

**Comprehensive
Annual Financial Report**

**For the Fiscal Year Ended
August 31, 2012**

**GALENA PARK INDEPENDENT SCHOOL
DISTRICT**

14705 Woodforest Blvd., Houston, Texas 77015

Prepared By the Business Department:

**Sonya George, CPA
Chief Financial Officer**

**Yvonne Johnson, MBA, RTSBA
Executive Director for Business Services**

GALENA PARK INDEPENDENT SCHOOL DISTRICT
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INTRODUCTORY SECTION

GALENA PARK INDEPENDENT SCHOOL DISTRICT
Principal Officials and Advisors

Board of Trustees

Name	Office	Term Expires	Length of Service	Occupation
Joe Stephens	President	2015	3 years	Insurance Agent
Jeff Miller	Vice President	2013	15 years	Insurance Agent
Wanda Heath Johnson	Secretary	2015	7 years	Teacher
Dawn Thompson Fisher	Member	2014	11 years	Legal Assistant
June Harris	Member	2014	5 years	Sales
Wilfred J. Broussard, Jr.	Member	2014	4 years	Realtor
Ramon Garza	Member	2013	2 year	Insurance Agent

Administrative Officials

Name	Position	Length of Service
Angi Williams, Ed.D.	Superintendent	27 years
Arnold Ramirez	Assistant Superintendent for Human Resources and Communication Services	14 years
Crockett DuBose	Special Assistant to the Superintendent and Community Liaison	7 years
Crystal Murray	Assistant Superintendent for Curriculum and Instruction and School Administration	22 years
John Moore	Assistant Superintendent for Operations	21 years
Kenneth Wallace	Assistant Superintendent for Educational Support and School Administration	12 years
Orphalinda Bazan	Assistant Superintendent for Special Programs	14 years
Sonya George, CPA	Chief Financial Officer	1 year
Yvonne Johnson, MBA, RTSBA	Executive Director for Business Services	5 years

Consultants and Advisors

Bond Counsel	Andrews Kurth LLP, Houston, Texas
Financial Advisor	Southwest Securities, Inc., Dallas, Texas
Independent Auditors	Whitley Penn, LLP, Houston, Texas
Chief Appraiser	Harris County Appraisal District

CERTIFICATE OF BOARD

Galena Park Independent School District
Name of School District

Harris
County

101-910
Co.- Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2012, at a meeting of the board of trustees of such school district on January 14, 2013.



President of the Board



Secretary of the Board



GALENA PARK INDEPENDENT SCHOOL DISTRICT

A Texas Recognized School District

14705 Woodforest Blvd.

Houston, TX 77015

832-386-1204

January 14, 2013

To the Board of Trustees and Taxpayers of the Galena Park Independent School District:

The Texas Education Code requires that all school districts file a complete set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Galena Park Independent School District (the "District") for the fiscal year ended August 31, 2012.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The District's financial statements have been audited by Whitley Penn, LLP, CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the District's financial statements for the period ended August 31, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally-mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

The Galena Park Independent School District encompasses 33 square miles and is located in southeastern Harris County, Texas. Interstate Highway 10 bisects the District. While a small portion of the District is located inside the city limits of Houston, it also includes portions of the incorporated cities of Galena Park, Jacinto City, and the unincorporated communities of Greens Bayou, Woodland Acres, and the Cloverleaf Addition. The District is not included in any other governmental "reporting entity" since the Board of Trustees is elected by the public and has decision-making authority. Residents of the District elect a seven-member Board of Trustees. The respective Trustees serve overlapping three-year terms. There are no component units included in the reporting entity.

The purpose and responsibility of the District is to provide a thorough and efficient educational system for the children, pre-kindergarten through grade 12, enrolled in public schools within its boundaries, whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to its regular educational program, the District offers comprehensive programs in the areas of career and technology education, special education, bilingual education, compensatory education and gifted and talented education. The District is accredited by the Texas Education Agency.

The District's 15 elementary schools, 5 middle schools, 2 high schools, 1 alternative high school campuses are well-known for innovative programs and academic accomplishments. The District educates children from diverse backgrounds. The student body reflects the cultural diversity of Texas. Of the approximately 21,900 students enrolled, 76% are Hispanic, 17% are African American, 5% are White, and 2% identify themselves as Asian/Pacific Islander or of more than one ethnicity.

The annual budget serves as the foundation for the District's financial planning and control. The budget development process begins in January with the Superintendent and administrative leadership team determining the budget parameters that will be used as a guide for the resource allocation process. All of the District's budget managers are required to submit requests for appropriations based on these parameters. Budget requests are forwarded to the Business Services Department for compilation and summarization. The Business Services Department personnel develop the draft budget and prioritize budget requests and potential budget reductions based on the principles established in the Superintendent's budget parameters. The preliminary budget is then presented and discussed with the Board of Trustees. The proposed budget must be prepared by August 20th for the September 1st fiscal year start date. The Board President must call a Board meeting for the purpose of discussing and adopting the budget and tax rate. A public notice of this meeting is required to be published at least 10 days, but not more than 30 days, prior to the public meeting.

The District maintains budgetary controls throughout its financial systems. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the official budget adopted by the Board. The Board adopts an official appropriations budget at the functional expenditure level for the general fund, debt service fund and the food service program included in the special revenue fund. Budgetary control is maintained at the organizational level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances at the end of the fiscal year are treated as Assigned fund balance and are recorded as expenditures in the subsequent year upon receipt of the goods and services.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy. The District is located in the heart of the Houston Ship Channel industrial area, and the majority of the labor force is employed at nearby chemical plants and oil refineries. The Houston Ship Channel is located just south of the District boundary, and many residents are employed in the industrial area surrounding the Channel. The Port of Houston is one of the largest ports in the world in terms of foreign waterborne tonnage and total tonnage. Each year, 7,700 vessels and 150,000 barges ship goods through the port, and more than 100 steamship lines offer service, linking Houston with 1,053 ports around the world. A vital element in the infrastructure of Houston and the region, the port maintains a high level of commercial prominence that solidifies its status as a major gateway to global commerce.

A cornerstone of the area economy, the Port of Houston is a 25-mile-long complex of diversified public and private facilities designed for handling general cargo, containers, grain and other dry bulk materials, project and heavy-lift cargo, and other types of cargo. Overall, more than 1,026,000 jobs throughout Texas are directly and indirectly related to the diverse global trade and commerce activities at the port. In addition, the port generates nearly \$178.5 billion of economic activity in Texas each year. Additionally, more than \$4.5 billion in state and local tax revenues are generated by business activities related to the port.

Houston's energy, healthcare, transportation and distribution sectors have supported the tax base growth. The District's proximity to Houston provides the area with access to one of the nation's leading centers for medical education and research, many colleges and universities, a dynamic cultural arts community, excellent recreational opportunities, and a national center of commerce, world trade and corporate management. The Houston area economy tends to trend ahead of the national economy.

Relevant Financial Policies

Budget. Budget planning is an integral part of overall program planning so that the budget effectively reflects the District's programs and activities, and provides the resources to implement them. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals are considered. Budget planning and evaluation are continuous processes and are a part of each month's activities.

Fund Balance. Recognizing fund balance as key in maintaining a strong financial position, the Board policy regarding fund balance stipulates a goal of maintaining an adequate fund balance. The level of adequacy for the general fund unassigned fund balance is defined as 12% of the current budget, while the debt service fund is defined as 15% of the current year debt service requirements.

Financial Planning. The District is subject to revenue limitations as outlined in the Texas Education Code. The revenues are derived from a target revenue formula based primarily on student attendance, adjusted for funding "weights" associated with the students' educational settings. Under the target revenue system, the District's maintenance and operations revenues from property taxes and state aid are capped. As collections from property taxes increase, state aid is reduced by a similar amount. On an ongoing basis, the District adjusts future projections as new data become available. The District maintains a Five-year Technology plan and a Long-range facilities plan.

Awards and Acknowledgements

The TEA has awarded the District a rating of “Superior Achievement” for the year ended August 31, 2011. This is the tenth year of the State’s financial accountability rating system for school districts (School FIRST). The rating is based upon an analysis of staff and student data reported for the 2010-11 school year and budgetary and actual financial data for the fiscal year ended August 31, 2011.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Business Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Trustees for their unfailing support for maintaining the highest standards of professionalism in the management of the District’s finances. Finally, we would like to thank the residents of the District for their support of and belief in our public school system, and the teachers and campus teams who provide the quality education for which our District is known.

