

**POINT ISABEL
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
AUGUST 31, 2011

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

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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, 2011 at a meeting of the Board of Trustees of such school district on the _____ day of January, 2012.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Point Isabel Independent School District, as of August 31, 2011, 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 20, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 38 through 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

PATTILLO, BROWN & HILL, LLP

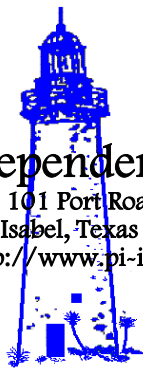
December 20, 2011

Point Isabel Independent School District

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

Dr. Estella R. Pineda
Superintendent of Schools

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2011

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, 2011. 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 \$25,972,458 (*net assets*). Of this amount, \$11,289,613 (*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 \$6,247,242, or 33%, 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 \$12,607,110, an increase of \$1,258,465 in comparison with the prior year. \$3,024,440 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,012,559 or 7% 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.

"PIISD does not discriminate on basis of race, color, national origin, sex, religion, age or disability in employment or provision of services, programs or activities"

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 \$19,207,448 to \$25,972,458. Unassigned 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 \$11,289,613 at August 31, 2011.

This increase in governmental net assets was the net result of three factors. First, the District's revenue exceeded the expenses by \$6,247,242. Second, the District paid bonds and other long-term debt in the amount of \$4,754,297 and acquired capital assets in the amount of \$817,506. Third, the District recorded depreciation in the amount of \$1,548,692.

	Governmental Activities 2010	Governmental Activities 2011	Total % Change
Current and other assets	\$ 19,646,270	\$ 22,249,937	11.70%
Capital assets	<u>34,301,088</u>	<u>33,569,902</u>	-2.18%
Total Assets	<u>53,947,358</u>	<u>55,819,839</u>	3.35%
Other liabilities	947,079	844,398	-12.16%
Long-term liabilities	<u>33,792,831</u>	<u>29,002,983</u>	-16.52%
Total Liabilities	<u>34,739,910</u>	<u>29,847,381</u>	-16.39%
Net assets:			
Invested in capital assets, net of related debt	1,077,064	5,100,175	78.88%
Restricted	4,877,930	9,582,670	49.10%
Unrestricted	<u>13,252,454</u>	<u>11,289,613</u>	-17.39%
Total Net Assets	<u>\$ 19,207,448</u>	<u>\$ 25,972,458</u>	26.05%

TABLE 2
POINT ISABEL INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET ASSETS

	Governmental Activities <u>2010</u>	Governmental Activities <u>2011</u>	Total % Change
REVENUE:			
Program revenue:			
Charges for services	\$ 184,263	\$ 475,702	158.16%
Operating grants and contributions	5,174,596	7,256,783	40.24%
General revenue:			
Maintenance and operations taxes	33,191,191	36,191,166	9.04%
Debt service taxes	3,905,796	4,137,216	5.93%
State aid - Formula Grants	3,497,922	4,119,023	17.76%
Grants and contributions not restricted	1,807,643	142,157	-92.14%
Investment earnings	35,290	20,180	-42.82%
Miscellaneous local and intermediate	200,632	278,882	100%
Total Revenue	<u>47,997,333</u>	<u>52,621,109</u>	9.63%
EXPENSES:			
Instruction	13,808,181	15,745,467	14.03%
Instructional resources and media services	296,678	314,542	6.02%
Curriculum and staff development	619,611	747,529	20.64%
Instructional leadership	257,799	370,830	43.84%
School leadership	1,088,604	1,087,988	-0.06%
Guidance, counseling and evaluation services	685,422	739,955	7.96%
Data processing services	501,577	321,735	-35.86%
Health services	170,616	190,313	11.54%
Student (pupil) transportation	813,473	824,165	1.31%
Food services	1,859,971	1,927,973	3.66%
Co-curricular/extra curricular activities	1,466,934	1,518,579	3.52%
General administration	495,749	460,505	-7.11%
Plant maintenance and operations	3,633,335	3,920,878	7.91%
Security and monitoring services	317,649	334,338	5.25%
Community services	90,859	95,540	5.15%
Debt service - interest on long-term debt	2,168,728	(731,398)	-133.72%
Bond issuance cost and fees	2,349	1,074	-54.28%
Contractual Instructional Services	16,792,916	18,017,653	7%
Other Intergovernmental Changes	594,352	486,201	100.00%
Total Expenses	<u>45,664,803</u>	<u>46,373,867</u>	1.55%
INCREASE IN NET ASSETS	2,332,530	6,247,242	167.83%
NET ASSETS AT SEPTEMBER 1, 2010	17,593,000	19,207,448	9.18%
PRIOR PERIOD ADJUSTMENT	(718,082)	517,768	
NET ASSETS AT AUGUST 31, 2011	<u>\$ 19,207,448</u>	<u>\$ 25,972,458</u>	35.22%

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 \$12.6 million, which is an increase of last year's total of \$11.3 million. Included in this year's total change in fund balance is an increase of approximately \$100 thousand in the District's Capital Projects Funds. In addition, the District's expenditures increased by approximately \$1.2 million, with an increase of General Fund revenues of \$4 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 2010). Also, the second category was the Board approving several increases in appropriations to prevent budget overruns.

The District's General Fund balance of \$11,701,088 reported on page 38 differs from the General Fund's budgetary fund balance of \$8,356,375. This is principally due to conservative budgeting principles.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had approximately \$33.5 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	\$	88,771
Buildings and improvements		401,275
Furniture and equipment		<u>327,460</u>
Total	\$	<u>817,506</u>

Debt

At year-end, the District had approximately \$28.5 million in bonds outstanding versus approximately \$33.2 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.

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, 2011

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 16,003,415	\$ 1,815	\$ 16,005,230
1220 Property Taxes Receivable (Delinquent)	5,276,188	-	5,276,188
1230 Allowance for Uncollectible Taxes	(527,618)	-	(527,618)
1240 Due from Other Governments	1,481,559	-	1,481,559
1290 Other Receivables, net	10,794	-	10,794
1300 Inventories	5,599	-	5,599
Capital Assets:			
1510 Land	339,511	-	339,511
1520 Buildings, Net	32,407,887	-	32,407,887
1530 Furniture and Equipment, Net	822,504	-	822,504
1000 Total Assets	<u>55,819,839</u>	<u>1,815</u>	<u>55,821,654</u>
LIABILITIES			
2110 Accounts Payable	47,348	-	47,348
2160 Accrued Wages Payable	536,518	-	536,518
2180 Due to Other Governments	36,501	-	36,501
2200 Accrued Expenses	35,198	-	35,198
2300 Deferred Revenues	188,833	-	188,833
Noncurrent Liabilities			
2501 Due Within One Year	1,736,187	-	1,736,187
2502 Due in More Than One Year	27,266,796	-	27,266,796
2000 Total Liabilities	<u>29,847,381</u>	<u>-</u>	<u>29,847,381</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	5,100,175	-	5,100,175
Restricted for:			
3820 Restricted for Federal and State Programs	66,505	-	66,505
3850 Restricted for Debt Service	721,178	-	721,178
3860 Restricted for Capital Projects	5,702,197	-	5,702,197
3890 Restricted for Other Purposes	3,092,790	-	3,092,790
3900 Unrestricted Net Assets	11,289,613	1,815	11,291,428
3000 Total Net Assets	<u>\$ 25,972,458</u>	<u>\$ 1,815</u>	<u>\$ 25,974,273</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, 2011

