuracy in building a statewide database for policy development and funding plans.
8. The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2006, 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 four fiscal years.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including capital leases payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS (Continued)**

<u>Capital Assets at the Beginning of Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of Year</u>	<u>Change in Net Assets</u>
Land	\$ 339,511	\$ -	\$ 339,511	
Construction in progress	25,421,725	-	25,421,725	
Buildings	23,252,284	(17,214,573)	6,037,711	
Furniture & Equipment	<u>2,166,996</u>	<u>(1,569,356)</u>	<u>597,640</u>	
Change in Net Assets				<u>\$ 32,396,587</u>
 <u>Long - Term Liabilities at the Beginning of Year</u>			<u>Payable at the Beginning of Year</u>	
Bonds Payable			(28,622,881)	
Accreted Interest			<u>(6,273,233)</u>	
Change in Net Assets				<u>(34,896,114)</u>
Net Adjustment to Net Assets				<u>\$ (2,499,527)</u>

**B. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments in Net Assets</u>
Construction in Progress	\$ 2,258,761	\$ 2,258,761	
Buildings & Improvements	176,897	176,897	
Furniture & Equipment	<u>381,298</u>	<u>381,298</u>	
Total Capital Outlay			<u>\$ 2,816,956</u>
 <u>Debt Principal Payments</u>			
Bond Principal Payments	2,065,652	2,065,652	
Accreted Interest, Net	<u>(393,562)</u>	<u>(393,562)</u>	
Total Principal Payments	<u>1,672,090</u>	<u>1,672,090</u>	<u>1,672,090</u>
Net Adjustment to Net Assets			<u>\$ 4,489,046</u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board adopts an “appropriated budget” for the General Fund, which is included in the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. BUDGETARY DATA (Continued)**

The following procedures are followed in establishing the budgetary data reflected in the governmental fund statements:

1. Prior to August 20<sup>th</sup>, the District prepares a budget for the next succeeding fiscal year beginning September 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1<sup>st</sup>, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. During the year, the budget was amended as necessary. These were no significant budget amendments passed during the 2009-2010 school year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31<sup>st</sup>, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended August 31, 2010 expenditures exceeded budget in the following line item:

General Fund	
<u>Function</u>	<u>Amount</u>
91	<u>\$ 373,509</u>

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$7,918,100 and the bank balance was \$8,626,879. The District's cash deposits at August 31, 2010 and during the year were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.



**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS (Continued)**

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

- a. Depository: First National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$0.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$14,908,397 and occurred during the month of November 2009.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$14,908,397.

District Policies and Legal Contractual Provisions Governing Deposits

**Custodial Credit Risk for Deposits** – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial risk for deposits.

**Foreign Currency Risk for Deposits** – The District limits the risk that changes in exchange rates will adversely affect the fair value of a deposit. At year-end, the District was not exposed to foreign currency risk.

District Policies and Legal Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. The policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

The District’s temporary investments at August 31, 2010, are shown below:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>			
		<b>Less Than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More Than 10</b>
Texpool Investments	\$ 4,280,421	\$ 4,280,421	\$ -	\$ -	\$ -
Lone Star Investments	320,804	320,804	-	-	-
Total	<u>\$ 4,601,225</u>	<u>\$ 4,601,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

**Credit Risk** – In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalent. As of August 31, 2010, the District’s investments in Lone Star Investment Pool was rated AAAs/t by Standard and Poor’s (S&P) and TexPool was rated AAAM by Standard and Poor’s (S&P).

**Custodial Risk for Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties were fully collateralized and held in the District’s name.

**Concentration of Credit Risk** – The investment portfolio is diversified in terms of investment instruments and maturity scheduling to reduce risk of loss resulting from over concentration of assets in specific class of investments, specific maturity or specific issuer.

**Interest Rate Risk** – In accordance with state law and the District’s investment policy, the District does not purchase any investments greater than five (5) years for its operating funds.

**Foreign Currency Risk for Investments** – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. 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 Taxes 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.

**D. DUE FROM 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. Amounts due from federal and state governments as of August 31, 2010, are included and reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	State <u>Entitlements</u>	Federal <u>Grants</u>	<u>Total</u>
General	\$ 1,027,715	\$ 57,665	\$ 1,085,380
Special Revenue	<u>1,555,293</u>	<u>568,966</u>	<u>2,124,259</u>
Total	<u>\$ 2,583,008</u>	<u>\$ 626,631</u>	<u>\$ 3,209,639</u>

IV. **DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS** (Continued)

E. **INTERFUND RECEIVABLES AND PAYABLES**

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

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
<b><u>General fund</u></b>		
General fund	\$ 609,999	\$ 681,730
Special revenue funds	896,112	9,850
Capital projects fund	500,000	-
Debt service fund	-	556
Internal service funds	<u>226,122</u>	<u>-</u>
Total general fund	<u>2,232,233</u>	<u>692,136</u>
<b><u>Special revenue funds</u></b>		
General fund	10,570	896,112
Special revenue funds	12,866	13,586
Internal service funds	<u>298</u>	<u>-</u>
Total special revenue funds	<u>23,734</u>	<u>909,698</u>
<b><u>Debt service fund</u></b>		
General fund	556	-
Internal service funds	<u>-</u>	<u>275</u>
Total debt service fund	<u>556</u>	<u>275</u>
<b><u>Capital projects fund</u></b>		
General fund	<u>-</u>	<u>500,000</u>
Total capital projects fund	<u>-</u>	<u>500,000</u>
<b><u>Internal service funds</u></b>		
General fund	-	154,391
Special revenue funds	-	298
Deb service fund	<u>275</u>	<u>-</u>
Total internal service funds	<u>275</u>	<u>154,689</u>
Totals	<u>\$ 2,256,798</u>	<u>\$ 2,256,798</u>

Balances resulted from (1) end of year reclasses made between funds, and (2) interfund payroll transactions.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2010, was as follows:

	Balance	Changes During Year			Balance
	<u>9/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>8/31/2010</u>
Governmental Activities:					
Land	\$ 339,511	\$ -	\$ -	\$ -	\$ 339,511
Construction in progress	25,421,725	2,258,761	-	-	27,680,486
Buildings & improvements	23,252,284	176,897	(46,643)	-	23,382,538
Furniture & equipment	<u>2,166,996</u>	<u>381,298</u>	<u>(6,000)</u>	-	<u>2,542,294</u>
Totals at historic cost	<u>51,180,516</u>	<u>2,816,956</u>	<u>(52,643)</u>	-	<u>53,944,829</u>
Less accumulated depreciation:					
Buildings & improvements	(17,214,573)	(651,041)	9,329	-	(17,856,285)
Furniture & equipment	<u>(1,569,356)</u>	<u>(218,100)</u>	-	-	<u>(1,787,456)</u>
Total accum. depreciation	<u>(18,783,929)</u>	<u>(869,141)</u>	<u>9,329</u>	-	<u>(19,643,741)</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 32,396,587</u>	<u>\$ 1,947,815</u>	<u>\$ (43,314)</u>	<u>\$ -</u>	<u>\$ 34,301,088</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 553,538
Student (pupil) transportation	167,161
Cocurricular/extracurricular activities	94,665
General administration	12,107
Security	1,500
Food service	15,003
Plant maintenance & operations	<u>25,167</u>
Totals	<u>\$ 869,141</u>

**G. BONDS PAYABLE**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Effective interest rates range from 4.00% to 6.125%.

A summary of changes in bonds payable for the year ended August 31, 2010, is as follows:

Description	Interest Rate	Amount of Original Issue	Interest Current Year	Balance 09/01/09	Retired	Increase Accreted Interest	Balance 08/31/10
CAB - Series 1996	4.35-5.10%	\$ 6,078,946	\$ 704,348	\$ 3,737,881	\$ (570,652)	\$ -	\$ 3,167,229
Accreted Int- 1996	-	-	-	6,231,851	-	434,944	6,666,795
Series 1999	4.125-6.125%	4,000,000	94,856	2,200,000	(230,000)	-	1,970,000
CAB-Series 2006A	4.00%	930,000	5,300	265,000	(265,000)	-	-
Accreted Int- 2006A	-	-	-	41,382	(41,382)	-	-
Series 2006B	4.00-5.00%	23,755,000	1,006,213	22,420,000	(1,000,000)	-	21,420,000
Totals			<u>\$ 1,810,717</u>	<u>\$ 34,896,114</u>	<u>\$ (2,107,034)</u>	<u>\$ 434,944</u>	<u>\$ 33,224,024</u>

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**G. BONDS PAYABLE (Continued)**

Debt service requirements are as follows:

Year Ending <u>August 31,</u>	General Obligations		Total Requirements
	Principal	Interest	
2011	\$ 2,284,327	\$ 1,774,124	\$ 4,058,451
2012	1,736,187	1,791,632	3,527,819
2013	1,750,456	1,771,313	3,521,769
2014	1,773,464	1,754,649	3,528,113
2015	1,806,215	1,725,307	3,531,522
2016-2020	7,526,580	4,786,473	12,313,053
2021-2025	7,905,000	1,336,863	9,241,863
2026	1,775,000	39,938	1,814,938
Totals	<u>\$ 26,557,229</u>	<u>\$ 14,980,299</u>	<u>\$ 41,537,528</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

Bonds payable at August 31, 2010 are comprised of the following individual issues:

On April 19, 1996, the District issued Unlimited Tax School and Refunding Bonds, Series 1996 in the amount of \$6,078,946. The bonds were issued with interest rates varying from 4.35% to 5.10%.

The 1996 Series bonds were issued for building and to refund part of the Unlimited Tax Refunding Bonds, Series 1989 with \$2,199,993 principal outstanding. The 1996 Bonds carried an initial principal amount of \$6,089,946, and after the District paid issuance costs of \$79,294 the net proceeds were \$5,999,651.

Some of the above proceeds were used to issue Unlimited Tax Refunding Bonds, which were used to purchase U.S. Government securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments to the advance refunded issues. The advanced refunding met the requirements of an insubstance debt defeasance and the refunded part of the bonds was removed from the District's General Long-Term Debt Account Group.

As a result of the advanced refundings, the District reduced its total debt service requirements by \$201,797 for the 1993 Series and \$363,628 for the 1996 Series, which resulted in an economic gain (difference between the present value of the debt service payments and the old and new debt) of \$201,797 and \$107,589, respectively.

On July 20, 2000, the District issued Unlimited Tax Refunding Bonds, Series 1999 in the amount of \$4,000,000. The bonds were issued with interest rates varying between 4.125% and 6.125%. Proceeds from the sale of the bonds will be used to construct, renovate and equip school buildings in the District and the purchase of necessary sites. These bonds are due in various amounts beginning February 1, 2001 through February 1, 2017. Payment of interest will begin on February 1, 2001 and each August 1 and February 1 thereafter, until the earlier of maturity or prior redemption.

On September 21, 2006, the District issued Unlimited Tax School Building Bonds, Series 2006-B in the amount of \$23,755,000. The bonds were issued with interest rates varying between 4.0% and 5.0%. Proceeds from the sale of bonds will be used to construct, renovate, and equip school buildings in the District. These bonds are due in various amounts beginning February 1, 2007 through February 1, 2026. Payment of interest will begin on February 1, 2007 and each August 1 and February 1 thereafter, until the earlier of maturity or prior redemption.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**G. BONDS PAYABLE (Continued)**

On September 21, 2006, the District issued Unlimited Tax Refunding Bonds, Series 2006-A in the amount of \$930,000. The bonds were issued with an interest rate of 4.0%. These bonds were used to pay costs of issuance of the Bonds and to defease and refund the Refunded Obligations in order to achieve a restructuring of the debt service requirements of the issuer, which will result in a composite gross debt service loss of \$42,785.28 and a composite present value debt service loss of \$41,418.21. The District has determined to call for defease to maturity on February 15, 2007 at 100% par of Refunded Obligations maturing in 2007, to defease to maturity on February 15, 2008 at 100% par of Refunded Obligations maturing in 2008, to defease to maturity on February 15, 2009 at 100% par of Refunded Obligations maturing in 2009, to defease to maturity on February 15, 2010 at 100% par of Refunded Obligations maturing in 2010.