Respectfully submitted,

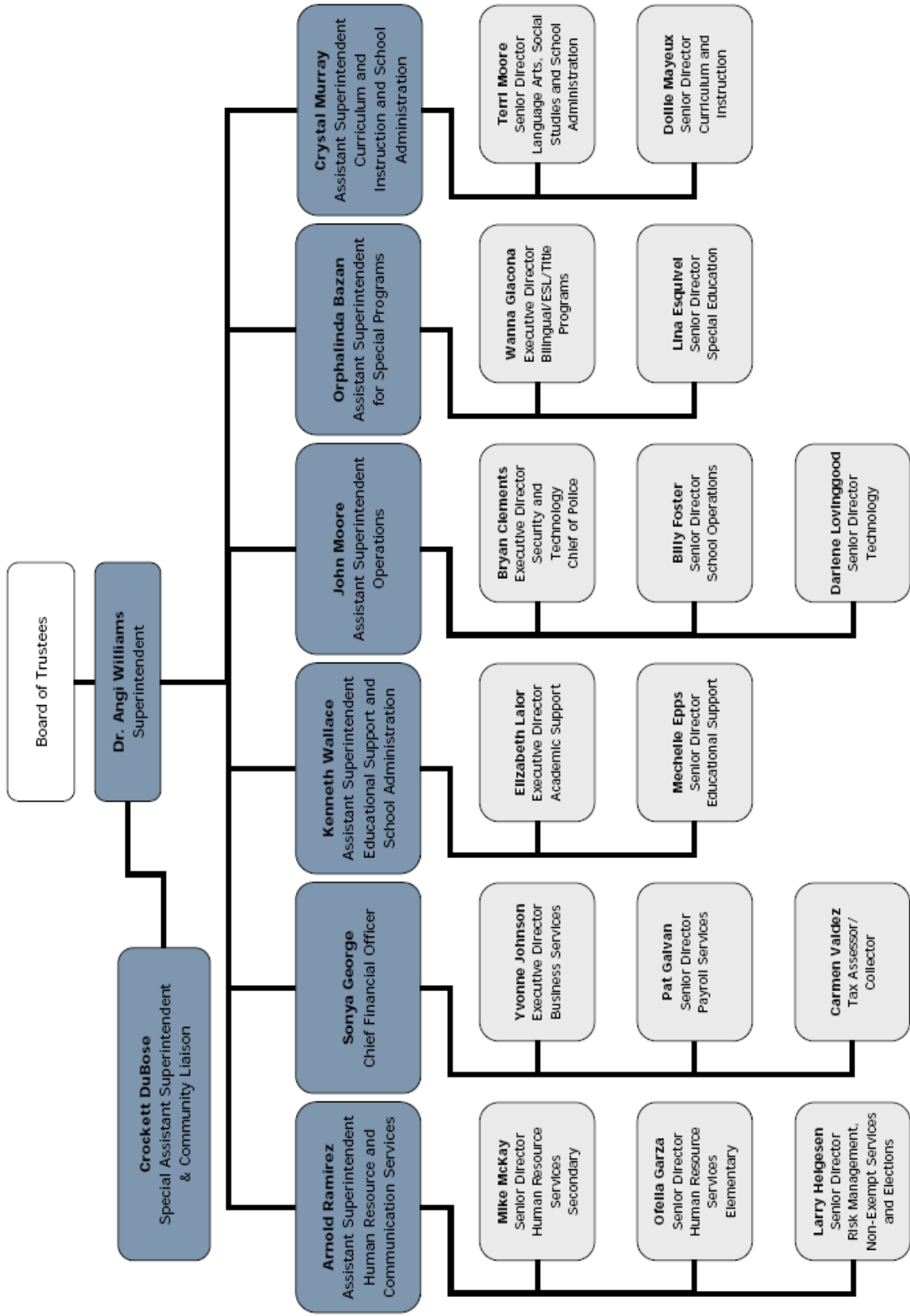
A handwritten signature in cursive script that reads "Angi Williams".

Angi Williams, Ed.D
Superintendent of Schools

A handwritten signature in cursive script that reads "Sonya George".

Sonya George
Chief Financial Officer

Galena Park Independent School District Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Galena Park
Independent School District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Galena Park Independent School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended August 31, 2011*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Brian L. Mee'.

Brian L. Mee, SFO, RSBA
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Galena Park Independent School District
Galena Park, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Galena Park Independent School District (the “District”) as of and for the year ended August 31, 2012, which collectively comprise the District’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2012, and the respective changes in financial position 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 January 8, 2013, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

To the Board of Trustees
Galena Park Independent School District
Galena Park, Texas
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 13 and budgetary comparison information on pages 51 to 52 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, other supplementary information listed in the table of contents includes combining and individual fund financial statements and compliance schedules required by the Texas Education Agency and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in the combining and individual fund financial statements and compliance schedules required by the Texas Education Agency are the responsibility of management and are derived from and relate 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 information in the introductory section and statistical section listed in the foregoing table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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GALENA PARK INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Galena Park Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2012.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$72,749,846 (*net assets*). Of this amount, \$20,082,317 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by \$4,317,358.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$72,504,807, an increase of \$1,762,840 in comparison with the prior year. The increase in governmental fund balances was primarily due to the increase in the general fund and debt service fund balances of \$6,605,336 and \$2,413,270, respectively.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$22,881,292, or 15 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$8,585,594 (4 percent) during the current fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction, and Payments to Appraisal Districts.

The government-wide financial statements can be found on pages 16 through 17 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and Child Nutrition special revenue fund.

The basic governmental fund financial statements can be found on pages 18 through 24 of this report.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary Fund

The District maintains an internal service fund, one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses an internal service fund to account for its print shop copier services. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide separate information for the print shop.

The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

Fiduciary Fund

The fiduciary funds are used to account for resources held for the benefit of students. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The Agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation. In addition, the District's private - purpose trust fund reports a trust arrangement under which principal and income benefit individuals.

The basic fiduciary fund financial statement can be found on pages 28 through 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 47 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information can be found on pages 51 through 52 of this report.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 56 through 74 of this report.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$72,749,846 at the close of the most recent fiscal year.

The largest portion of the District's net assets \$39,643,703 reflects its investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Galena Park Independent School District's Net Assets

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 89,630,426	\$ 89,523,618
Capital assets	261,534,774	268,652,877
Total Assets	<u>351,165,200</u>	<u>358,176,495</u>
Current liabilities	7,713,471	10,918,188
Long term liabilities	270,701,883	278,825,819
Total Liabilities	<u>278,415,354</u>	<u>289,744,007</u>
Net Assets:		
Invested in capital assets net of related debt	39,643,703	48,387,569
Restricted	13,023,826	10,016,278
Unrestricted	20,082,317	10,028,641
Total Net Assets	<u>\$ 72,749,846</u>	<u>\$ 68,432,488</u>

Net assets (\$13,023,826) are restricted for state and federal programs, debt service, campus activities and local grants. The remaining balance of *unrestricted net assets* (\$20,082,317) may be used to meet the District's ongoing obligations to students and creditors. The District's net assets increased by \$4,317,358 during the current fiscal year primarily because the decrease in expenditures was greater than the decrease in American Recovery and Reinvestment Act (ARRA) federal funding.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Galena Park Independent School District's Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Program Revenues		
Charges for services	\$ 3,861,431	\$ 4,330,678
Operating grants	34,920,645	47,454,168
General Revenues		
Property taxes	82,406,881	82,638,413
State aid	90,609,429	89,566,964
Grants and contributions not restricted	3,524,025	3,619
Interest earnings	195,268	226,543
Other	325,679	213,661
Total Revenues	<u>215,843,358</u>	<u>224,434,046</u>
Expenses		
Instruction	110,548,329	119,602,322
Instructional resources and media services	2,421,087	2,516,129
Curriculum and staff development	4,508,432	5,345,912
Instructional leadership	4,728,055	5,141,031
School leadership	9,877,826	10,620,953
Guidance, counseling, and evaluation services	5,606,717	6,634,847
Social work services	419,590	388,202
Health services	1,641,843	1,733,425
Student transportation	5,533,763	5,520,678
Food service	12,325,411	12,428,159
Extracurricular activities	3,896,064	4,209,663
General administration	6,445,569	6,905,251
Plant, maintenance and operations	23,624,581	25,311,366
Security and monitoring services	2,013,057	1,968,539
Data processing services	2,539,098	2,289,328
Community services	1,419,328	1,387,390
Interest on long-term debt	13,296,766	13,569,926
Debt issuance costs and fees	-	2,100
Payments to appraisal districts	680,484	687,831
Total Expenses	<u>211,526,000</u>	<u>226,263,052</u>
Increase (Decrease) in Net Assets	4,317,358	(1,829,006)
Beginning Net Assets	68,432,488	70,261,494
Ending Net Assets	<u>\$ 72,749,846</u>	<u>\$ 68,432,488</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities increased the District's net assets by \$4,317,358. Key elements of this increase are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling (\$129,054,099) represent 60 percent of total revenues and property taxes (\$82,406,881) represent 38 percent of total revenues. The remaining \$4,382,378 is generated from charges for services, investment earnings, and miscellaneous revenues. Lower tax revenues and less federal funding related to ARRA contributed to the decrease in revenues.

The primary functional expense of the District is instruction (\$110,548,329), which represents 52 percent of total expenses. Plant maintenance and operations (\$23,624,581) represents 11 percent of total expenses. The remaining individual functional categories of expenses are each less than 7 percent of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$72,504,807, an increase of \$1,762,840 in comparison with the prior year. The increase in ending governmental fund balances is primarily due to increases in the general fund and debt service fund.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$22,881,292, while total fund balance reached \$55,695,088. As a measure of the general fund's liquidity, it may be useful to compare both unassigned, fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 36 percent of that same amount.

The fund balance of the District's general fund increased by \$6,605,336 during the current fiscal year, primarily due to increases in state funding and reductions in costs.