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 15,745,467	\$ 61,842	\$ 4,511,329
12 Instructional Resources and Media Services	314,542	-	9,288
13 Curriculum and Staff Development	747,529	-	392,736
21 Instructional Leadership	370,830	-	31,635
23 School Leadership	1,087,988	-	75,616
31 Guidance, Counseling and Evaluation Services	739,955	-	119,572
33 Health Services	190,313	-	7,998
34 Student (Pupil) Transportation	824,165	-	85,905
35 Food Services	1,927,973	86,273	1,791,760
36 Extracurricular Activities	1,518,579	226,342	30,706
41 General Administration	460,505	-	41,974
51 Facilities Maintenance and Operations	3,920,878	-	48,747
52 Security and Monitoring Services	334,338	-	15,435
53 Data Processing Services	321,735	101,245	5,962
61 Community Services	95,540	-	88,120
72 Debt Service - Interest on Long Term Debt	(731,398)	-	-
73 Debt Service - Bond Issuance Cost and Fees	1,074	-	-
91 Contracted Instructional Services Between Schools	18,017,653	-	-
99 Other Intergovernmental Charges	486,201	-	-
[TG] Total Governmental Activities:	<u>46,373,867</u>	<u>475,702</u>	<u>7,256,783</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 46,373,867</u>	<u>\$ 475,702</u>	<u>\$ 7,256,783</u>

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
\$ (11,172,296)	\$ -	\$ (11,172,296)
(305,254)	-	(305,254)
(354,793)	-	(354,793)
(339,195)	-	(339,195)
(1,012,372)	-	(1,012,372)
(620,383)	-	(620,383)
(182,315)	-	(182,315)
(738,260)	-	(738,260)
(49,940)	-	(49,940)
(1,261,531)	-	(1,261,531)
(418,531)	-	(418,531)
(3,872,131)	-	(3,872,131)
(318,903)	-	(318,903)
(214,528)	-	(214,528)
(7,420)	-	(7,420)
731,398	-	731,398
(1,074)	-	(1,074)
(18,017,653)	-	(18,017,653)
(486,201)	-	(486,201)
<u>(38,641,382)</u>	<u>-</u>	<u>(38,641,382)</u>
<u>(38,641,382)</u>	<u>-</u>	<u>(38,641,382)</u>
36,191,166	-	36,191,166
4,137,216	-	4,137,216
4,119,023	-	4,119,023
142,157	-	142,157
20,180	-	20,180
278,882	-	278,882
<u>44,888,624</u>	<u>-</u>	<u>44,888,624</u>
6,247,242	-	6,247,242
19,207,448	1,815	19,209,263
517,768	-	517,768
<u>\$ 25,972,458</u>	<u>\$ 1,815</u>	<u>\$ 25,974,273</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 10,796,056	\$ 942,397	\$ 11,738,453
1220 Property Taxes - Delinquent	4,771,893	504,295	5,276,188
1230 Allowance for Uncollectible Taxes	(477,189)	(50,429)	(527,618)
1240 Receivables from Other Governments	574,918	906,641	1,481,559
1260 Due from Other Funds	2,320,893	603,295	2,924,188
1290 Other Receivables	10,794	-	10,794
1300 Inventories	5,599	-	5,599
1000 Total Assets	<u>\$ 18,002,964</u>	<u>\$ 2,906,199</u>	<u>\$ 20,909,163</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 41,025	\$ 6,323	\$ 47,348
2160 Accrued Wages Payable	536,518	-	536,518
2170 Due to Other Funds	1,259,807	1,472,089	2,731,896
2180 Due to Other Governments	36,501	-	36,501
2200 Accrued Expenditures	12,007	382	12,389
2300 Deferred Revenues	4,416,018	521,383	4,937,401
2000 Total Liabilities	<u>6,301,876</u>	<u>2,000,177</u>	<u>8,302,053</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	5,599	-	5,599
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	66,505	-	66,505
3480 Retirement of Long-Term Debt	-	721,178	721,178
Committed Fund Balance:			
3510 Construction	5,529,234	172,963	5,702,197
3545 Other Committed Fund Balance	3,087,191	-	3,087,191
3600 Unassigned Fund Balance	3,012,559	11,881	3,024,440
3000 Total Fund Balances	<u>11,701,088</u>	<u>906,022</u>	<u>12,607,110</u>
4000 Total Liabilities and Fund Balances	<u>\$ 18,002,964</u>	<u>\$ 2,906,199</u>	<u>\$ 20,909,163</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, 2011

Total Fund Balances - Governmental Funds	\$ 12,607,110
1 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.	4,049,861
2 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 \$53,944,829 and the accumulated depreciation was \$19,643,741. 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 increase net assets.	1,077,064
3 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 2011 capital outlays and debt principal payments is to increase net assets.	5,571,803
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net assets.	(1,548,692)
5 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.	4,215,312
19 Net Assets of Governmental Activities	<u>\$ 25,972,458</u>

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, 2011

Data Control Codes	10 General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 36,050,331	\$ 4,196,530	\$ 40,246,861
5800 State Program Revenues	4,884,573	120,875	5,005,448
5900 Federal Program Revenues	1,831,968	4,680,547	6,512,515
5020 Total Revenues	<u>42,766,872</u>	<u>8,997,952</u>	<u>51,764,824</u>
EXPENDITURES:			
Current:			
0011 Instruction	10,475,300	4,124,839	14,600,139
0012 Instructional Resources and Media Services	314,542	-	314,542
0013 Curriculum and Instructional Staff Development	367,432	380,097	747,529
0021 Instructional Leadership	357,148	13,682	370,830
0023 School Leadership	1,066,132	21,856	1,087,988
0031 Guidance, Counseling and Evaluation Services	645,512	94,443	739,955
0033 Health Services	190,313	-	190,313
0034 Student (Pupil) Transportation	949,676	63,424	1,013,100
0035 Food Services	1,934,346	-	1,934,346
0036 Extracurricular Activities	1,428,626	3,094	1,431,720
0041 General Administration	880,555	-	880,555
0051 Facilities Maintenance and Operations	3,893,056	-	3,893,056
0052 Security and Monitoring Services	337,865	-	337,865
0053 Data Processing Services	333,225	-	333,225
0061 Community Services	7,434	88,106	95,540
Debt Service:			
0071 Principal on Long Term Debt	-	2,284,327	2,284,327
0072 Interest on Long Term Debt	-	1,774,123	1,774,123
0073 Bond Issuance Cost and Fees	-	1,074	1,074
Capital Outlay:			
0081 Facilities Acquisition and Construction	439,275	50,771	490,046
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	18,017,653	-	18,017,653
0099 Other Intergovernmental Charges	486,201	-	486,201
6030 Total Expenditures	<u>42,124,291</u>	<u>8,899,836</u>	<u>51,024,127</u>
1200 Net Change in Fund Balances	642,581	98,116	740,697
0100 Fund Balance - September 1 (Beginning)	10,540,739	807,906	11,348,645
1300 Increase (Decrease) in Fund Balance	517,768	-	517,768
3000 Fund Balance - August 31 (Ending)	<u>\$ 11,701,088</u>	<u>\$ 906,022</u>	<u>\$ 12,607,110</u>