**H. CHANGES IN GENERAL LONG-TERM DEBT**

	Balance <u>9/01/2009</u>	Principal <u>Issued</u>	Principal <u>Retired</u>	Increase Accreted <u>Interest</u>	Balance <u>8/31/2010</u>
General Obligation Bonds	\$ 28,622,881	\$ -	\$ (2,065,652)	\$ -	\$ 26,557,229
Accreted Interest	6,273,233	-	(41,382)	434,944	6,666,795
Discount on Bonds	604,358	-	(35,551)	-	568,807
Total	<u>\$ 35,500,472</u>	<u>\$ -</u>	<u>\$ (2,142,585)</u>	<u>\$ 434,944</u>	<u>\$ 33,792,831</u>

**I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

At August 31, 2010, the District had no liability for unpaid vacation or sick leave benefits.

**J. DEFERRED REVENUE**

Deferred revenue at year-end within the general fund consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Deferred Amount</u>
Net Tax Revenue	General	\$ 3,505,470
Disaster Aid Revenue	General	121,314
Grant Revenue	Special Revenue	43,179
Net Tax Revenue	Debt Service	<u>386,812</u>
		<u>\$ 4,056,775</u>

**K. PENSION PLAN**

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple employer defined 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, Chapter 803 and 805, respectively. 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 8701, by calling the TRS Communications Department at 1-800-223-8778 or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS publication heading.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**K. PENSION PLAN (Continued)**

**2. Funding Policy**

State law provides a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate 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 the members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reduction if, as a result of a particular action, the time required to amortize TRS's unfounded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the Point Isabel Independent School District employees for the years ended August 31, 2008, 2009, and 2010 in the amount of \$673,276, \$740,444, and \$688,444 respectively. The Point Isabel Independent School District paid additional state contributions for the years ended August 2008, 2009, 2010 in the amount of \$273,756, \$302,296 and \$329,179 respectively, on the portion of the employees' salaries that exceed the statutory minimum.

**3. Medicare Part D**

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. GASB Statement No. 24 requires recognition of these on-behalf payments in the financial statements. Medicare Part D payments made on-behalf of Point Isabel ISD participants for the years ended August 31, 2008, 2009, and 2010 were \$31,184, \$33,194, and \$38,167 respectively.

**L. HEALTH CARE COVERAGE**

During the year ended August 31, 2010 employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$325 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Life Insurance of North America, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$65,000. The aggregate stop-loss coverage is \$1,327,115.

Latest financial statements for the self insurance fund are available for the year ended August 31, 2010, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public record.

The following is a summary of the changes in the balances of claims liabilities for the year ended August 31, 2010:

Unpaid claims, beginning of the year	\$ 1,439,063
Incurred claims (including IBNRs)	1,061,692
Claim payments	<u>(860,948)</u>
Unpaid claims, end of the year	<u>\$ 1,639,807</u>

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**M. GENERAL FUND FEDERAL SOURCE REVENUES**

The following summarizes general fund federal program revenues:

	CFDA	
<u>Program or Source</u>	<u>Number</u>	<u>Amount</u>
National School Lunch Program	10.555	\$ 964,766
School Breakfast Program	10.553	541,576
Food Distribution	10.550	80,128
School Health Related Services	N/A	198,457
Medicaid Administrative Claiming Program	N/A	19,880
Total Programs		<u>\$ 1,804,807</u>

**N. LOCAL AND INTERMEDIATE REVENUES**

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

<u>Revenue Description</u>	<u>Fund</u>	<u>Revenue Amount</u>
Property Taxes	General	\$ 32,276,809
Penalties, Interest and Other		
Tax related income	General	803,414
Investment Income	General	33,503
Local Sources	General	84,087
Food Sales	General	50,842
Other	General	49,334
Property Taxes	Debt Service	3,811,083
Penalties, Interest and Other		
Tax related income	Debt Service	89,615
Investment Income	Debt Service	1,620
Investment Income	Capital Projects	167
Investment Income	Internal Service	5,218
Local Sources	Internal Service	2,520,855
Local Sources	Trust & Agency	247,214
Total		<u>\$ 39,973,761</u>

**O. LITIGATION**

The District's attorney reports no litigation that would have a negative fiscal consequence to the District. There were no other threatened or pending claims or assessments that would have, either separately or collectively, a material impact on the District.

**P. COMMITMENTS AND CONTINGENCIES**

The District participates in grant programs, which are governed by various rules and regulations of the grantor as 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, refunds of any money received may be required and the collectability of any related receivable 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.



**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**Q. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**R. INCREASE (DECREASE) IN FUND BALANCES**

Adjustments to the fund balance during the 2009-2010 school year consisted of the following:

<u>Description</u>	General <u>Fund</u>	Special <u>Revenue</u>	Capital <u>Projects</u>	<u>Total</u>
Prior Year Chapter 41 Payments	\$ (2,057,483)	\$ -	\$ -	\$ (2,057,483)
Prior Year E-Rate Reimbursements	902,289	-	-	902,289
Insurance Proceeds from Hurricane Dolly	396,136	-	-	396,136
Other	10,321	(20)	73,989	84,290
Total	<u>\$ (748,737)</u>	<u>\$ (20)</u>	<u>\$ 73,989</u>	<u>\$ (674,768)</u>

**S. MAINTENANCE OF EFFORT**

The District sponsors a modified self-insurance plan to provide health care benefits to employees and their dependents.

A. Total District Contributions for health care for 2009-2010	<u>\$ 1,503,830</u>
B. Subtract any non-medical expenditures:	
Life insurance	\$ 5,567
Dental insurance	-
Vision insurance	-
Long-term disability	-
Short-term disability	-
Alternate plans	-
COBRA expense	-
Retiree expense	-
One-time catastrophic claims	-
C. 2009-2010 Maintenance of Effort	<u>\$ 1,498,263</u>