The debt service fund has a total fund balance of \$7,386,838, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$2,413,270 was attributable to the issuance of refunding bonds.

The capital projects fund has a total fund balance of \$4,540,647, all of which is restricted for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$7,375,000 was primarily due to construction costs incurred.

Proprietary Fund

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The District's proprietary fund financial statement, internal service printing services, provides detail information about the profitability of the Print Shop Fund. The net change in assets of the fund is eliminated and allocated to the governmental expenses in the government-wide financial statements.

General Fund Budgetary Highlights

Actual expenditures were \$10.78 million below final budgeted amounts. The positive variance was primarily due to the positive variances in instruction and facilities maintenance operations of \$3.19 million and \$1.55 million, respectively. To provide further analysis, payroll costs were not as high as anticipated which allowed the district to come under budget by approximately \$2.1 million. The District also entered into a new electricity contract and implemented other efficiency measures that reduced the anticipated expenditures in the facilities maintenance and operations functional category.

Resources available were \$2.52 million over the final budgeted amounts. This favorable variance was due to higher actual revenues than final expenditures in the local, state and federal revenue categories of \$0.65 million, \$0.93 million, and \$0.93 million, respectively. In regards to federal revenues specifically, School Health and Related Services revenue exceeded expected amounts by approximately \$0.758 million. State aid earned was more than budgeted by \$0.977 million. All other state revenues were in line with budgeted amounts. The primary increase in local revenues was due to higher property tax revenue of approximately \$0.572 million.

The review of the final amended budget versus actual for the general fund reflected a positive budget variance in the amount of \$13.61 million, thus eliminating the need to draw upon existing fund balances.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2012, amounts to \$261,534,774 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment and construction in progress. The total in the District's investment in capital assets for the current fiscal year was \$5,310,736. Changes in capital assets are shown below:

	Balance August 31, 2011	Additions	Retirements and Transfers	Balance August 31, 2012
Land	\$ 13,204,796	\$ 57,324	\$ -	\$ 13,262,120
Building and improvements	330,612,536	-	8,619,487	339,232,023
Furniture and equipment	37,380,310	2,184,243	(510,139)	39,054,414
Vehicles	8,127,608	499,050		8,626,658
Construction in progress	4,993,263	3,857,119	(8,850,382)	-
	<u>394,318,513</u>	<u>6,597,736</u>	<u>(741,034)</u>	<u>400,175,215</u>
Less accumulated depreciation for:				
Buildings and improvements	(97,744,376)	(8,049,030)	14,431	(105,778,975)
Furniture and equipment	(24,092,025)	(2,427,829)	378,914	(26,140,940)
Vehicle	(5,636,602)	(1,083,924)		(6,720,526)
	<u>(127,473,003)</u>	<u>(11,560,783)</u>	<u>393,345</u>	<u>(138,640,441)</u>
Governmental Capital Assets	<u>\$ 266,845,510</u>	<u>\$ (4,963,047)</u>	<u>\$ (347,689)</u>	<u>\$ 261,534,774</u>

Additional information on the District's capital assets can be found in Note 4 on pages 39 through 40 of the notes to the financial statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term Liabilities

At the end of the current fiscal year, the District had 4 percent in bonded debt outstanding, a decrease of \$8,585,594 over the previous year. The District's bonds are sold with a "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "A+" and from Moody's Investors Service is "Aa2" for general obligation debt.

Changes to long-term debt, for the year ended August 31, 2012, are as follows:

	Balance August 31, 2011	Additions	Retirements	Balance August 31, 2012
General obligation bonds	\$ 223,176,489	\$ 9,234,299	\$ (17,052,806)	\$ 215,357,982
Plus amounts for issuance premiums	7,699,784	745,214	(1,135,813)	7,309,185
Gain or loss on refunding bonds	(3,732,747)	(181,726)	536,757	(3,377,716)
Qualified zone academy bonds	5,037,428	-	(731,519)	4,305,909
Accreted interest on premium compound interest bonds	46,150,592	4,732,699	(4,302,194)	46,581,097
Accrued compensated absences	494,273	78,617	(47,464)	525,426
	<u>\$ 278,825,819</u>	<u>\$ 14,609,103</u>	<u>\$ (22,733,039)</u>	<u>\$ 270,701,883</u>

Additional information on the District's long-term liabilities can be found in Note 6 on pages 41 through 43 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

The District's elected and appointed officials considered many factors when setting the budget for the 2012-13 fiscal year. Those factors include property values, enrollment trends, State funding, the economy, and legislative mandates. The following factors were taken into account when adopting the general operating budget for 2012-13.

- Adoption of an M & O tax rate of \$1.2433 per \$100 of assessed valuation.
- Taxable values used for the 2012-13 adopted budget were anticipated to decrease from the 2011-12 levels. The budgeted property tax revenues were based on a taxable value of \$5.105 billion with a 100.0% collection rate.
- The district's 2012-13 average daily attendance is expected to increase slightly from 19,800 to 19,900.

Reductions in state funding formulas enacted during the 2011 legislative session continue to impact the District for the 2012-13 budget year. With voter approval, a Tax Ratification Election was held in December 2007 that increased the tax rate from \$1.1134 to \$1.1834 per \$100 valuation. A second Tax Ratification Election scheduled for September 2012 proposed an additional increase to the M&O rate of \$0.5999 resulting in a total M&O rate of \$1.2433 used for the adopted budget. Both M&O tax rate increases generate additional property tax revenue and maximize the amount of state aid the district can receive utilizing the current funding formulas. The M&O funds generated from the elections will continue to assist the district in meeting ongoing financial needs.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

Amounts available for appropriation in the general fund are \$165 million, an increase of \$6.6 million from the previous year. Expenditures are budgeted to increase by 3.4% to \$170.8 million. The minimal growth projected in student enrollment population coupled with rising costs of operations has led to the adoption of a deficit budget for the 2012-13 fiscal year.

All of these factors were considered in preparing the district's budget for the 2012-2013 fiscal year. If these estimates are realized, the District's General fund balance will decrease by \$5.8 million by August 31, 2013.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Business Office, Galena Park Independent School District, 14705 Woodforest Blvd. Houston, Texas 77015.

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BASIC FINANCIAL STATEMENTS

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

August 31, 2012

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Assets	
1110	Cash and cash equivalents	\$ 67,729,689
1225	Property taxes receivables, net	8,174,440
1240	Due from other governments	8,859,401
1290	Other receivables, net	501,322
1300	Inventories	582,581
1410	Deferred expenses	2,078,704
1420	Capital bond and other debt issuance costs	1,704,289
	Capital assets not subject to depreciation:	
1510	Land	13,262,120
1580	Construction in progress	
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	233,453,048
1531	Vehicles, net	1,906,132
1530	Furniture and equipment, net	12,913,474
1000	Total Assets	<u>351,165,200</u>
	Liabilities	
2110	Accounts payable	4,187,360
2140	Interest payable	476,616
2150	Payroll deductions and withholdings	25,775
2160	Accrued wages payable	2,409,418
2180	Due to other governments	383,781
2190	Due to student groups	9,014
2200	Accrued expenses	268
2300	Unearned revenue	221,239
	Noncurrent Liabilities:	
2501	Due within one year	12,628,807
2502	Due in more than one year	258,073,076
2000	Total Liabilities	<u>278,415,354</u>
	Net Assets	
3200	Invested in capital assets, net of related debt	39,643,703
	Restricted for:	
3820	Federal and state programs	
3840	Food service	3,763,240
3850	Debt service	8,141,592
3870	Campus activity	1,118,994
3900	Unrestricted	20,082,317
3000	Total Net Assets	<u>\$ 72,749,846</u>

See Notes to the Financial Statements

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2012

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense)
			Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Primary
					Governmental Activities
Governmental activities:					
11	Instruction	\$ 110,548,329	\$ 378,481	\$ 15,414,903	\$ (94,754,945)
12	Instructional resources and media services	2,421,087	-	116,582	(2,304,505)
13	Curriculum and staff development	4,508,432	-	2,514,769	(1,993,663)
21	Instructional leadership	4,728,055	-	1,263,785	(3,464,270)
23	School leadership	9,877,826	92,036	624,193	(9,161,597)
31	Guidance, counseling, and evaluation services	5,606,717	-	675,242	(4,931,475)
32	Social work services	419,590	-	136,684	(282,906)
33	Health services	1,641,843	-	1,219,794	(422,049)
34	Student transportation	5,533,763	-	247,681	(5,286,082)
35	Food service	12,325,411	2,584,100	9,654,880	(86,431)
36	Extracurricular activities	3,896,064	776,879	99,096	(3,020,089)
41	General administration	6,445,569	-	380,957	(6,064,612)
51	Plant, maintenance and operations	23,624,581	29,935	1,542,692	(22,051,954)
52	Security and monitoring services	2,013,057	-	114,986	(1,898,071)
53	Data processing services	2,539,098	-	96,934	(2,442,164)
61	Community services	1,419,328	-	817,467	(601,861)
72	Interest on long-term debt	13,296,766	-	-	(13,296,766)
99	Payments to Appraisal District	680,484	-	-	(680,484)
TG	Total governmental activities	<u>\$ 211,526,000</u>	<u>\$ 3,861,431</u>	<u>\$ 34,920,645</u>	<u>\$ (172,743,924)</u>