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	740,697
The District uses internal service funds to charge the costs of certain activities, such as transportation, catering and workers' compensation, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		591,598
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 2011 capital outlays and debt principal payments is to increase net assets.		5,571,803
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.		(1,548,692)
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.		891,836
Change in Net Assets of Governmental Activities	\$	6,247,242

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, 2011

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,815	\$ 4,264,962
Due from Other Funds	-	275
Total Assets	1,815	4,265,237
LIABILITIES		
Current Liabilities:		
Due to Other Funds	-	192,566
Accrued Expenses	-	22,809
Total Liabilities	-	215,375
NET ASSETS		
Unrestricted Net Assets	1,815	4,049,861
Total Net Assets	\$ 1,815	\$ 4,049,861

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, 2011

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ -	\$ 2,472,098
State Program Revenues	-	644
Total Operating Revenues	-	2,472,742
OPERATING EXPENSES:		
Payroll Costs	-	211,081
Professional and Contracted Services	-	4,989
Supplies and Materials	-	31,995
Other Operating Costs	-	1,633,079
Total Operating Expenses	-	1,881,144
Operating Income	-	591,598
Total Net Assets - September 1 (Beginning)	1,815	3,458,263
Total Net Assets - August 31 (Ending)	\$ 1,815	\$ 4,049,861

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, 2011

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	\$ -	\$ 2,472,742
Cash Payments to Employees for Services	-	(13,516)
Cash Payments for Other Operating Expenses	-	(1,829,750)
Net Cash Provided by Operating Activities	-	629,476
Net Increase in Cash and Cash Equivalents	-	629,476
Cash and Cash Equivalents at Beginning of Year	1,815	3,635,486
Cash and Cash Equivalents at End of Year	\$ 1,815	\$ 4,264,962
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income (Loss):	\$ -	\$ 591,598
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Due to Other Funds	-	37,878
Net Cash Provided by Operating Activities	\$ -	\$ 629,476

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, 2011

EXHIBITE-1

	836-849 Investment Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 265,958	\$ 449,071
Other Receivables	-	330
Total Assets	265,958	\$ 449,401
LIABILITIES		
Accounts Payable	1,248	\$ 59,006
Accrued Wages Payable	859	-
Due to Other Governments	-	198,061
Due to Student Groups	-	121,837
Accrued Expenses	-	70,497
Total Liabilities	2,107	\$ 449,401
NET ASSETS		
Unrestricted Net Assets	263,851	
Total Net Assets	\$ 263,851	

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, 2011

	836-849 Investment Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 157,252
State Program Revenues	5,801
Total Additions	163,053
DEDUCTIONS:	
Payroll Costs	109,811
Professional and Contracted Services	27,341
Supplies and Materials	3,231
Other Operating Costs	5,419
Total Deductions	145,802
Change in Net Assets	17,251
Total Net Assets - September 1 (Beginning)	246,600
Total Net Assets - August 31 (Ending)	\$ 263,851

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, 2011**

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)

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, 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	27,680,486	-	27,680,486	
Buildings & Improvements	23,382,538	(17,856,285)	5,526,253	
Furniture & Equipment	<u>2,542,294</u>	<u>(1,787,456)</u>	<u>754,838</u>	
Change in Net Assets				<u>\$ 34,301,088</u>
<u>Long - Term Liabilities at the Beginning of Year</u>			<u>Payable at the Beginning of Year</u>	
Bonds Payable			(26,557,229)	
Accreted Interest			<u>(6,666,795)</u>	
Change in Net Assets				<u>(33,224,024)</u>
Net Adjustment to Net Assets				<u>\$ 1,077,064</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	\$ 88,771	\$ 88,771	
Buildings & Improvements	401,275	401,275	
Furniture & Equipment	<u>327,460</u>	<u>327,460</u>	
Total Capital Outlay			\$ 817,506
<u>Debt Principal Payments</u>			
Bond Principal Payments	2,284,327	2,284,327	
Accreted Interest, Net	<u>2,469,970</u>	<u>2,469,970</u>	
Total Principal Payments	<u>4,754,297</u>	<u>4,754,297</u>	<u>4,754,297</u>
Net Adjustment to Net Assets			<u>\$ 5,571,803</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 20th, the District prepares a budget for the next succeeding fiscal year beginning September 1st. 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 1st, 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. There were no significant budget amendments passed during the 2010-2011 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 31st, 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, 2011 expenditures exceeded budget in the following line item:

General Fund	
<u>Function</u>	<u>Amount</u>
21	\$ 8,551
33	4,040
91	849,058

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, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$5,685,245 and the bank balance was \$5,653,625. The District's cash deposits at August 31, 2011 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 \$39,211,534 and occurred during the month of November 2010.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$39,211,534.

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, 2011, are shown below:

Investment Type	Investment Maturities (in years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Texpool Investments	\$ 9,998,716	\$ 9,998,716	\$ -	\$ -	\$ -
Lone Star Investments	321,269	321,269	-	-	-
Total	<u>\$ 10,319,985</u>	<u>\$ 10,319,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

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, 2011, the District’s investments in Lone Star Investment Pool was rated AAAf-s/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, 2011, are included and reported on the combined financial statements as Due from Other Governments and are summarized below:

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

D. **DUE FROM OTHER GOVERNMENTS** (Continued)

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 499,141	\$ 75,777	\$ 574,918
Special Revenue	8,614	898,027	906,641
Total	<u>\$ 507,755</u>	<u>\$ 973,804</u>	<u>\$ 1,481,559</u>