# **BUDGETARY COMPARISON SCHEDULES**

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 33,257,901	\$ 33,257,901	\$ 33,297,989	\$ 40,088
5800 State Program Revenues	5,303,810	4,547,694	4,187,675	(360,019)
5900 Federal Program Revenues	1,809,674	1,814,450	1,806,334	(8,116)
5020 Total Revenues	40,371,385	39,620,045	39,291,998	(328,047)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	11,298,412	10,743,453	9,498,333	1,245,120
0012 Instructional Resources and Media Services	356,068	356,068	293,462	62,606
0013 Curriculum and Instructional Staff Development	303,992	353,713	240,581	113,132
0021 Instructional Leadership	357,747	357,747	250,159	107,588
0023 School Leadership	1,167,708	1,169,589	1,058,630	110,959
0031 Guidance, Counseling and Evaluation Services	612,216	615,216	601,223	13,993
0033 Health Services	168,489	173,089	169,779	3,310
0034 Student (Pupil) Transportation	1,006,364	1,034,364	812,117	222,247
0035 Food Services	1,855,881	1,950,633	1,844,121	106,512
0036 Extracurricular Activities	1,548,488	1,718,231	1,372,194	346,037
0041 General Administration	1,051,980	1,165,224	981,446	183,778
0051 Facilities Maintenance and Operations	4,133,581	4,431,706	3,748,580	683,126
0052 Security and Monitoring Services	341,677	344,700	313,697	31,003
0053 Data Processing Services	360,899	1,122,791	505,915	616,876
0061 Community Services	20,076	20,076	6,093	13,983
Debt Service:				
0073 Debt Service - Bond Issuance Cost and Fees	500	500	-	500
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	600,563	136,250	464,313
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	15,942,844	16,419,407	16,792,916	(373,509)
0099 Other Intergovernmental Charges	560,534	648,886	594,352	54,534
6030 Total Expenditures	41,087,456	43,225,956	39,219,848	4,006,108
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(716,071)	(3,605,911)	72,150	3,678,061
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	-	-	(1,338,018)	(1,338,018)
7080 Total Other Financing Sources (Uses)	-	-	(1,338,018)	(1,338,018)
1200 Net Change in Fund Balances	(716,071)	(3,605,911)	(1,265,868)	2,340,043
0100 Fund Balance - September 1 (Beginning)	12,555,344	12,555,344	12,555,344	-
1300 Increase (Decrease) in Fund Balance	-	-	(748,737)	(748,737)
3000 Fund Balance - August 31 (Ending)	\$ 11,839,273	\$ 8,949,433	\$ 10,540,739	\$ 1,591,306

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 101,845	\$ 101,845	\$ 63,984	\$ (37,861)
5800	State Program Revenues	69,586	95,083	92,347	(2,736)
5900	Federal Program Revenues	1,684,450	1,684,450	1,586,470	(97,980)
5020	Total Revenues	1,855,881	1,881,378	1,742,801	(138,577)
EXPENDITURES:					
0035	Food Services	1,855,881	1,950,633	1,844,121	106,512
6030	Total Expenditures	1,855,881	1,950,633	1,844,121	106,512
1200	Net Change in Fund Balances	-	(69,255)	(101,320)	(32,065)
0100	Fund Balance - September 1 (Beginning)	269,561	269,561	269,561	-
3000	Fund Balance - August 31 (Ending)	\$ 269,561	\$ 200,306	\$ 168,241	\$ (32,065)

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,878,369	\$ 3,878,369	\$ 3,902,318	\$ 23,949
5020	Total Revenues	3,878,369	3,878,369	3,902,318	23,949
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	3,876,869	2,065,652	2,065,652	-
0072	Debt Service - Interest on Long Term Debt	-	1,810,717	1,810,717	-
0073	Debt Service - Bond Issuance Cost and Fees	-	2,000	2,349	(349)
6030	Total Expenditures	3,876,869	3,878,369	3,878,718	(349)
1200	Net Change in Fund Balances	1,500	-	23,600	23,600
0100	Fund Balance - September 1 (Beginning)	560,610	560,610	560,610	-
1300	Increase (Decrease) in Fund Balance	-	-	(20)	(20)
3000	Fund Balance - August 31 (Ending)	\$ 562,110	\$ 560,610	\$ 584,190	\$ 23,580

## **COMBINING STATEMENTS**

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (11,787)	\$ (475,724)	\$ (23,099)	\$ (185,335)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Receivables from Other Governments	11,787	486,022	23,099	179,016
1260	Due from Other Funds	-	8,610	-	8,430
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 18,908</u>	<u>\$ -</u>	<u>\$ 2,111</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	18,908	-	2,003
2200	Accrued Expenditures	-	-	-	108
2300	Deferred Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>18,908</u>	<u>-</u>	<u>2,111</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3620	Reported in Capital Projects Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 18,908</u>	<u>\$ -</u>	<u>\$ 2,111</u>

225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant	252 Career and Technical - Other Prog.	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization
\$ (4,400)	\$ (59,613)	\$ (76)	\$ (69,087)	\$ (1,502)	\$ (34,677)	\$ (290,631)	\$ (124,017)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,400	59,361	84	79,118	1,502	30,300	296,093	247,491
-	252	-	332	-	4,377	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 10,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,462</u>	<u>\$ 123,474</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	10,322	-	-	2,374	123,474
-	-	8	41	-	-	16	-
-	-	-	-	-	-	3,072	-
<u>-</u>	<u>-</u>	<u>8</u>	<u>10,363</u>	<u>-</u>	<u>-</u>	<u>5,462</u>	<u>123,474</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 10,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,462</u>	<u>\$ 123,474</u>



POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2010

Data Control Codes	274	276	279	283
	GEAR UP	Title I - SIP Academy Grant	Title II, D ARRA - Ed. Technology	IDEA, Pt. B ARRA Formula
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ (31,595)	\$ -	\$ (12,492)	\$ (1,633)
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Receivables from Other Governments	32,619	11,292	14,154	9,305
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 1,024</u>	<u>\$ 11,292</u>	<u>\$ 1,662</u>	<u>\$ 7,672</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 980	\$ -	\$ -	\$ -
2170 Due to Other Funds	-	11,292	1,662	7,672
2200 Accrued Expenditures	44	-	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>1,024</u>	<u>11,292</u>	<u>1,662</u>	<u>7,672</u>
Fund Balances:				
Reserved For:				
3420 Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:				
3620 Reported in Capital Projects Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,024</u>	<u>\$ 11,292</u>	<u>\$ 1,662</u>	<u>\$ 7,672</u>