Data Control Codes

General revenues:

Taxes:		
MT	Property taxes, levied for general purposes	\$ 64,702,441
DT	Property taxes, levied for debt service	17,704,440
SF	State-aid formula grants	90,609,429
GC	Grants and contributions not restricted	3,524,025
IE	Investment earnings	195,268
MI	Miscellaneous	325,679
TR	Total general revenues	<u>177,061,282</u>
CN	Change in net assets	4,317,358
NB	Net assets - beginning	<u>68,432,488</u>
NE	Net assets - ending	<u>\$ 72,749,846</u>

See Notes to the Financial Statements

GALENA PARK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2012

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund
Assets			
1110 Cash and temporary investments	\$ 48,746,518	\$ 7,713,519	\$ 5,538,571
Receivables:			
1220 Delinquent property taxes receivables	8,042,852	1,383,942	-
1230 Allowance for uncollectible taxes (credit)	(1,081,625)	(170,729)	-
1240 Receivables from other governments	6,326,428	-	-
1260 Due from other funds	4,380,382	9,641	-
1290 Other receivables	465,779	-	4,140
1300 Inventories, at cost	328,305	-	-
1410 Deferred expenditures	1,908,752	2,851	-
1000 Total Assets	\$ 69,117,391	\$ 8,939,224	\$ 5,542,711
 Liabilities and Fund Balance			
Liabilities:			
2110 Accounts payable	\$ 2,409,696	\$ -	\$ 958,218
2140 Interest payable		18,156	
2150 Payroll deductions and withholdings	25,775	-	-
2160 Accrued wages payable	2,174,791	-	787
2170 Due to other funds	1,828,586	3,211	43,059
2180 Payable to other governments	28	317,805	-
2190 Due to student and employee groups	8,984	-	-
2200 Accrued expenses	-	-	-
2300 Deferred revenues	6,974,443	1,213,214	-
2000 Total Liabilities	13,422,303	1,552,386	1,002,064
 Fund Balance:			
Nonspendable:			
3410 Inventories	328,305	-	-
3430 Prepaid items	1,908,752	2,851	-
Restricted			
3450 Grants	-	-	-
3470 Capital acquisition program	-	-	4,540,647
3480 Debt service	-	7,383,987	-
Committed			
3545 Campus activity	-	-	-
3590 Assigned	30,576,739	-	-
3600 Unassigned	22,881,292	-	-
3000 Total Fund Balances	55,695,088	7,386,838	4,540,647
4000 Total Liabilities and Fund Balances	\$ 69,117,391	\$ 8,939,224	\$ 5,542,711

See Notes to the Financial Statements.

Exhibit C-1

Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,713,709	\$ 67,712,317
-	9,426,794
-	(1,252,354)
2,532,973	8,859,401
628,689	5,018,712
31,403	501,322
254,276	582,581
167,101	2,078,704
<u>\$ 9,328,151</u>	<u>\$ 92,927,477</u>

\$ 794,279	\$ 4,162,193
	18,156
-	25,775
232,172	2,407,750
3,144,166	5,019,022
65,948	383,781
30	9,014
268	268
209,054	8,396,711
<u>4,445,917</u>	<u>20,422,670</u>

254,276	582,581
1,891	1,913,494
3,508,817	3,508,817
-	4,540,647
-	7,383,987
1,117,250	1,117,250
-	30,576,739
-	22,881,292
<u>4,882,234</u>	<u>72,504,807</u>
<u>\$ 9,328,151</u>	<u>\$ 92,927,477</u>

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GALENA PARK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET ASSETS
August 31, 2012

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds	\$ 72,504,807
	Amounts reported for governmental <i>activities</i> in the statement of net assets (A-1) are different because:	
	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
1	Capital assets at historical cost, net of accumulated depreciation, where applicable	261,534,774
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	8,175,471
3	Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds.	1,704,289
	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. Long-term liabilities at year end consist of:	
4	General obligation bonds	(219,663,891)
5	Premiums on issuance	(7,309,185)
6	Deferred loss on refunding	3,377,716
7	Accreted interest on premium compound interest bonds	(46,581,097)
8	Accrued compensated absences	(525,426)
9	Accrued interest payable	(458,460)
10	Addition of Internal Service fund net assets	<u>(9,152)</u>
19	Total net assets - governmental activities	<u><u>\$ 72,749,846</u></u>

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2012

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenues				
5700	Local, intermediate, and out-of-state	\$ 65,153,172	\$ 17,970,903	\$ 11,610
5800	State program revenues	94,412,570	3,597,685	-
5900	Federal program revenues	1,759,112	-	-
5020	Total revenues	161,324,854	21,568,588	11,610
Expenditures				
Current:				
0011	Instruction	90,300,680	-	-
0012	Instructional resources and media services	2,122,162	-	-
	Curriculum and instructional staff			
0013	development	2,121,802	-	-
0021	Instructional leadership	3,637,654	-	-
0023	School leadership	9,532,754	-	-
	Guidance, counseling and evaluation			
0031	services	5,184,905	-	-
0032	Social work services	295,957	-	-
0033	Health services	1,467,407	-	-
0034	Student transportation	5,190,776	-	-
0035	Food service	1,656	-	-
0036	Extracurricular activities	2,907,161	-	-
0041	General administration	6,041,536	-	-
0051	Plant maintenance and operations	19,968,780	-	896,372
0052	Security and monitoring services	1,928,119	-	16,473
0053	Data processing services	1,954,403	-	864,962
0061	Community services	618,340	-	-
Debt service:				
0071	Principal on long-term debt	731,519	7,392,806	-
0072	Interest on long-term debt	62,400	13,086,432	-
0073	Bond issuance costs and fees	2,100	163,982	-
Capital outlay:				
0081	Facilities acquisition and construction expenditures	280,089	-	4,303,813
Intergovernmental:				
0099	Payments to appraisal district	680,484	-	-
6030	Total Expenditures	155,030,684	20,643,220	6,081,620
1100	Excess (deficiency) of revenues over expenditures	6,294,170	925,368	(6,070,010)
Other Financing Sources (Uses)				
7911	Refunding bonds issued	-	9,234,299	-
7912	Sale of real or personal property	224,531	-	-
7915	Transfers in	-	1,304,990	-
7916	Premium or discount on issuance of bonds	-	745,214	-
7949	Other resources	128,542	-	-
8911	Transfers out	(41,907)	-	(1,304,990)
8949	Payment to Bond Refunding Escrow Agent	-	(9,796,601)	-
7080	Total other financing sources and uses	311,166	1,487,902	(1,304,990)
1200	Net change in fund balances	6,605,336	2,413,270	(7,375,000)
0100	Fund Balance - beginning	49,089,752	4,973,568	11,915,647
3000	Fund Balance - ending	\$ 55,695,088	\$ 7,386,838	\$ 4,540,647

See Notes to the Financial Statements.

Exhibit C-3

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,703,973	\$ 86,839,658
2,421,035	100,431,290
26,796,361	28,555,473
<u>32,921,369</u>	<u>215,826,421</u>
14,477,933	104,778,613
33,981	2,156,143
2,364,949	4,486,751
1,062,020	4,699,674
200,465	9,733,219
373,434	5,558,339
121,675	417,632
138,854	1,606,261
19,914	5,210,690
12,036,049	12,037,705
476,988	3,384,149
102,285	6,143,821
546,841	21,411,993
99,517	2,044,109
7,160	2,826,525
788,259	1,406,599
-	8,124,325
-	13,148,832
-	166,082
-	4,583,902
-	680,484
<u>32,850,324</u>	<u>214,605,848</u>
<u>71,045</u>	<u>1,220,573</u>
-	9,234,299
6,282	230,813
41,907	1,346,897
-	745,214
-	128,542
-	(1,346,897)
-	(9,796,601)
<u>48,189</u>	<u>542,267</u>
119,234	1,762,840
<u>4,763,000</u>	<u>70,741,967</u>
<u>\$ 4,882,234</u>	<u>\$ 72,504,807</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2012

Exhibit C-4

**Data
Control
Codes**

Net change in fund balances - total governmental funds (from C-3) \$ 1,762,840

Amounts reported for governmental activities in the statement of activities (B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

1	Governmental funds capital outlays	6,597,736
2	Governmental activities depreciation expense	(11,560,783)
3	Governmental funds report the entire sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus the change in net assets differs from the change in fund balance by the book value of the assets sold and disposed.	(347,689)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(112,043)
5	Repayment of bond principal of \$8,124,325 is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets. The District also refunded \$9,660,000 in bonds. This payment was made to the bond refunding escrow agent.	17,784,325
6	Proceeds from issuance of refunding bonds is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities. The premium associated with the issuance is also treated as an increase in long-term liabilities.	(9,979,513)
7	Bond issuance costs paid during the current year will be amortized over the life of the bonds.	(103,078)
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
8	Decrease in interest payable not recognized in fund statements	(92,450)
9	Increase in long-term portion of accrued compensated absences	(31,153)
10	Accreted interest on capital appreciation bonds and amortization of bond premium/ discount	350,278
11	Internal service funds are used by management to charge the costs of certain activities, such as Copy Center, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds. (see D-2)	48,888
	Change in net assets of governmental activities (see B-1)	<u><u>\$ 4,317,358</u></u>