E. **INTERFUND RECEIVABLES AND PAYABLES**

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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>General fund</u>		
General fund	\$ 693,180	\$ 693,180
Special revenue funds	935,445	566,071
Capital Projects fund	500,000	-
Debt service fund	-	556
Internal service funds	192,268	-
Total general fund	<u>2,320,893</u>	<u>1,259,807</u>
<u>Special revenue funds</u>		
General fund	566,071	935,445
Special revenue funds	36,369	36,369
Internal service funds	299	-
Total special revenue funds	<u>602,739</u>	<u>971,814</u>
<u>Debt service fund</u>		
General fund	556	-
Internal service funds	-	275
Total debt service fund	<u>556</u>	<u>275</u>
<u>Capital projects fund</u>		
General fund	-	500,000
Total capital projects fund	<u>-</u>	<u>500,000</u>
<u>Internal service funds</u>		
General fund	-	192,268
Special revenue funds	-	299
Debt service fund	275	-
Total internal service funds	<u>275</u>	<u>192,567</u>
Totals	<u>\$ 2,924,463</u>	<u>\$ 2,924,463</u>

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, 2011, was as follows:

	Balance 9/1/2010	Changes During Year			Balance 8/31/2011
		Additions	Retirements	Reclassifications/ Adjustments	
Governmental Activities:					
Land	\$ 339,511	\$ -	\$ -	\$ -	\$ 339,511
Construction in progress	27,680,486	88,771	-	(27,769,257)	-
Buildings & improvements	23,382,538	401,275	-	27,769,257	51,553,070
Furniture & equipment	2,542,294	327,460	(6,000)	-	2,863,754
Totals at historic cost	<u>53,944,829</u>	<u>817,506</u>	<u>(6,000)</u>	<u>-</u>	<u>54,756,335</u>
Less accumulated depreciation:					
Buildings & improvements	(17,856,285)	(1,288,898)	-	-	(19,145,183)
Furniture & equipment	(1,787,456)	(259,794)	6,000	-	(2,041,250)
Total accum. Depreciation	<u>(19,643,741)</u>	<u>(1,548,692)</u>	<u>6,000</u>	<u>-</u>	<u>(21,186,433)</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 34,301,088</u>	<u>\$ (731,186)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,569,902</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,213,316
Student (pupil) transportation	190,828
Cocurricular/extracurricular activities	86,859
General administration	12,107
Security	2,757
Food service	15,003
Plant maintenance & operations	<u>27,822</u>
Totals	<u>\$ 1,548,692</u>

G. 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	\$ 4,294,704
Disaster Aid Revenue	General	121,314
Grant Revenue	Special Revenue	67,518
Net Tax Revenue	Debt Service	<u>453,865</u>
		<u>\$ 4,937,401</u>

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

H. **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, 2011, is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Interest Current Year</u>	<u>Balance 9/1/2010</u>	<u>Retired</u>	<u>Increase Accreted Interest</u>	<u>Balance 8/31/2011</u>
CAB - Series 1996	4.35 - 5.10%	\$ 6,078,946	\$ 740,673	\$ 3,167,229	\$ (534,327)	\$ -	\$ 2,632,902
Accreted Int- 1996	-	-	-	6,666,795	(2,469,970)	-	4,196,825
Series 1999	4.125 - 6.125%	4,000,000	81,213	1,970,000	(240,000)	-	1,730,000
Series 2006B	4.00 - 5.00%	23,755,000	952,238	21,420,000	(1,510,000)	-	19,910,000
Totals			<u>\$ 1,774,124</u>	<u>\$ 33,224,024</u>	<u>\$ (4,754,297)</u>	<u>\$ -</u>	<u>\$ 28,469,727</u>

Debt service requirements are as follows:

<u>Year Ending August 31,</u>	<u>General Obligations</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 1,736,187	\$ 1,791,632	\$ 3,527,819
2013	1,750,456	1,827,519	3,577,975
2014	1,773,464	1,754,649	3,528,113
2015	1,806,215	1,725,307	3,531,522
2016	1,836,676	1,695,724	3,532,400
2017-2021	7,124,904	3,505,174	10,630,078
2022-2026	8,245,000	962,376	9,207,376
Totals	<u>\$ 24,272,902</u>	<u>\$ 13,262,381</u>	<u>\$ 37,535,283</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, 2011 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.

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

H. BONDS PAYABLE (Continued)

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 of prior redemption.

I. CHANGES IN GENERAL LONG-TERM DEBT

	<u>Balance</u> <u>9/01/2010</u>	<u>Principal</u> <u>Issued</u>	<u>Principal</u> <u>Retired</u>	<u>Balance</u> <u>8/31/2011</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 26,557,229	\$ -	\$ (2,284,327)	\$ 24,272,902	\$ 1,736,187
Accreted Interest	6,666,795	-	(2,469,970)	4,196,825	-
Discount on Bonds	568,807	-	(35,551)	533,256	-
Total	<u>\$ 33,792,831</u>	<u>\$ -</u>	<u>\$ (4,789,848)</u>	<u>\$ 29,002,983</u>	<u>\$ 1,736,187</u>

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2011, the District had no liability for unpaid vacation or sick leave benefits.

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, under the TRS publication heading.

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, 2009, 2010, and 2011 in the amount of \$740,444, \$688,444, and \$709,958 respectively. The Point Isabel Independent School District paid additional state contributions for the years ended August 2009, 2010, 2011 in the amount of \$302,296, \$329,179 and \$389,965 respectively, on the portion of the employees' salaries that exceed the statutory minimum.

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

K. PENSION PLAN (Continued)

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, 2009, 2010, and 2011 were \$33,194, \$38,167, and \$25,259 respectively.

L. HEALTH CARE COVERAGE

During the year ended August 31, 2011 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 \$1,677,751.

Latest financial statements for the self insurance fund are available for the year ended August 31, 2011, 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, 2011:

Unpaid claims, beginning of year	\$	1,639,807
Incurred claims (including IBNR's)		1,147,562
Claim payments		<u>(981,209)</u>
Unpaid claims, end of year	\$	<u>1,806,160</u>

M. GENERAL FUND FEDERAL SOURCE REVENUES

The following summarizes general fund federal program revenues:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
National School Lunch Program	10.555	\$ 965,579
School Breakfast Program	10.553	605,606
Food Distribution	10.550	92,413
School Health Related Services	N/A	162,528
Medicaid Administrative Claiming Program	N/A	<u>5,842</u>
Total Programs		<u>\$ 1,831,968</u>

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

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	\$ 34,638,608
Penalties, Interest and Other		
Tax related income	General	917,183
Investment Income	General	18,837
Local Sources	General	268,878
Food Sales	General	45,941
Other	General	160,885
Property Taxes	Debt Service	4,090,260
Penalties, Interest and Other		
Tax related income	Debt Service	104,926
Investment Income	Debt Service	1,325
Investment Income	Capital Projects	18
Investment Income	Internal Service	3,587
Local Sources	Internal Service	2,468,511
Local Sources	Trust & Agency	157,252
		<u>\$ 42,876,211</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.

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.