284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Gear Up Region One	289 Other Federal Special Revenue Funds	390 (LEP) Early Childhood Summer Prog.	392 Non-Ed. Community Based Support	394 Life Skills Program	397 Advanced Placement Incentives
\$ 758	\$ (34,349)	\$ (11,102)	\$ (23,514)	\$ (12,570)	\$ (259)	\$ (20,259)	\$ 9,215
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	34,349	11,102	24,199	12,570	259	20,921	-
-	-	-	-	-	-	-	-
<u>\$ 758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ 9,215</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 662	\$ -
758	-	-	-	-	-	-	9,215
-	-	-	-	-	-	-	-
-	-	-	685	-	-	-	-
<u>758</u>	<u>-</u>	<u>-</u>	<u>685</u>	<u>-</u>	<u>-</u>	<u>662</u>	<u>9,215</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ 9,215</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2010

Data Control Codes	399 Investment Capital Funds	401 Optional Extended Year Program	404 Student Success Initiative	409 High School Completion and Success
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 8	\$ (30,030)	\$ (110,456)	\$ 16
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Receivables from Other Governments	-	28,618	110,456	-
1260 Due from Other Funds	-	1,412	-	-
1000 Total Assets	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2170 Due to Other Funds	-	-	-	-
2200 Accrued Expenditures	8	-	-	16
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>8</u>	<u>-</u>	<u>-</u>	<u>16</u>
Fund Balances:				
Reserved For:				
3420 Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:				
3620 Reported in Capital Projects Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>

411 Technology Allotment	414 Texas Reading Initiative	418 Employee Health Insurance	426 TX Educator Excellence Award Grant	428 High School Allotment	Total Nonmajor Special Revenue Funds	598 Debt Service Fund	698 Capital Projects Fund
\$ 39,422	\$ 119	\$ (19,535)	\$ (3,414)	\$ (366,864)	\$ (1,908,482)	\$ 584,209	\$ 5,351
-	-	-	-	-	-	552,588	-
-	-	-	-	-	-	(165,776)	-
-	-	19,535	3,093	366,864	2,117,609	-	-
-	-	-	321	-	23,734	556	-
<u>\$ 39,422</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,861</u>	<u>\$ 971,577</u>	<u>\$ 5,351</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,642	\$ 300	\$ -
-	-	-	-	-	187,680	275	-
-	119	-	-	-	360	-	-
39,422	-	-	-	-	43,179	386,812	-
<u>39,422</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,861</u>	<u>387,387</u>	<u>-</u>
-	-	-	-	-	-	584,190	-
-	-	-	-	-	-	-	5,351
-	-	-	-	-	-	584,190	5,351
<u>\$ 39,422</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,861</u>	<u>\$ 971,577</u>	<u>\$ 5,351</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2010