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

August 31, 2012

<u>Data Control Codes</u>		<u>Governmental Activities</u>
		<u>Internal Service Fund</u>
	Assets	
	Current Assets:	
1110	Cash and cash equivalents	\$ 17,372
	Receivables:	
1260	Due from other funds	758
	Total current assets	<u>18,130</u>
	 Liabilities	
	Current Liabilities:	
2110	Accounts payable	25,166
2160	Accrued wages payable	1,668
2170	Due to other funds	448
	Total current liabilities	<u>27,282</u>
2000	Total Liabilities	<u>27,282</u>
	 Net Assets	
3800	Unrestricted net assets	<u>\$ (9,152)</u>

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended August 31, 2012

Exhibit D-2

<u>Data Control Codes</u>	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating Revenues	
5749 Miscellaneous revenue from local sources	\$ 308,519
5020 Total Operating Revenues	<u>308,519</u>
Operating Expenses	
6100 Payroll costs	59,613
6200 Purchased and contracted services	149,598
6300 Supplies and materials	50,213
6400 Other operating expenses	207
6030 Total Operating Expenses	<u>259,631</u>
1200 Operating Income (Loss)	48,888
Net Assets	
0100 Net Assets - September 1 (Beginning)	<u>(58,040)</u>
3300 Net Assets - August 31 (Ending)	<u><u>\$ (9,152)</u></u>

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT*Exhibit D-3***STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***Year Ended August 31, 2012*

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 275,366
Cash payments to suppliers for goods and services	(198,817)
Cash payments to employees	(59,177)
Net Cash Provided by (Used for) Operating Activities	17,372
Net Increase in Cash and Cash Equivalents	17,372
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ 17,372
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 48,888
Change in Assets and Liabilities:	
Decrease (increase) in Interfund Receivables	(65)
Increase (decrease) in Accounts Payable	1,201
Increase (decrease) in Accrued Wages Payable	436
Increase (decrease) in Interfund Payables	(33,088)
Net Cash Provided by (Used for) Operating Activities	\$ 17,372

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET ASSETS

August 31, 2012

<u>Data Control Codes</u>		829	865
		Private Purpose Trust Fund	Student Activity Fund
	Assets		
1110	Cash and cash equivalents	\$ 100,335	\$ 331,268
	Receivables:		
1290	Other receivables	-	819
1410	Prepaid items	-	1,211
1000	Total Assets	<u>\$ 100,335</u>	<u>\$ 333,298</u>
	Liabilities		
2110	Accounts payable	\$ -	\$ 51,618
2190	Due to others	-	281,680
2000	Total Liabilities	<u>-</u>	<u>\$ 333,298</u>
	Net Assets		
3590	Held In Trust for Other Purposes	<u>\$ 100,335</u>	

See Notes to the Financial Statements.

GALENA PARK INDEPENDENT SCHOOL DISTRICT*Exhibit E-2***STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS***For the Year Ended August 31, 2012*

	Private Purpose Trust Fund
Additions	
Earnings on investments	\$ 281
Total Additions	<u>281</u>
Deductions	
Scholarships awarded	4,000
Total deductions	<u>4,000</u>
Change in net assets	(3,719)
Net assets, beginning of year	<u>104,054</u>
Net assets, end of year	<u><u>\$ 100,335</u></u>

See Notes to the Financial Statements.

Note 1 - Summary of Significant Accounting Policies

The Galena Park Independent School District (the “District”) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven member Board of Trustees elected by the District’s residents.

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Reporting Entity

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

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District's fiduciary funds include both agency funds and private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds use the accrual basis of accounting to recognize receivables and payables. Private-purpose trust funds employ the same economic resources measurement focus and accrual basis of accounting as do proprietary funds.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Note 1 - Summary of Significant Accounting Policies (continued)

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

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

Additionally, the District reports the following fund types:

- The *special revenue funds* are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.
- The *internal service funds* account for print shop services.
- The *private-purpose trust fund* is used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.
- The *agency fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds for print shop services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, (TexPool, Lone Star and LOGIC), money market funds. These external pools operate like a "2a7" pool and these investments are carried at amortized cost in accordance with GASB 31.

Investments for the District are reported at fair value based on quoted market prices at August 31, 2012. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes and are, shown net of an allowance for uncollectible taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Harris County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

The tax rates applicable to the general government service and debt service for 2011-2012 were \$1.1834 and \$0.33, respectively, based on a taxable value of \$5,420,068,587. Uncollected taxes are recorded as deferred revenue in the fund financial statements net of the related allowance for uncollectible taxes.

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is considered non-spendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method of accounting.

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$2,500 and an estimated useful life in excess of one year. 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.

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 and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40 years
Furniture, fixtures and equipment	10 years
Vehicles	10 years

Compensated Absences

The District has a vacation pay policy for non-contractual employees (administration and other full-time employees) whereby eligible employees shall receive vacation pay from one to fifteen days, dependent upon the number of years of service, after the completion of a year's service in the District. All vacation days must be used during the year and unused vacation pay cannot be carried over to future periods.

The District's sick leave policy is coordinated with a state mandated sick leave policy whereby substantially all full-time teaching and paraprofessional employees receive up to twelve days sick leave per year. State sick leave days accrue at the rate of five per year without limit to accumulation. The unused balance may be transferred to another District within the Texas public school system. All state sick leave days must be used prior to retirement from the Texas public school system to receive the benefit. The District pays for all state sick leave days used.

Additional local sick leave of up to seven days per year accrues to employees eligible to receive state mandated sick days. All employees not eligible for state mandated sick days may receive up to twelve days of local sick leave. Local sick leave may be accrued without limitation; however, the District does not pay accumulated local sick leave upon termination with the District. Employees are eligible to receive local sick leave upon qualified retirement from the District, dependent upon the number of years of service with the District. Upon retirement, under an eligible retirement plan, an employee is eligible for one-half the substitute's daily rate of pay for the first 50 days of accumulated local sick leave and the full daily substitute rate of pay for any days in excess of 50. The maximum amount of compensation per employee under this provision is \$5,000.

Note 1 - Summary of Significant Accounting Policies (continued)

Long-term Obligations

The District's long-term obligations consist of bond indebtedness, and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column on the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund.

Fund Equity

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

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid expenses have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.

Note 1 - Summary of Significant Accounting Policies (continued)

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent or Chief Financial Officer to establish fund balance assignments. As of August 31, 2012, assigned fund balance totals \$30,576,739. Of this amount, \$30,000,000 is to cover unanticipated deficits or revenue reductions that may be caused by adverse economic conditions. The remaining \$576,739 consists of encumbrances the District plans to honor in fiscal year 2013.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications.

The District strives for a minimum unassigned General Fund Balance of ten to fifteen percent of operating expenditures. In the Debt Service Fund, the District's goal is to have a fund balance of fifteen percent of debt service expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school 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.

Use of Estimates

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

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be 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.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, repurchase agreements, or investment pools.

For fiscal year 2012, the District invested in the State of Texas TexPool, Texas Association of School Boards Lone Star Investment Pool, and Local Government Investment Cooperative (LOGIC). TexPool is duly chartered and overseen by the State Comptroller's Office and administered by Lehman Brothers and Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. The investment activities of LOGIC are administered by First Southwest Asset Management, Inc and JPMorgan Chase.

Lone Star Corporate Overnight Plus Fund, a mutual fund, is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, and managed by Bank of New York Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. The Corporate Overnight Plus Fund may invest in all securities authorized under the Investment Act. However, it is the Board's policy to have these additional restrictions:

- The Corporate Overnight Plus Fund shall not invest its assets in any one nongovernmental issuer in an amount that exceeds 5 percent of the total fund assets at cost.

Note 2 - Deposits and Investments (continued)

At year-end, the District's cash and investments balances and the weighted average maturity of these investments were as follows:

	Fair Value	Weighted Average Maturity (Days)
Cash and deposits	\$ 801,803	N/A
Investments		
Local Government Investment Pools		
LOGIC	597,409	57
TexPool	10,433,861	40
Mutual Fund - Lone Star	56,328,219	50
Total Investments	<u>67,359,489</u>	49
Total Cash and Investments	<u>\$ 68,161,292</u>	49

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 360 days, with the exception of bond proceeds that are matched to a specific cash flow; diversification; and by holding securities to maturity. In addition, the District shall not directly invest in an individual security maturing more than twenty-four months from the date of purchase.

Credit Risk:

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2012, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District's investments in Lone Star Corporate Overnight Plus Fund and LOGIC were rated AA Af and AAAM, respectively, by Standard and Poor's.