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

R. INCREASE (DECREASE) IN FUND BALANCES

Adjustments to the fund balance during the 2010-2011 school year consisted of adjustments to grant receivable accounts and to recognize revenue in the proper period. The effect was an increase in fund balance in the amount of \$517,768.

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 premium paid for health care for 2010-2011:		\$ 1,632,186
B. Subtract any non-medical expenditures:		
Life insurance	\$ 5,702	
Dental insurance	-	
Vision insurance	-	
Long-term disability	-	
Short-term disability	-	
Alternate plans	-	
COBRA expense	-	
Retiree expense	-	5,702
C. 2010 - 2011 Maintenance of Effort:		<u>\$ 1,626,484</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, 2011

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	\$ 35,122,409	\$ 35,122,409	\$ 36,050,331	\$ 927,922
5800 State Program Revenues	4,145,074	4,179,074	4,884,573	705,499
5900 Federal Program Revenues	2,107,325	2,107,325	1,831,968	(275,357)
5020 Total Revenues	41,374,808	41,408,808	42,766,872	1,358,064
EXPENDITURES:				
Current:				
0011 Instruction	10,509,121	10,942,174	10,475,300	466,874
0012 Instructional Resources and Media Services	344,480	350,571	314,542	36,029
0013 Curriculum and Instructional Staff Development	290,071	367,740	367,432	308
0021 Instructional Leadership	287,025	348,597	357,148	(8,551)
0023 School Leadership	1,174,957	1,120,605	1,066,132	54,473
0031 Guidance, Counseling and Evaluation Services	865,026	797,992	645,512	152,480
0033 Health Services	184,309	186,273	190,313	(4,040)
0034 Student (Pupil) Transportation	1,006,375	1,050,207	949,676	100,531
0035 Food Services	2,015,729	2,049,729	1,934,346	115,383
0036 Extracurricular Activities	1,550,196	1,619,042	1,428,626	190,416
0041 General Administration	1,080,604	1,089,825	880,555	209,270
0051 Facilities Maintenance and Operations	4,213,424	4,457,520	3,893,056	564,464
0052 Security and Monitoring Services	390,209	396,650	337,865	58,785
0053 Data Processing Services	280,699	409,997	333,225	76,772
0061 Community Services	38,901	39,201	7,434	31,767
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	631,850	439,275	192,575
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	16,876,340	17,168,595	18,017,653	(849,058)
0099 Other Intergovernmental Charges	566,604	566,604	486,201	80,403
6030 Total Expenditures	41,674,070	43,593,172	42,124,291	1,468,881
1200 Net Change in Fund Balances	(299,262)	(2,184,364)	642,581	2,826,945
0100 Fund Balance - September 1 (Beginning)	10,540,739	10,540,739	10,540,739	-
1300 Increase (Decrease) in Fund Balance	-	-	517,768	517,768
3000 Fund Balance - August 31 (Ending)	\$ 10,241,477	\$ 8,356,375	\$ 11,701,088	\$ 3,344,713

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, 2011

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	\$ 105,250	\$ 105,250	\$ 56,633	\$ (48,617)
5800 State Program Revenues	43,154	77,154	127,518	50,364
5900 Federal Program Revenues	1,867,325	1,867,325	1,663,598	(203,727)
5020 Total Revenues	<u>2,015,729</u>	<u>2,049,729</u>	<u>1,847,749</u>	<u>(201,980)</u>
EXPENDITURES:				
0034 Student (Pupil) Transportation	-	-	9,540	(9,540)
0035 Food Services	2,015,729	2,049,729	1,934,346	115,383
6030 Total Expenditures	<u>2,015,729</u>	<u>2,049,729</u>	<u>1,943,886</u>	<u>105,843</u>
1200 Net Change in Fund Balances	-	-	(96,137)	(96,137)
0100 Fund Balance - September 1 (Beginning)	<u>168,241</u>	<u>168,241</u>	<u>168,241</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 168,241</u>	<u>\$ 168,241</u>	<u>\$ 72,104</u>	<u>\$ (96,137)</u>

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, 2011

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	\$ 4,060,450	\$ 4,058,450	\$ 4,196,512	\$ 138,062
5020	Total Revenues	4,060,450	4,058,450	4,196,512	138,062
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,060,450	2,284,327	2,284,327	-
0072	Interest on Long Term Debt	-	1,774,123	1,774,123	-
0073	Bond Issuance Cost and Fees	-	2,000	1,074	926
6030	Total Expenditures	4,060,450	4,060,450	4,059,524	926
1200	Net Change in Fund Balances	-	(2,000)	136,988	138,988
0100	Fund Balance - September 1 (Beginning)	584,190	584,190	584,190	-
3000	Fund Balance - August 31 (Ending)	\$ 584,190	\$ 582,190	\$ 721,178	\$ 138,988

COMBINING STATEMENTS

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ (145,590)	\$ (5,829)	\$ (113,759)	\$ (7,194)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Receivables from Other Governments	187,780	5,829	121,939	7,194
1260	Due from Other Funds	607	-	8,430	-
1000	Total Assets	<u>\$ 42,797</u>	<u>\$ -</u>	<u>\$ 16,610</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 4,200	\$ -
2170	Due to Other Funds	42,775	-	12,302	-
2200	Accrued Expenditures	22	-	108	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>42,797</u>	<u>-</u>	<u>16,610</u>	<u>-</u>
Fund Balances:					
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 42,797</u>	<u>\$ -</u>	<u>\$ 16,610</u>	<u>\$ -</u>

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	274 GEAR UP
\$ (23,802)	\$ (76)	\$ (41,534)	\$ 326	\$ (11,410)	\$ (172,752)	\$ 18,369	\$ (23,739)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,550	-	49,119	-	13,283	178,890	49,365	23,783
252	84	7,308	-	4,377	-	55,740	-
<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 14,893</u>	<u>\$ 326</u>	<u>\$ 6,250</u>	<u>\$ 6,138</u>	<u>\$ 123,474</u>	<u>\$ 44</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	14,852	-	6,250	3,050	123,474	-
-	8	41	-	-	16	-	44
-	-	-	326	-	3,072	-	-
<u>-</u>	<u>8</u>	<u>14,893</u>	<u>326</u>	<u>6,250</u>	<u>6,138</u>	<u>123,474</u>	<u>44</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 14,893</u>	<u>\$ 326</u>	<u>\$ 6,250</u>	<u>\$ 6,138</u>	<u>\$ 123,474</u>	<u>\$ 44</u>

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

Data Control Codes	276 Title I - SIP Academy Grant	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ 11,292	\$ 6,131	\$ (96,564)	\$ (16,791)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Receivables from Other Governments	-	-	99,568	13,283
1260	Due from Other Funds	-	-	10,299	4,266
1000	Total Assets	<u>\$ 11,292</u>	<u>\$ 6,131</u>	<u>\$ 13,303</u>	<u>\$ 758</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 2,123	\$ -
2170	Due to Other Funds	11,292	1,662	11,180	758
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	4,469	-	-
2000	Total Liabilities	<u>11,292</u>	<u>6,131</u>	<u>13,303</u>	<u>758</u>
Fund Balances:					
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 11,292</u>	<u>\$ 6,131</u>	<u>\$ 13,303</u>	<u>\$ 758</u>