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 718,365	\$ 723,716	\$ (600,557)
1220	Property Taxes - Delinquent	-	-	552,588
1230	Allowance for Uncollectible Taxes	-	-	(165,776)
1240	Receivables from Other Governments	-	-	2,117,609
1260	Due from Other Funds	-	-	24,290
1000	Total Assets	<u>\$ 718,365</u>	<u>\$ 723,716</u>	<u>\$ 1,928,154</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ 1,942
2170	Due to Other Funds	500,000	500,000	687,955
2200	Accrued Expenditures	-	-	360
2300	Deferred Revenues	-	-	429,991
2000	Total Liabilities	<u>500,000</u>	<u>500,000</u>	<u>1,120,248</u>
Fund Balances:				
Reserved For:				
3420	Retirement of Long Term Debt	-	-	584,190
Unreserved and Undesignated:				
3620	Reported in Capital Projects Funds	218,365	223,716	223,716
3000	Total Fund Balances	<u>218,365</u>	<u>223,716</u>	<u>807,906</u>
4000	Total Liabilities and Fund Balances	<u>\$ 718,365</u>	<u>\$ 723,716</u>	<u>\$ 1,928,154</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	17,728	1,247,975	25,757	456,519
5020 Total Revenues	<u>17,728</u>	<u>1,247,975</u>	<u>25,757</u>	<u>456,519</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	10,394	889,416	25,137	440,384
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	824	183,956	71	8,769
0021 Instructional Leadership	-	4,177	163	3,300
0023 School Leadership	3,415	200	-	-
0031 Guidance, Counseling and Evaluation Services	1,228	75,398	-	3,841
0033 Health Services	-	-	-	150
0034 Student (Pupil) Transportation	-	11,880	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	75
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	1,867	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	82,948	386	-
<b>Debt Service:</b>				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>17,728</u>	<u>1,247,975</u>	<u>25,757</u>	<u>456,519</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant	252 Career and Technical - Other Prog.	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
11,825	50,439	-	182,539	2,207	70,415	730,930	770,059
<u>11,825</u>	<u>50,439</u>	<u>-</u>	<u>182,539</u>	<u>2,207</u>	<u>70,415</u>	<u>730,930</u>	<u>770,059</u>
11,825	47,069	-	147,908	-	69,357	730,930	770,059
-	-	-	-	-	-	-	-
-	3,370	-	29,814	2,207	1,058	-	-
-	-	-	-	-	-	-	-
-	-	-	4,817	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>11,825</u>	<u>50,439</u>	<u>-</u>	<u>182,539</u>	<u>2,207</u>	<u>70,415</u>	<u>730,930</u>	<u>770,059</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	274	276	279	283
	GEAR UP	Title I - SIP Academy Grant	Title II, D ARRA - Ed. Technology	IDEA, Pt. B ARRA Formula
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>73,874</u>	<u>11,292</u>	<u>15,816</u>	<u>198,233</u>
5020 Total Revenues	<u>73,874</u>	<u>11,292</u>	<u>15,816</u>	<u>198,233</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	14,122	8,076	13,529	73,266
0012 Instructional Resources and Media Services	-	3,216	-	-
0013 Curriculum and Instructional Staff Development	59,752	-	625	12,682
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	2,329
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	109,956
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	1,662	-
0061 Community Services	-	-	-	-
<b>Debt Service:</b>				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>73,874</u>	<u>11,292</u>	<u>15,816</u>	<u>198,233</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Gear Up Region One	289 Other Federal Special Revenue Funds	390 (LEP) Early Childhood Summer Prog.	392 Non-Ed. Community Based Support	394 Life Skills Program	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	20,921	-
1,023	373,938	-	33,437	-	-	-	-
<u>1,023</u>	<u>373,938</u>	<u>-</u>	<u>33,437</u>	<u>-</u>	<u>-</u>	<u>20,921</u>	<u>-</u>
265	309,631	-	33,437	-	-	20,921	-
-	-	-	-	-	-	-	-
758	62,846	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	716	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	745	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,023</u>	<u>373,938</u>	<u>-</u>	<u>33,437</u>	<u>-</u>	<u>-</u>	<u>20,921</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	399 Investment Capital Funds	401 Optional Extended Year Program	404 Student Success Initiative	409 High School Completion and Success
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	11,881	35,365	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>11,881</u>	<u>35,365</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	11,881	35,365	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>11,881</u>	<u>35,365</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	414 Texas Reading Initiative	418 Employee Health Insurance	426 TX Educator Excellence Award Grant	428 High School Allotment	Total Nonmajor Special Revenue Funds	598 Debt Service Fund	698 Capital Projects Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,902,318	\$ -
46,391	-	-	90,883	-	205,441	-	-
-	-	-	-	-	4,274,006	-	-
<u>46,391</u>	<u>-</u>	<u>-</u>	<u>90,883</u>	<u>-</u>	<u>4,479,447</u>	<u>3,902,318</u>	<u>-</u>
34,093	-	-	61,236	-	3,758,301	-	-
-	-	-	-	-	3,216	-	-
12,298	-	-	-	-	379,030	-	-
-	-	-	-	-	7,640	-	-
-	-	-	21,542	-	29,974	-	-
-	-	-	687	-	84,199	-	-
-	-	-	687	-	837	-	-
-	-	-	-	-	121,836	-	-
-	-	-	3,380	-	3,380	-	-
-	-	-	-	-	75	-	-
-	-	-	2,079	-	2,079	-	-
-	-	-	585	-	2,452	-	-
-	-	-	-	-	1,662	-	-
-	-	-	687	-	84,766	-	-
-	-	-	-	-	-	2,065,652	-
-	-	-	-	-	-	1,810,717	-
-	-	-	-	-	-	2,349	-
-	-	-	-	-	-	-	-
<u>46,391</u>	<u>-</u>	<u>-</u>	<u>90,883</u>	<u>-</u>	<u>4,479,447</u>	<u>3,878,718</u>	<u>-</u>
-	-	-	-	-	-	23,600	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	23,600	-
-	-	-	-	-	-	560,610	5,351
-	-	-	-	-	-	(20)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,190</u>	<u>\$ 5,351</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds	
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 167	\$ 167	\$ 3,902,485
5800	State Program Revenues	-	-	205,441
5900	Federal Program Revenues	-	-	4,274,006
5020	Total Revenues	<u>167</u>	<u>167</u>	<u>8,381,932</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	-	-	3,758,301
0012	Instructional Resources and Media Services	-	-	3,216
0013	Curriculum and Instructional Staff Development	-	-	379,030
0021	Instructional Leadership	-	-	7,640
0023	School Leadership	-	-	29,974
0031	Guidance, Counseling and Evaluation Services	-	-	84,199
0033	Health Services	-	-	837
0034	Student (Pupil) Transportation	-	-	121,836
0035	Food Services	-	-	3,380
0036	Extracurricular Activities	-	-	75
0051	Facilities Maintenance and Operations	-	-	2,079
0052	Security and Monitoring Services	-	-	2,452
0053	Data Processing Services	-	-	1,662
0061	Community Services	-	-	84,766
<b>Debt Service:</b>				
0071	Debt Service - Principal on Long Term Debt	-	-	2,065,652
0072	Debt Service - Interest on Long Term Debt	-	-	1,810,717
0073	Debt Service - Bond Issuance Cost and Fees	-	-	2,349
<b>Capital Outlay:</b>				
0081	Facilities Acquisition and Construction	2,245,911	2,245,911	2,245,911
6030	Total Expenditures	<u>2,245,911</u>	<u>2,245,911</u>	<u>10,604,076</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,245,744)</u>	<u>(2,245,744)</u>	<u>(2,222,144)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	1,338,018	1,338,018	1,338,018
7080	Total Other Financing Sources (Uses)	<u>1,338,018</u>	<u>1,338,018</u>	<u>1,338,018</u>
1200	Net Change in Fund Balance	(907,726)	(907,726)	(884,126)
0100	Fund Balance - September 1 (Beginning)	1,052,102	1,057,453	1,618,063
1300	Increase (Decrease) in Fund Balance	<u>73,989</u>	<u>73,989</u>	<u>73,969</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 218,365</u>	<u>\$ 223,716</u>	<u>\$ 807,906</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2010