Concentration of Credit Risk:

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 3 - Receivables

Receivables as of year-end for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Property Taxes	\$ 8,042,852	\$ 1,383,942	\$ -	\$ -	\$ 9,426,794
Due from other governments	6,326,428	-	-	2,532,973	8,859,401
Other	465,779	-	4,140	31,403	501,322
Gross Receivables	14,835,059	1,383,942	4,140	2,564,376	18,787,517
Less allowance for doubtful accounts	(1,081,625)	(170,729)	-	-	(1,252,354)
Net Total Receivables	\$ 13,753,434	\$ 1,213,213	\$ 4,140	\$ 2,564,376	\$ 17,535,163

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenues reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 6,962,258	\$ -
Delinquent property taxes receivable (Debt Service Fund)	1,213,214	-
Grant funds received prior to meeting all eligibility requirements	-	221,239
	\$ 8,175,472	\$ 221,239

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2012, was as follows:

	Balance August 31, 2011	Additions	(Retirements) and Transfers	Balance August 31, 2012
Capital assets, not being depreciated				
Land	\$ 13,204,796	\$ 57,324	\$ -	13,262,120
Construction in progress	4,993,263	3,857,119	(8,850,382)	-
Total Capital Assets, not being depreciated	18,198,059	3,914,443	(8,850,382)	13,262,120
Capital assets, being depreciated				
Buildings and improvements	330,612,536	-	8,619,487	339,232,023
Furniture and equipment	37,380,310	2,184,243	(510,139)	39,054,414
Vehicles	8,127,608	499,050	-	8,626,658
Total Capital Assets, being depreciated	376,120,454	2,683,293	8,109,348	386,913,095
Less accumulated depreciation for:				
Buildings and improvements	(97,744,376)	(8,049,030)	14,431	(105,778,975)
Furniture and Equipment	(24,092,025)	(2,427,829)	378,914	(26,140,940)
Vehicles	(5,636,602)	(1,083,924)	-	(6,720,526)
Total Accumulated Depreciation	(127,473,003)	(11,560,783)	393,345	(138,640,441)
Governmental Capital Assets	\$266,845,510	\$ (4,963,047)	\$ (347,689)	261,534,774

Note 4 - Capital Assets (continued)

Depreciation expense was charged to functions/programs of the District as follows:

<u>Function</u>	<u>Depreciation Expense</u>
11 Instruction	5,834,554
12 Instructional resources and media services	266,411
13 Curriculum and staff development	21,681
21 Instructional leadership	92,634
23 School leadership	147,051
31 Guidance, counseling and evaluation	49,357
32 Social work services	1,958
33 Health services	35,582
34 Student transportation	673,532
35 Food Services	969,028
36 Extracurricular activities	547,044
41 General administration	164,175
51 Plant maintenance and operations	2,420,751
52 Security and monitoring services	59,902
53 Data processing services	264,394
61 Community services	12,729
	<u><u>\$ 11,560,783</u></u>

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Activity between the debt service fund and the capital projects fund results primarily from the capital projects fund interest earnings that are used for debt service payments. Additionally, some lending/borrowing may occur between two or more non-major governmental funds.

The composition of interfund balances as of August 31, 2012, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 4,380,382	\$ 1,828,586
Debt Service Fund	9,641	3,211
Capital Projects Fund	-	43,059
Nonmajor Funds	628,689	3,144,166
Internal Service Fund	758	448
	<u><u>\$ 5,019,470</u></u>	<u><u>\$ 5,019,470</u></u>

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the year ended August 31, 2012:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Capital projects fund	Debt Service Fund	\$ 1,304,990
General Fund	Other governmental funds	41,907
		<u>\$ 1,346,897</u>

The Capital Projects Fund transferred unused bond proceeds to cover future debt service requirements. The General Fund transferred funds to two special revenue funds to cover excess expenditures over revenues.

Note 6 - Long-term Liabilities

Changes in Long-term Liabilities

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

	<u>Balance September 1, 2011</u>	<u>Issued and Additions</u>	<u>Retired and Refunded</u>	<u>Balance August 31, 2012</u>	<u>Due Within One Year</u>
Bonds Payable					
General Obligation Bonds	\$ 223,176,489	\$ 9,234,299	\$ (17,052,806)	\$ 215,357,982	\$ 9,172,769
Less: Deferred Loss on Refunding Bonds	(3,732,747)	(181,726)	536,757	(3,377,716)	-
Plus: Premiums on Bonds at Issuance	7,699,784	745,214	(1,135,813)	7,309,185	-
Qualified Zone Academy Bonds	5,037,428	-	(731,519)	4,305,909	731,519
Total Bonds Payable	<u>232,180,954</u>	<u>9,797,787</u>	<u>(18,383,381)</u>	<u>223,595,360</u>	<u>9,904,288</u>
Accretion on Compound Interest Bonds	46,150,592	4,732,699	(4,302,194)	46,581,097	2,677,231
Compensated Absences	494,273	78,617	(47,464)	525,426	47,288
	<u>\$ 278,825,819</u>	<u>\$ 14,609,103</u>	<u>\$ (22,733,039)</u>	<u>\$ 270,701,883</u>	<u>\$ 12,628,807</u>

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses, and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

GALENA PARK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 6 - Long-term Liabilities (continued)

The following is a summary of changes in the general obligation bonds for the fiscal year:

Bond Series	Issue Amount	Interest Rate (%)	Matures	Amount Outstanding
1996 Unlimited Tax School Bldg & Refunding Bonds	\$ 40,054,475	4.40 - 6.425	2031	\$ 13,279,474
2002 Maintenance Tax Note ("QZAB")	8,000,000	0.65	2016	1,546,241
2002 Unlimited Tax School Bldg & Refunding Bonds	29,496,438	3.00 - 5.00	2032	16,626,438
2003 Unlimited Tax School Bldg & Refunding Bonds	37,959,565	2.00 - 5.00	2032	11,482,769
2003 Maintenance Tax Note ("QZAB")	8,000,000	0.13	2019	2,759,670
2005 Unlimited Tax School Bldg & Refunding Bonds	52,248,708	3.00 - 5.25	2021	37,905,000
2005 Unlimited Tax School Building Bonds	7,000,000	3.80 - 5.25	2026	5,525,000
2006 Unlimited Tax School Building Bonds	15,000,000	4.25 - 5.50	2033	13,715,000
2007 Unlimited Tax School Bldg & Refunding Bonds	68,790,870	3.62 - 4.54	2033	64,710,000
2008 Unlimited Tax School Building Bonds	18,000,000	4.50 - 5.25	2034	17,065,000
2010 Unlimited Tax School Building Bonds	17,000,000	4.00-5.00	2034	16,795,000
2011 Unlimited Tax School Building Bonds	9,250,000	2.00-4.00	2026	9,020,000
2012 Unlimited Tax Refunding Bonds	9,234,299	2.50-3.25	2032	9,234,299
Total Bonds Payable				219,663,891
Less: Deferred Losses on Refunding Bonds				(3,377,716)
Plus: Unamortized Premiums on Issuance				7,309,185
				<u>223,595,360</u>
Less: Current Portion				(9,904,288)
				<u><u>\$ 213,691,072</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31,	Principal	Interest	Total
2013	\$ 9,904,288	\$ 8,786,254	\$ 18,690,542
2014	10,518,062	10,891,828	21,409,890
2015	10,860,838	10,615,327	21,476,165
2016	11,263,335	10,285,075	21,548,410
2017	10,122,460	10,539,856	20,662,316
2018-2022	55,389,235	47,056,096	102,445,331
2023-2027	50,598,026	36,745,207	87,343,233
2028-2032	29,782,747	26,706,860	56,489,607
2033-2037	31,225,000	2,008,076	33,233,076
	<u>219,663,991</u>	<u>\$ 163,634,579</u>	<u>\$ 383,298,570</u>
Less Current Portion	<u>9,904,288</u>		
Long Term Debt	<u><u>\$ 209,759,703</u></u>		

Note 6 - Long-term Liabilities (continued)

Current year advanced refunding

In May 2011, the District issued \$9,234,299 of Unlimited Tax Refunding Bonds, Series 2012, with an average interest rate of 3.3 percent. The bonds consist of current interest bonds and to term bonds with annual maturities in August 2021 and August 2022. The net proceeds of \$9,815,531 (after issuance costs of \$163,982 and premium of \$745,214) were used to advance refund various series of bonds with a total principal amount of \$9,270,000 and an average interest rate of 5.21 percent.

The net proceeds were used to purchase U.S. Government State and Local Government Series securities. Those securities were deposited into an irrevocable trust with an escrow agency to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. The reacquisition price exceeded the net carrying amount of the old debt by \$181,726.

The refunding resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of \$2,057,001.

In prior years, the District defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the District's financial statements. At August 31, 2012, \$43,150,000 of refunded bonds outstanding is considered defeased.