285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	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	399 Investment Capital Funds
\$ (87,956)	\$ (11,102)	\$ (13,846)	\$ (12,570)	\$ (259)	\$ (8,495)	\$ 10,565	\$ 8
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
99,497	11,102	13,846	-	-	8,495	-	-
1,445	-	-	12,570	259	-	-	-
<u>\$ 12,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,565</u>	<u>\$ 8</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12,986	-	-	-	-	-	9,215	-
-	-	-	-	-	-	-	8
-	-	-	-	-	-	1,350	-
<u>12,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,565</u>	<u>8</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 12,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,565</u>	<u>\$ 8</u>

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

Data Control Codes	401 Optional Extended Year Program	404 Student Success Initiative	409 High School Completion and Success	411 Technology Allotment	
ASSETS					
1110	Cash and Cash Equivalents	\$ (18,149)	\$ (77,259)	\$ 16	\$ 58,301
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	30,030	77,259	-	-
1000	Total Assets	<u>\$ 11,881</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 58,301</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	-	-	16	-
2300	Deferred Revenues	-	-	-	58,301
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>16</u>	<u>58,301</u>
Fund Balances:					
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3600	Unassigned Fund Balance	11,881	-	-	-
3000	Total Fund Balances	<u>11,881</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 11,881</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 58,301</u>

414 Texas Reading Initiative	418 Employee Health Insurance	426 TX Educator Excellence Award Grant	428 High School Allotment	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds	598 Debt Service Fund	698 Capital Projects Fund
\$ 119	\$ (19,535)	\$ (3,414)	\$ (366,864)	\$ 721,900	\$ (451,462)	\$ 720,896	\$ 5,351
-	-	-	-	-	-	504,295	-
-	-	-	-	-	-	(50,429)	-
-	-	-	-	118	906,641	-	-
-	19,535	3,414	366,864	-	602,739	556	-
<u>\$ 119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,018</u>	<u>\$ 1,057,918</u>	<u>\$ 1,175,318</u>	<u>\$ 5,351</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,323	\$ -	\$ -
-	-	-	-	722,018	971,814	275	-
119	-	-	-	-	382	-	-
-	-	-	-	-	67,518	453,865	-
<u>119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,018</u>	<u>1,046,037</u>	<u>454,140</u>	<u>-</u>
-	-	-	-	-	-	721,178	-
-	-	-	-	-	-	-	5,351
-	-	-	-	-	11,881	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,881</u>	<u>721,178</u>	<u>5,351</u>
<u>\$ 119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 722,018</u>	<u>\$ 1,057,918</u>	<u>\$ 1,175,318</u>	<u>\$ 5,351</u>

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

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 667,612	\$ 672,963	\$ 942,397
1220 Property Taxes - Delinquent	-	-	504,295
1230 Allowance for Uncollectible Taxes	-	-	(50,429)
1240 Receivables from Other Governments	-	-	906,641
1260 Due from Other Funds	-	-	603,295
1000 Total Assets	<u>\$ 667,612</u>	<u>\$ 672,963</u>	<u>\$ 2,906,199</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ -	\$ -	\$ 6,323
2170 Due to Other Funds	500,000	500,000	1,472,089
2200 Accrued Expenditures	-	-	382
2300 Deferred Revenues	-	-	521,383
2000 Total Liabilities	<u>500,000</u>	<u>500,000</u>	<u>2,000,177</u>
Fund Balances:			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	-	721,178
Committed Fund Balance:			
3510 Construction	167,612	172,963	172,963
3600 Unassigned Fund Balance	-	-	11,881
3000 Total Fund Balances	<u>167,612</u>	<u>172,963</u>	<u>906,022</u>
4000 Total Liabilities and Fund Balances	<u>\$ 667,612</u>	<u>\$ 672,963</u>	<u>\$ 2,906,199</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,304,003	70,231	546,081	11,352
5020 Total Revenues	<u>1,304,003</u>	<u>70,231</u>	<u>546,081</u>	<u>11,352</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,021,154	68,876	520,944	11,352
0013 Curriculum and Instructional Staff Development	117,827	233	18,599	-
0021 Instructional Leadership	4,651	1,002	2,626	-
0023 School Leadership	-	-	250	-
0031 Guidance, Counseling and Evaluation Services	77,349	-	568	-
0034 Student (Pupil) Transportation	-	-	-	-
0036 Extracurricular Activities	-	-	3,094	-
0061 Community Services	83,022	120	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>1,304,003</u>	<u>70,231</u>	<u>546,081</u>	<u>11,352</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	274 GEAR UP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
49,973	-	271,761	-	124,235	779,639	760,786	71,079
<u>49,973</u>	<u>-</u>	<u>271,761</u>	<u>-</u>	<u>124,235</u>	<u>779,639</u>	<u>760,786</u>	<u>71,079</u>
46,866	-	118,775	-	112,154	779,639	760,786	16,919
3,107	-	143,141	-	12,081	-	-	54,160
-	-	-	-	-	-	-	-
-	-	9,845	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>49,973</u>	<u>-</u>	<u>271,761</u>	<u>-</u>	<u>124,235</u>	<u>779,639</u>	<u>760,786</u>	<u>71,079</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 - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	276 Title I - SIP Academy Grant	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	6,636	349,607	13,283
5020	Total Revenues	<u>-</u>	<u>6,636</u>	<u>349,607</u>	<u>13,283</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	1,310	254,155	13,283
0013	Curriculum and Instructional Staff Development	-	5,326	3,274	-
0021	Instructional Leadership	-	-	956	-
0023	School Leadership	-	-	11,405	-
0031	Guidance, Counseling and Evaluation Services	-	-	16,393	-
0034	Student (Pupil) Transportation	-	-	63,424	-
0036	Extracurricular Activities	-	-	-	-
0061	Community Services	-	-	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	<u>-</u>	<u>6,636</u>	<u>349,607</u>	<u>13,283</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	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	399 Investment Capital Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	23,749	-	-
321,881	-	-	-	-	-	-	-
<u>321,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,749</u>	<u>-</u>	<u>-</u>
302,541	-	-	-	-	23,749	-	-
9,440	-	-	-	-	-	-	-
4,447	-	-	-	-	-	-	-
356	-	-	-	-	-	-	-
133	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,964	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>321,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,749</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 - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	401 Optional Extended Year Program	404 Student Success Initiative	409 High School Completion and Success	411 Technology Allotment
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	11,881	29,586	-	49,075
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>11,881</u>	<u>29,586</u>	<u>-</u>	<u>49,075</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	29,586	-	36,166
0013 Curriculum and Instructional Staff Development	-	-	-	12,909
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>29,586</u>	<u>-</u>	<u>49,075</u>
1200 Net Change in Fund Balance	11,881	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 11,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