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 436,027	\$ 3,177,855	\$ 21,937	\$ (333)	\$ 3,635,486
Due from Other Funds	-	-	275	-	275
Total Assets	<u>436,027</u>	<u>3,177,855</u>	<u>22,212</u>	<u>(333)</u>	<u>3,635,761</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Due to Other Funds	143,515	344	10,830	-	154,689
Accrued Expenses	-	22,794	-	15	22,809
Total Liabilities	<u>143,515</u>	<u>23,138</u>	<u>10,830</u>	<u>15</u>	<u>177,498</u>
<b>NET ASSETS</b>					
Unrestricted Net Assets	<u>292,512</u>	<u>3,154,717</u>	<u>11,382</u>	<u>(348)</u>	<u>3,458,263</u>
Total Net Assets	<u>\$ 292,512</u>	<u>\$ 3,154,717</u>	<u>\$ 11,382</u>	<u>\$ (348)</u>	<u>\$ 3,458,263</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
<b>OPERATING REVENUES:</b>					
Local and Intermediate Sources	\$ 153,548	\$ 2,135,085	\$ 24,172	\$ 213,268	\$ 2,526,073
State Program Revenues	-	-	497	-	497
Total Operating Revenues	<u>153,548</u>	<u>2,135,085</u>	<u>24,669</u>	<u>213,268</u>	<u>2,526,570</u>
<b>OPERATING EXPENSES:</b>					
Payroll Costs	104,746	-	13,012	202,681	320,439
Supplies and Materials	38,769	-	9,124	-	47,893
Other Operating Costs	-	1,647,868	-	-	1,647,868
Total Operating Expenses	<u>143,515</u>	<u>1,647,868</u>	<u>22,136</u>	<u>202,681</u>	<u>2,016,200</u>
Operating Income	10,033	487,217	2,533	10,587	510,370
Total Net Assets - September 1 (Beginning)	<u>282,479</u>	<u>2,667,500</u>	<u>8,849</u>	<u>(10,935)</u>	<u>2,947,893</u>
Total Net Assets - August 31 (Ending)	<u>\$ 292,512</u>	<u>\$ 3,154,717</u>	<u>\$ 11,382</u>	<u>\$ (348)</u>	<u>\$ 3,458,263</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
<u>Cash Flows from Operating Activities:</u>					
Cash Received from User Charges	\$ 153,548	\$ 2,135,085	\$ 44,515	\$ 218,097	\$ 2,551,245
Cash Payments to Employees for Services	(51,685)	-	(3,867)	-	(55,552)
Cash Payments for Other Operating Expenses	(38,769)	(1,658,219)	(9,124)	(202,680)	(1,908,792)
Net Cash Provided by Operating Activities	63,094	476,866	31,524	15,417	586,901
Net Increase in Cash and Cash Equivalents	63,094	476,866	31,524	15,417	586,901
Cash and Cash Equivalents at Beginning of the Year:	372,933	2,700,989	(9,587)	(15,750)	3,048,585
Cash and Cash Equivalents at the End of the Year:	\$ 436,027	\$ 3,177,855	\$ 21,937	\$ (333)	\$ 3,635,486
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>					
Operating Income:	\$ 10,033	\$ 487,217	\$ 2,533	\$ 10,587	\$ 510,370
Effect of Increases and Decreases in Current Assets and Liabilities:					
Decrease (increase) in Due from Other Funds	-	16,182	19,571	4,830	40,583
Increase (decrease) in Accounts Payable	-	(21,658)	-	-	(21,658)
Increase (decrease) in Due to Other Funds	53,061	(4,875)	9,420	-	57,606
Net Cash Provided by Operating Activities	\$ 63,094	\$ 476,866	\$ 31,524	\$ 15,417	\$ 586,901

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

	BALANCE SEPTEMBER 1 2009	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2010
<b>AGENCY FUND FOR TAX COLLECTIONS</b>				
Assets:				
Cash and Temporary Investments	\$ 340,788	\$ 49,681,834	\$ 49,688,619	\$ 334,003
Due From Other Funds	140	-	140	-
Other Receivables	30	172,816	165,406	7,440
Total Assets	<u>\$ 340,958</u>	<u>\$ 49,854,650</u>	<u>\$ 49,854,165</u>	<u>\$ 341,443</u>
Liabilities:				
Accounts Payable	\$ 61,638	\$ 432,951	\$ 444,754	\$ 49,835
Due to Other Funds	49,334	-	49,334	-
Due to Other Governments	180,846	49,405,072	49,360,077	225,841
Accrued Expenses	49,140	16,627	-	65,767
Total Liabilities	<u>\$ 340,958</u>	<u>\$ 49,854,650</u>	<u>\$ 49,854,165</u>	<u>\$ 341,443</u>
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	<u>\$ 111,598</u>	<u>\$ 343,654</u>	<u>\$ 349,326</u>	<u>\$ 105,926</u>
Liabilities:				
Due to Student Groups	<u>\$ 111,598</u>	<u>\$ 343,654</u>	<u>\$ 349,326</u>	<u>\$ 105,926</u>
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 452,386	\$ 50,025,488	\$ 50,037,945	\$ 439,929
Due From Other Funds	140	-	140	-
Other Receivables	30	172,816	165,406	7,440
Total Assets	<u>\$ 452,556</u>	<u>\$ 50,198,304</u>	<u>\$ 50,203,491</u>	<u>\$ 447,369</u>
Liabilities:				
Accounts Payable	\$ 61,638	\$ 432,951	\$ 444,754	\$ 49,835
Due to Other Funds	49,334	-	49,334	-
Due to Other Governments	180,846	49,405,072	49,360,077	225,841
Due to Student Groups	111,598	343,654	349,326	105,926
Accrued Expenses	49,140	16,627	-	65,767
Total Liabilities	<u>\$ 452,556</u>	<u>\$ 50,198,304</u>	<u>\$ 50,203,491</u>	<u>\$ 447,369</u>



**REQUIRED SUPPLEMENTARY SCHEDULES**

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2010

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2001 and prior years	Various	Various	\$ Various
2002	1.249400	0.106700	1,292,858,058
2003	1.261010	0.095110	1,466,091,232
2004	1.273820	0.082300	1,691,461,033
2005	1.287160	0.068960	1,993,312,219
2006	1.287468	0.068652	2,272,519,044
2007	1.181598	0.118587	2,610,218,760
2008	0.095180	0.109834	3,143,998,835
2009	0.957289	0.104345	3,564,745,406
2010 (School year under audit)	0.948934	0.112700	3,538,555,214
1000 TOTALS			

(10) Beginning Balance 9/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2010
\$ 978,482	\$ -	\$ 36,829	\$ 4,121	\$ -	\$ 937,532
110,975	-	3,795	324	-	106,856
158,275	-	13,388	1,010	-	143,877
178,974	-	19,586	1,265	-	158,123
184,200	-	24,782	1,328	-	158,090
299,111	-	70,781	3,774	-	224,556
422,350	-	109,530	10,993	(1,615)	300,212
735,193	-	214,757	24,782	(2,268)	493,386
2,040,418	-	778,724	84,881	(171,094)	1,005,719
-	36,902,522	31,620,262	3,755,377	505,168	2,032,051
<u>\$ 5,107,978</u>	<u>\$ 36,902,522</u>	<u>\$ 32,892,434</u>	<u>\$ 3,887,855</u>	<u>\$ 330,191</u>	<u>\$ 5,560,402</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2011-2012  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2010

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 219,275	\$ 441,875	\$ 403	\$ -	\$ 661,553
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	1,942	-	-	1,942
6211	Legal Services	4,155	-	-	-	-	-	4,155
6212	Audit Services	-	-	-	22,600	-	-	22,600
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	594,352	-	-	-	-	594,352
621X	Other Professional Services	-	-	2,780	1,500	-	-	4,280
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	450	-	150	69,895	-	-	70,495
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	14,849	-	-	14,849
6290	Miscellaneous Contr.	-	-	1,783	1,200	-	-	2,983
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	69,761	-	14,075	61,669	-	-	145,505
6410	Travel, Subsistence, Stipends	22,497	-	5,032	2,312	-	-	29,841
6420	Ins. and Bonding Costs	7,459	-	-	4,981	-	-	12,440
6430	Election Costs	12,277	-	-	-	-	-	12,277
6490	Miscellaneous Operating	596	-	62,749	10,272	-	-	73,617
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	6,000	6,000
6000	<b>TOTAL</b>	<b>\$ 117,195</b>	<b>\$ 594,352</b>	<b>\$ 305,844</b>	<b>\$ 633,095</b>	<b>\$ 403</b>	<b>\$ 6,000</b>	<b>\$ 1,656,889</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 43,706,000

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 604,949
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	3,608,168
Food (Function 35, 6341 and 6499)	(13)	866,395
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		633,095

SubTotal: 5,712,607

Net Allowed Direct Cost \$ 37,993,393

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 23,382,538
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,542,294
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$74,876 in Function 53 expenditures are included in this report on administrative costs.  
 \$594,352 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2010

**UNAUDITED**

1	Total General Fund Balance as of 8/31/10 (Exhibit C-1 object 3000 for the General Fund Only)	\$	10,540,739
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$	4,070,024
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)		-
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)		-
5	Estimate of two month's average cash disbursements during the fiscal year.		7,204,493
6	Estimate of delayed payments from state sources (58xx).		85,380
7	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.		-
8	Estimate of delayed payments from federal sources (59xx)		-
9	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)		-
10	Adjustment to meet Board Policy		-
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10)		<u>11,359,897</u>
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 11)	\$	<u><u>(819,158)</u></u>

## **FEDERAL AWARDS SECTION**



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Point Isabel Independent School District

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

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the District in a separate letter dated December 17, 2010.

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

*PATTILLO, BROWN & HILL, LLP*

December 17, 2010





PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Point Isabel Independent School District

**Compliance**

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

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

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

**Internal Control Over Compliance**

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended for the information and use of the Board of Trustees, management, the Texas Education Agency, 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.

*PATTILLO, BROWN & HILL, LLP*

December 17, 2010

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2010

**I. Summary of the Auditors' Results:**

The type of auditors' report on financial statements:	Unqualified
Regarding internal control over financial reporting:	
a. Material weakness(es) identified:	None
b. Significant deficiency(ies) identified that are not considered to be material weaknesses:	None reported
c. Noncompliance which is material to the financial statements:	None
d. Regarding internal control over major programs:	
Material weakness(es) identified:	None reported
Significant deficiency(ies) identified that are not considered to be material weaknesses:	None
e. Type of auditors' report on compliance with major programs:	Unqualified
f. Any audit findings which are required to be reported in accordance with OMB Circular A-133, Sec. 510(a):	No
g. Major programs are as follows:	ESEA Title I, Part A Cluster CFDA 84.0010A/84.389A
	Special Education Cluster CFDA 84.027A/84.173A 84.391A/84.392A
	Title XIV SFSF - ARRA CFDA 84.394A
h. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
i. Low risk auditee:	Yes

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

None reported

**III. Findings and Questioned Costs for Federal Awards.**

None reported

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2010

Not Applicable

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2010

Not Applicable

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED AUGUST 31, 2010

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE/	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Region One - ESC:</i>			
Gear-Up	84.334A	P334A990027-03	\$ 73,874
Total Passed Through Region One - ESC			<u>73,874</u>
<i>Passed Through State Department of Education:</i>			
ESEA Title I, Part A Improving Basic Programs*	84.010A	10610101031909	1,247,975
Title I - School Improvement Program*	84.010A	10610701031909041	<u>11,292</u>
Total CFDA 84.010A			<u>1,259,267</u>
ESEA Title I, Part A Improving Basic Programs - ARRA*	84.389A	10551001031909	<u>373,938</u>
ESEA Title I, Part C, - Migratory Children	84.011A	10615001031909	<u>25,757</u>
IDEA - Part B, Formula*	84.027A	106600010319096600	<u>456,519</u>
IDEA - Part B, Preschool*	84.173A	106610010319096610	<u>11,825</u>
IDEA - Part B, Formula - ARRA*	84.391A	10554001031909	<u>198,233</u>
IDEA - Part B, Preschool - ARRA*	84.392A	10555001031909	<u>1,023</u>
Vocational Education - Basic Grant - T2	84.048A	9420006031909	<u>50,439</u>
Summer School LEP	84.369A	69550902	<u>33,437</u>
Texas 21st Century Learning Centers	84.287C	96950017110041	<u>730,930</u>
ESEA, Title IV Safe & Drug Free Schools	84.186A	10691001031909	<u>17,728</u>
ESEA Title II-Part D, Enhancing Education	84.318X	2630001031909	<u>2,207</u>
ESEA Title II-Part D, Enhancing Education - ARRA	84.386A	10553001031909	<u>15,816</u>
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394A	10557001031909	<u>770,059</u>
ESEA Title III-Part A, Language	84.365A	10671001031909	<u>70,415</u>
ESEA Title II-Part A, Teacher/Principal	84.367A	10694501031909	<u>182,539</u>
Total Passed Through State Department of Education			<u>4,200,132</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<u>4,274,006</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR FISCAL YEAR ENDED AUGUST 31, 2010

(1) FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE/	(2) Federal CFDA Number	(3) Pass Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Texas Education Agency:</i>			
School Breakfast Program* (Note A)	10.553	71400701	541,576
National School Lunch Program* (Note A)	10.555	71300701	964,766
Food Distribution* (Note A)	10.559	031-909	<u>80,128</u>
Total Passed Through Texas Education Agency			<u>1,586,470</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>1,586,470</u>
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>			<u>\$ 5,860,476</u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

(Note A) \$541,576 of School Breakfast Program, \$964,766 of National School Lunch Program, and \$80,128 of Food Distribution is in the General Fund.

POINT ISABEL INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2010

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Private Purpose Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund, which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Private Purpose Trust Funds and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on 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. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.



SCHOOLS FIRST QUESTIONNAIRE

Point Isabel Independent School District

Fiscal Year 2010

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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	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	6666795