414 Texas Reading Initiative	418 Employee Health Insurance	426 TX Educator Excellence Award Grant	428 High School Allotment	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds	598 Debt Service Fund	698 Capital Projects Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,196,512	\$ -
-	-	-	-	6,584	120,875	-	-
-	-	-	-	-	4,680,547	-	-
-	-	-	-	6,584	4,801,422	4,196,512	-
-	-	-	-	6,584	4,124,839	-	-
-	-	-	-	-	380,097	-	-
-	-	-	-	-	13,682	-	-
-	-	-	-	-	21,856	-	-
-	-	-	-	-	94,443	-	-
-	-	-	-	-	63,424	-	-
-	-	-	-	-	3,094	-	-
-	-	-	-	-	88,106	-	-
-	-	-	-	-	-	2,284,327	-
-	-	-	-	-	-	1,774,123	-
-	-	-	-	-	-	1,074	-
-	-	-	-	-	-	-	-
-	-	-	-	6,584	4,789,541	4,059,524	-
-	-	-	-	-	11,881	136,988	-
-	-	-	-	-	-	584,190	5,351
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,881	\$ 721,178	\$ 5,351

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

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 18	\$ 18	\$ 4,196,530
5800 State Program Revenues	-	-	120,875
5900 Federal Program Revenues	-	-	4,680,547
5020 Total Revenues	<u>18</u>	<u>18</u>	<u>8,997,952</u>
EXPENDITURES:			
Current:			
0011 Instruction	-	-	4,124,839
0013 Curriculum and Instructional Staff Development	-	-	380,097
0021 Instructional Leadership	-	-	13,682
0023 School Leadership	-	-	21,856
0031 Guidance, Counseling and Evaluation Services	-	-	94,443
0034 Student (Pupil) Transportation	-	-	63,424
0036 Extracurricular Activities	-	-	3,094
0061 Community Services	-	-	88,106
Debt Service:			
0071 Principal on Long Term Debt	-	-	2,284,327
0072 Interest on Long Term Debt	-	-	1,774,123
0073 Bond Issuance Cost and Fees	-	-	1,074
Capital Outlay:			
0081 Facilities Acquisition and Construction	50,771	50,771	50,771
6030 Total Expenditures	<u>50,771</u>	<u>50,771</u>	<u>8,899,836</u>
1200 Net Change in Fund Balance	(50,753)	(50,753)	98,116
0100 Fund Balance - September 1 (Beginning)	<u>218,365</u>	<u>223,716</u>	<u>807,906</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 167,612</u>	<u>\$ 172,963</u>	<u>\$ 906,022</u>

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

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 611,970	\$ 3,585,076	\$ 43,313	\$ 24,603	\$ 4,264,962
Due from Other Funds	-	-	275	-	275
Total Assets	<u>611,970</u>	<u>3,585,076</u>	<u>43,588</u>	<u>24,603</u>	<u>4,265,237</u>
LIABILITIES					
Current Liabilities:					
Due to Other Funds	181,392	344	10,830	-	192,566
Accrued Expenses	-	22,794	-	15	22,809
Total Liabilities	<u>181,392</u>	<u>23,138</u>	<u>10,830</u>	<u>15</u>	<u>215,375</u>
NET ASSETS					
Unrestricted Net Assets	<u>430,577</u>	<u>3,561,938</u>	<u>32,758</u>	<u>24,588</u>	<u>4,049,861</u>
Total Net Assets	<u>\$ 430,577</u>	<u>\$ 3,561,938</u>	<u>\$ 32,758</u>	<u>\$ 24,588</u>	<u>\$ 4,049,861</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, 2011

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
OPERATING REVENUES:					
Local and Intermediate Sources	\$ 175,942	\$ 2,039,407	\$ 34,248	\$ 222,501	\$ 2,472,098
State Program Revenues	-	-	644	-	644
Total Operating Revenues	<u>175,942</u>	<u>2,039,407</u>	<u>34,892</u>	<u>222,501</u>	<u>2,472,742</u>
OPERATING EXPENSES:					
Payroll Costs	-	-	13,516	197,565	211,081
Professional and Contracted Services	4,989	-	-	-	4,989
Supplies and Materials	31,995	-	-	-	31,995
Other Operating Costs	893	1,632,186	-	-	1,633,079
Total Operating Expenses	<u>37,877</u>	<u>1,632,186</u>	<u>13,516</u>	<u>197,565</u>	<u>1,881,144</u>
Operating Income	138,065	407,221	21,376	24,936	591,598
Total Net Assets - September 1 (Beginning)	<u>292,512</u>	<u>3,154,717</u>	<u>11,382</u>	<u>(348)</u>	<u>3,458,263</u>
Total Net Assets - August 31 (Ending)	<u>\$ 430,577</u>	<u>\$ 3,561,938</u>	<u>\$ 32,758</u>	<u>\$ 24,588</u>	<u>\$ 4,049,861</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

	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	\$ 175,943	\$ 2,039,407	\$ 34,892	\$ 222,500	\$ 2,472,742
Cash Payments to Employees for Services	-	-	(13,516)	-	(13,516)
Cash Payments for Other Operating Expenses	-	(1,632,186)	-	(197,564)	(1,829,750)
Net Cash Provided by Operating Activities	<u>175,943</u>	<u>407,221</u>	<u>21,376</u>	<u>24,936</u>	<u>629,476</u>
Net Increase in Cash and Cash Equivalents	175,943	407,221	21,376	24,936	629,476
Cash and Cash Equivalents at Beginning of Year	436,027	3,177,855	21,937	(333)	3,635,486
Cash and Cash Equivalents at End of Year	<u>\$ 611,970</u>	<u>\$ 3,585,076</u>	<u>\$ 43,313</u>	<u>\$ 24,603</u>	<u>\$ 4,264,962</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>					
Operating Income:	\$ 138,065	\$ 407,221	\$ 21,376	\$ 24,936	\$ 591,598
Effect of Increases and Decreases in Current Assets and Liabilities:					
Increase (decrease) in Due to Other Funds	37,878	-	-	-	37,878
Net Cash Provided by Operating Activities	<u>\$ 175,943</u>	<u>\$ 407,221</u>	<u>\$ 21,376</u>	<u>\$ 24,936</u>	<u>\$ 629,476</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

	BALANCE SEPTEMBER 1 2010	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2011
AGENCY FUND FOR TAX COLLECTIONS				
Assets:				
Cash and Temporary Investments	\$ 334,003	\$ 52,638,094	\$ 52,644,863	\$ 327,234
Other Receivables	7,440	172,816	179,926	330
Total Assets	<u>\$ 341,443</u>	<u>\$ 52,810,910</u>	<u>\$ 52,824,789</u>	<u>\$ 327,564</u>
Liabilities:				
Accounts Payable	\$ 49,835	\$ 448,401	\$ 439,230	\$ 59,006
Due to Other Governments	225,841	52,037,785	52,065,565	198,061
Accrued Expenses	65,767	4,730	-	70,497
Total Liabilities	<u>\$ 341,443</u>	<u>\$ 52,490,916</u>	<u>\$ 52,504,795</u>	<u>\$ 327,564</u>
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	<u>\$ 105,926</u>	<u>\$ 347,174</u>	<u>\$ 331,263</u>	<u>\$ 121,837</u>
Liabilities:				
Due to Student Groups	<u>\$ 105,926</u>	<u>\$ 347,174</u>	<u>\$ 331,263</u>	<u>\$ 121,837</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 439,929	\$ 52,985,268	\$ 52,976,126	\$ 449,071
Other Receivables	7,440	172,816	179,926	330
Total Assets	<u>\$ 447,369</u>	<u>\$ 53,158,084</u>	<u>\$ 53,156,052</u>	<u>\$ 449,401</u>
Liabilities:				
Accounts Payable	\$ 49,835	\$ 448,401	\$ 439,230	\$ 59,006
Due to Other Governments	225,841	52,037,785	52,065,565	198,061
Due to Student Groups	105,926	347,174	331,263	121,837
Accrued Expenses	65,767	4,730	-	70,497
Total Liabilities	<u>\$ 447,369</u>	<u>\$ 52,838,090</u>	<u>\$ 52,836,058</u>	<u>\$ 449,401</u>

REQUIRED SUPPLEMENTARY SCHEDULES

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
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	0.948934	0.112700	3,538,555,214
2011 (School year under audit)	0.967254	0.114380	3,711,066,791
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 1,044,388	\$ -	\$ 19,237	\$ 2,141	\$ (33,343)	\$ 989,667
143,877	-	2,491	188	(114)	141,084
158,123	-	2,996	194	(117)	154,816
158,090	-	5,046	270	(117)	152,657
224,556	-	13,887	740	2,557	212,486
300,212	-	38,887	3,903	6,866	264,288
493,386	-	106,629	12,305	6,715	381,167
1,005,719	-	387,420	42,229	7,245	583,315
2,032,051	-	943,562	112,062	(74,862)	901,565
-	39,443,890	33,782,991	3,994,919	(170,837)	1,495,143
<u>\$ 5,560,402</u>	<u>\$ 39,443,890</u>	<u>\$ 35,303,146</u>	<u>\$ 4,168,951</u>	<u>\$ (256,007)</u>	<u>\$ 5,276,188</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

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	\$ -	\$ -	\$ 237,681	\$ 422,644	\$ 19	\$ -	\$ 660,344
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	6,950	-	-	-	-	-	6,950
6212	Audit Services	-	-	-	22,600	-	-	22,600
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	486,201	-	-	-	-	486,201
621X	Other Professional Services	-	-	-	2,312	-	-	2,312
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	150	-	275	67,770	-	-	68,195
6240	Contr. Maint. and Repair	-	-	-	-	286	-	286
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	15,397	-	-	15,397
6290	Miscellaneous Contr.	-	-	296	4,207	-	-	4,503
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	12,449	-	20,368	35,934	-	-	68,751
6410	Travel, Subsistence, Stipends	20,083	-	4,854	2,341	-	-	27,278
6420	Ins. and Bonding Costs	8,000	-	-	-	-	-	8,000
6430	Election Costs	71	-	-	-	-	-	71
6490	Miscellaneous Operating	532	-	54,041	9,065	-	-	63,638
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	11,490	11,490
6000	TOTAL	\$ 48,235	\$ 486,201	\$ 317,515	\$ 582,270	\$ 305	\$ 11,490	\$ 1,446,016

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 43,170,328

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 801,260
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	3,893,056
Food (Function 35, 6341 and 6499)	(13)	984,324
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		582,270

SubTotal: 6,260,909

Net Allowed Direct Cost \$ 36,909,419

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 51,553,070
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)	\$ 2,863,754
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$67,770 in Function 53 expenditures are included in this report on administrative costs.
 \$486,201 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 FUNDS AS OF AUGUST 31, 2011

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 11,701,088
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 5,599	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	66,505	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	8,616,425	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	7,228,689	
8	Estimate of delayed payments from state sources (58xx).	498,304	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>16,415,522</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ (4,714,434)</u></u>

FEDERAL AWARDS SECTION



PATILLO, 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we 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 20, 2011.

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 20, 2011



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

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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 could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of 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 20, 2011

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2011

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, 2011

Not Applicable

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

Not Applicable

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE/	(2) Federal CFDA Number	(3) Pass Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Region One - ESC:</i>			
Gear-Up	84.334A	P334A990027-03	\$ 71,079
Total Passed Through Region One - ESC			<u>71,079</u>
<i>Passed Through State Department of Education:</i>			
ESEA Title I, Part A Improving Basic Programs*	84.010A	11610101031909	<u>1,304,003</u>
ESEA Title I, Part A Improving Basic Programs - ARRA*	84.389A	11551001031909	<u>321,881</u>
ESEA Title I, Part C, - Migratory Children	84.011A	11615001031909	<u>70,231</u>
IDEA - Part B, Formula*	84.027A	116600010319096600	<u>546,081</u>
IDEA - Part B, Preschool*	84.173A	116610010319096610	<u>11,352</u>
IDEA - Part B, Formula - ARRA*	84.391A	10554001031909	<u>349,607</u>
IDEA - Part B, Preschool - ARRA*	84.392A	10555001031909	<u>13,283</u>
Vocational Education - Basic Grant - T2	84.048A	9420006031909	<u>49,973</u>
Texas 21st Century Learning Centers	84.287C	116950017110041	<u>779,639</u>
ESEA Title II-Part D, Enhancing Education - ARRA	84.386A	10553001031909	<u>6,636</u>
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394A	11557001031909	<u>760,786</u>
ESEA Title III-Part A, Language	84.365A	11671001031909	<u>124,235</u>
ESEA Title II-Part A, Teacher/Principal	84.367A	10694501031909	<u>271,761</u>
Total Passed Through State Department of Education			<u>4,609,468</u>
TOTAL DEPARTMENT OF EDUCATION			<u>4,680,547</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
School Breakfast Program* (Note A)	10.553	71400701	605,606
National School Lunch Program* (Note A)	10.555	71300701	965,579
Food Distribution* (Note A)	10.559	031-909	<u>92,413</u>
Total Passed Through Texas Education Agency			<u>1,663,598</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,663,598</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 6,344,145</u>

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

The accompanying notes are an integral part of this schedule.

(Note A) \$605,606 of School Breakfast Program, \$965,579 of National School Lunch Program, and \$92,413 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, 2011

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.