Accreted Interest on Premium Compound Interest Bonds

A portion of the bonds sold in the Series 1996, 2002, 2003, and 2013 refunding bond issues were capital appreciation bonds commonly referred to as "premium compound interest bonds." The District annually records the appreciation of bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bond series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

Capital Appreciation Bonds	Maturity	Maturity Value of Bonds	Original Bond Principal Amount	Accreted Interest On Bonds	Accreted Value of Bonds at Year End
1996	2031	\$ 80,840,000	\$ 13,279,475	\$ 29,645,451	\$ 42,924,926
2002	2032	79,000,000	16,626,438	14,438,830	31,065,268
2003	2013	4,485,000	1,807,769	2,496,737	4,304,506
2012	2017	1,885,000	1,769,299	79	1,769,378
		<u>\$ 166,210,000</u>	<u>\$ 33,482,981</u>	<u>\$ 46,581,097</u>	<u>\$ 80,064,078</u>

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	\$ 64,585,981	\$ 17,932,843	\$ -	\$ -	\$ 82,518,824
Investment Income	132,314	38,060	11,610	13,984	195,968
Co-curricular Student Activities	260,255	-	-	1,008,805	1,269,060
Food Sales	-	-	-	2,584,201	2,584,201
Other	174,622	-	-	96,983	271,605
	<u>\$ 65,153,172</u>	<u>\$ 17,970,903</u>	<u>\$ 11,610</u>	<u>\$ 3,703,973</u>	<u>\$ 86,839,658</u>

Note 8 - Defined Benefit Pension Plan

Plan Description

The Galena Park Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of the employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action(s), the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or, (3) if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2012, 2011, and 2010. The State contributed at a rate of 6.0% for fiscal year 2012 and 6.644% for fiscal year 2011 and 6.4% in 2010 of all employees' eligible gross earnings, except for those staff members subject to statutory minimum requirements and those staff members being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedules adjusted based on local tax rates. For staff members funded by federal programs, the federal programs are required to contribute 6.0% for fiscal year 2012, 6.644% for fiscal year 2011 and 6.4% for most of fiscal year 2010 (6.587% between September 2009 and December 2009).

Note 8 - Defined Benefit Pension Plan (continued)

Contributions

Contributions made by the State, District and staff members to TRS for the years ended August 31, 2012, 2011, and 2010, are as follows:

For the Year Ended August 31,	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Staff Members Contributions to TRS	Total Covered Payroll
2012	\$ 5,582,505	\$ 2,078,627	\$ 8,171,012	\$127,628,389
2011	6,579,479	2,130,068	8,514,381	133,037,350
2010	5,581,816	3,091,417	8,460,816	132,200,257

For the current fiscal year and each of the past two years, the District’s actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

Note 9 - Retiree Health Care

Plan Description

The Galena Park Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575 that grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or 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 Publications heading.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2012, 2011, and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Note 9 - Retiree Health Care (continued)

Contributions made by the State, District, and staff members, for the years ended August 31, 2012, 2011, and 2010, are as follows:

For the Year Ended August 31,	State TRS Care Contributions Made on Behalf of the District	District Required Contributions to TRS Care	Staff Members Contributions to TRS Care	Total Covered Payroll
2012	\$ 1,167,079	\$ 811,399	\$ 829,880	\$127,628,389
2011	1,297,459	894,075	864,752	133,037,350
2010	1,118,398	930,708	859,291	132,200,257

For the current fiscal year and each of the past two years, the District’s actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on-behalf of the District were \$331,834, \$316,670 and \$331,942, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An “early retiree” is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program beginning in fiscal year 2012. For the year ended August 31, 2012, the payment received under this program on-behalf of the District was \$313,808. This payment was recorded as equal revenue and expenditures in the governmental fund financial statements of the District.

Note 10 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. In addition, the District is a member of the Texas Association of School Boards Joint Self-Insurance Fund (Fund). The fund was created to formulate, develop and administer a program of modified self-funding for the property and/or liability coverage for its membership, provide claims administration, and develop a comprehensive loss control program. The District pays contributions to the Fund for its general and educators' liability and fleet comprehensive, collision, and liability coverage. The District's agreement with the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. There has not been any significant reduction of insurance coverage from that of the prior year. Employees of the District are covered by a fully-insured medical and dental plan through United Health Care. The District and employee contributions are paid directly to the carrier and the carrier assumes all liability to the plan.

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial. From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

Note 12 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. As of August 31, 2012, there was no liability related to arbitrage.

Note 13 - Deficit Fund Equity

The Print Shop Internal Service Fund has a net asset deficit of \$9,152. This deficit is expected to be eliminated in future years through either price increases and/or cost reductions.

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REQUIRED SUPPLEMENTARY INFORMATION

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GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local revenues	\$ 64,420,428	\$ 64,497,832	\$ 65,153,172	\$ 655,340
5800	State program revenues	93,151,467	93,481,290	94,412,570	931,280
5900	Federal program revenues	825,000	825,000	1,759,112	934,112
5020	Total revenues	158,396,895	158,804,122	161,324,854	2,520,732
Expenditures					
Current:					
0011	Instruction	95,429,842	93,494,637	90,300,680	3,193,957
0012	Instructional resources and media services	2,218,292	2,470,930	2,122,162	348,768
0013	Curriculum and staff development	2,789,580	2,614,545	2,121,802	492,743
0021	Instructional leadership	3,757,553	3,834,152	3,637,654	196,498
0023	School leadership	10,202,556	10,171,864	9,532,754	639,110
0031	Guidance, counseling and evaluation services	5,880,443	5,767,051	5,184,905	582,146
0032	Social work services	179,452	479,452	295,957	183,495
0033	Health services	1,583,531	1,784,587	1,467,407	317,180
0034	Student transportation	5,693,761	5,874,791	5,190,776	684,015
0035	Food services	8,067	26,067	1,656	24,411
0036	Extracurricular activities	3,148,334	3,445,691	2,907,161	538,530
0041	General administration	6,722,050	6,458,149	6,041,536	416,613
0051	Facilities maintenance and operations	21,431,338	21,520,674	19,968,780	1,551,894
0052	Security and monitoring services	2,281,824	2,552,719	1,928,119	624,600
0053	Data processing services	1,904,873	2,231,786	1,954,403	277,383
0061	Community services	402,415	758,130	618,340	139,790
Debt Service:					
0071	Principal on long-term debt	732,000	1,127,000	731,519	395,481
0072	Interest on long-term debt	62,400	62,400	62,400	-
0073	Bond issuance costs and fees	4,200	4,200	2,100	2,100
0081	Capital outlay	80,588	361,688	280,089	81,599
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	-	25,000	-	25,000
0099	Other intergovernmental charges	695,000	750,000	680,484	69,516
6030	Total Expenditures	165,208,099	165,815,513	155,030,684	10,784,829
1100	Excess (deficiency) of revenues over expenditures	(6,811,204)	(7,011,391)	6,294,170	13,305,561
Other Financing Sources (Uses)					
7912	Sale of real or personal property	-	2,180	224,531	222,351
7949	Other resources	-	-	128,542	128,542
8911	Transfers out	-	-	(41,907)	(41,907)
7080	Total other financing sources and uses	-	2,180	311,166	308,986
1200	Net change in fund balances	(6,811,204)	(7,009,211)	6,605,336	13,614,547
0100	Fund balances - beginning	49,089,752	49,089,752	49,089,752	-
3000	Fund balances - ending	\$42,278,548	\$ 42,080,541	\$55,695,088	\$ 13,614,547

The District adopts annual appropriations type budgets for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2012.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 20, 2011. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Continued)

The Special Revenue Funds are used to account for all federal, state and locally-funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational goals. Grants included in the Special Revenue Funds are described below.

Fund Number	Fund Name & Description
205	Head Start – funds used to promote the school readiness of low-income preschool children (ages 3-5), including children of migratory seasonal and farm workers, and infants and toddlers (birth through age 3) by enhancing their cognitive social and emotional development in learning environments that support their growth in language, literacy, mathematics, science, social and emotional functioning, creative art, physical skills and approaches to learning.
206	McKinney - Vento Homeless Education - to ensure the enrollment, attendance and success of homeless children and youth in school.
211	ESEA, Title I, Part A - Basic - supplemental service designed to accelerate the academic achievement of economically disadvantaged students, especially in the tested areas, to ensure that state standards are met on identified campuses.
212	ESEA Title I, Part C – for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fisherman.
224	IDEA, Part B - Formula - salaries and supplies to aid children with disabilities with low reading achievement.
225	IDEA, Part B - Preschool - aids preschool students with disabilities.
240	Child Nutrition Program – federal reimbursement revenues originating from the United States Department of Agriculture and fees from child and adult meals.
244	Vocational Education - Basic - funds are for the use of various vocationally-inclined students in regular, disadvantaged and disability classes.
255	ESEA, Title II, Part A - TPTR (Teacher and Principal Training and Recruiting) - supplements the professional development, retention and recruitment programs district-wide, specifically on high needs campuses.
263	ESEA, Title III, Part A - English Language Acquisition - provides additional educational opportunities to supplement programs for students of limited English proficiency and immigrant children by assisting the children to learn English and meet challenging
265	21st Century Community Learning Centers - provides after-school activities for students in elementary through high school.
280	ESEA, Title X, Part C – Education for the Homeless Children and Youth – ARRA – provides for a variety of staff development and supplemental services, including in-service training, counseling, psychological services and tutoring.

Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Continued)

Fund Number	Fund Name & Description
282	Safe and Drug Free Schools and Communities - National Programs – to prevent illegal use of drugs and violence among, and promote safety and discipline for, students at all educational levels; and to support programs to reduce alcohol abuse among secondary school students.
287	Education Jobs Fund - used to save or create education jobs that provide educational and related services for early childhood, elementary, and secondary education.
289	Various Federal Funds - supports and encourages the development of new, self-supporting, community anti-drug coalitions; early childhood summer programs, library grants and wetlands and water education.
394	Pregnancy, Education and Parenting Program – funds used to provide pregnant and parenting students the services needed to keep them in school until completion.
397	Advanced Placement Incentives - enhancement of Advanced Placement programs on specific campuses based on student scores on Advanced Placement examinations.
404	Student Success Initiative - Acc Rea – funds used to for teacher training and allocations to schools to implement scientific, research-based programs for students who have been identified as unlikely to achieve the third grade TAKS reading standard by the end of the third grade.
409	Basic Skills/HS Students - funds used to implement programs to support the improvement of high school graduation rates and post-secondary readiness.
410	Instructional Materials Allotment - provides funds to purchase instructional materials, technological equipment and technology-related services.
411	Technology Allotment - provides funds to purchase technological software or equipment that contributes to student learning or pay for training for educational personnel involved in the use of these materials.
429	Other State Funded Special Revenue Funds - provides funds to help schools fund various programs including mentors and campus awards.
461	Campus Activity - proceeds from fundraising activities, vending sales, corporate and private donations to school-sponsored activities benefiting students and staff of the campus.
481	Other Local Grants – grants from local businesses or organizations to be used for educational activities.
486	Miscellaneous Donations – local donations used for specific education purposes as specified by the donor.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2012

Data Control Codes	205 Head Start Regular and ARRA	206 Support for Homeless Educ. Prog.	211 ESEA Title I, Part A Improving Basic Programs
Assets			
1110	\$ -	\$ -	\$ 2,403
Receivables:			
1240	56,760	17,971	807,709
1260	-	-	64
1290	-	-	-
1310	-	-	-
1410	-	-	21,633
1000 Total Assets	\$ 56,760	\$ 17,971	\$ 831,809
 Liabilities and Fund Balance			
Liabilities:			
Current Liabilities:			
2110	\$ 472	\$ 147	\$ 11,247
2160	20,294	-	63,316
2170	35,994	17,824	757,246
2180	-	-	-
2190	-	-	-
2200	-	-	-
2300	-	-	-
2000 Total Liabilities	56,760	17,971	831,809
 Fund Balance:			
Nonspendable			
3410	-	-	-
3430	-	-	-
Restricted			
3450	-	-	-
Committed			
3545	-	-	-
Unassigned			
	-	-	-
3000 Total Fund Balances	-	-	-
4000 Total Liabilities and Fund Balance	\$ 56,760	\$ 17,971	\$ 831,809

212	224	225	240	244	255	263
ESEA Title I, Part C	IDEA B Formula	IDEA B Preschool Grant	Child Nutrition	Vocational Ed - Basic	Title II, Part A	Title III, Part A
\$ -	\$ 7	\$ -	\$ 4,235,450	\$ -	\$ -	\$ 93
79,024	676,092	15,923	241,993	600	165,043	186,257
-	82,250	-	416,849	-	38,081	-
-	-	-	26,974	-	-	-
-	-	-	254,276	-	-	-
-	80,733	-	147	-	35,182	-
<u>\$ 79,024</u>	<u>\$ 839,082</u>	<u>\$ 15,923</u>	<u>\$ 5,175,689</u>	<u>\$ 600</u>	<u>\$ 238,306</u>	<u>\$ 186,350</u>
\$ 347	\$ 28,862	\$ -	\$ 656,547	\$ 600	\$ -	\$ 92
3,136	48,449	648	74,613	-	8,372	4,965
75,541	761,771	15,275	681,259	-	229,934	181,293
-	-	-	-	-	-	-
-	-	-	30	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>79,024</u>	<u>839,082</u>	<u>15,923</u>	<u>1,412,449</u>	<u>600</u>	<u>238,306</u>	<u>186,350</u>
-	-	-	254,276	-	-	-
-	-	-	147	-	-	-
-	-	-	3,508,817	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	3,763,240	-	-	-
<u>\$ 79,024</u>	<u>\$ 839,082</u>	<u>\$ 15,923</u>	<u>\$ 5,175,689</u>	<u>\$ 600</u>	<u>\$ 238,306</u>	<u>\$ 186,350</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2012

Data Control Codes	265 21st Century Grant	280 ESEA, Title X, Part C-Education for the Homeless Children and Youth-ARRA	282 Safe and Drug Free Schools and Communities - National Programs	
Assets				
1110	Cash and temporary investments	\$ 28,934	\$ -	\$ -
Receivables:				
1240	Receivables from other governments	79,591	1,805	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1310	Inventories, at cost	-	-	-
1410	Prepaid expenses	-	-	-
1000	Total Assets	\$ 108,525	\$ 1,805	\$ -
 Liabilities and Fund Balance				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ 20	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	101,416	1,805	-
2180	Due to other governments	-	-	-
2190	Due to student and employee groups	-	-	-
2200	Accrued expenses	-	-	-
2300	Deferred revenues	7,089	-	-
2000	Total Liabilities	108,525	1,805	-
 Fund Balance:				
Nonspendable				
3410	Inventories	-	-	-
3430	Prepaid items	-	-	-
Restricted				
3450	Grants	-	-	-
Committed				
3545	Campus activity	-	-	-
Unassigned				
3000	Total Fund Balances	-	-	-
4000	Total Liabilities and Fund Balance	\$ 108,525	\$ 1,805	\$ -

287	289	394	397	404	409	410
Education Jobs Fund	Various Federal Funds	Pregnancy, Educations, & Parenting Program	Advanced Placement Incentive	Student Succ. Init-Acc REA	Basic Skills / HS Students	Instructional Materials Allotment
\$ -	\$ 10,410	\$ -	\$ 58,165	\$ -	\$ -	\$ 11,658
-	100,833	-	-	103,372	-	-
-	30	-	-	-	-	7,797
-	364	-	450	297	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	7,797
<u>\$ -</u>	<u>\$ 111,637</u>	<u>\$ -</u>	<u>\$ 58,615</u>	<u>\$ 103,669</u>	<u>\$ -</u>	<u>\$ 27,252</u>
\$ -	\$ 95	\$ -	\$ -	\$ 40,441	\$ -	\$ 2,300
-	4,672	-	-	2,148	-	-
-	96,281	-	-	60,123	-	17,069
-	4,152	-	-	957	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,437	-	58,615	-	-	7,883
-	111,637	-	58,615	103,669	-	27,252
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 111,637</u>	<u>\$ -</u>	<u>\$ 58,615</u>	<u>\$ 103,669</u>	<u>\$ -</u>	<u>\$ 27,252</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2012

Data Control Codes	411 Technology Allotment	429 State Funded Special Revenue	461 Campus Activity Funds	
Assets				
1110	Cash and temporary investments	\$ 12,424	\$ 61,135	\$ 1,124,478
Receivables:				
1240	Receivables from other governments	-	-	-
1260	Due from other funds	-	-	83,618
1290	Other receivables	-	-	3,318
1310	Inventories, at cost	-	-	-
1410	Prepaid expenses	19,865	-	1,744
1000	Total Assets	\$ 32,289	\$ 61,135	\$ 1,213,158
 Liabilities and Fund Balance				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 52,553
2160	Accrued wages payable	-	-	1,033
2170	Due to other funds	32,289	251	39,248
2180	Due to other governments	-	60,839	-
2190	Due to student and employee groups	-	-	-
2200	Accrued expenses	-	-	-
2300	Deferred revenues	-	45	1,330
2000	Total Liabilities	32,289	61,135	94,164
 Fund Balance:				
Nonspendable				
3410	Inventories	-	-	-
3430	Prepaid items	-	-	1,744
Restricted				
3450	Grants	-	-	-
Committed				
3545	Campus activity	-	-	1,117,250
Unassigned				
3000	Total Fund Balances	-	-	1,118,994
4000	Total Liabilities and Fund Balance	\$ 32,289	\$ 61,135	\$ 1,213,158

481	486	
Other Local Grants	Miscellaneous Donations	Total Nonmajor Governmental Funds
\$ 168,299	\$ 253	\$ 5,713,709
-	-	2,532,973
-	-	628,689
-	-	31,403
-	-	254,276
-	-	167,101
\$ 168,299	\$ 253	\$ 9,328,151
\$ 306	\$ 250	\$ 794,279
526	-	232,172
39,547	-	3,144,166
-	-	65,948
-	-	30
268	-	268
127,652	3	209,054
168,299	253	4,445,917
-	-	254,276
-	-	1,891
-	-	3,508,817
-	-	-
-	-	1,117,250
-	-	-
-	-	4,882,234
\$ 168,299	\$ 253	\$ 9,328,151

GALENA PARK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2012

Data Control Codes		205	206	211
		Head Start Regular and ARRA	Support for Homeless Educ. Prog.	ESEA Title I, Part A Improving Basic Programs
	Revenues			
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	744,934	38,829	5,346,695
5020	Total revenues	<u>744,934</u>	<u>38,829</u>	<u>5,346,695</u>
	Expenditures			
	Current:			
0011	Instruction	-	15,455	3,722,780
0012	Instruction resources and media services	-	-	5,238
0013	Curriculum and instructional staff development	-	-	1,017,734
0021	Instructional leadership	127,617	667	450,201
0023	School leadership	-	-	3,307
0031	Guidance, counseling and evaluation services	-	-	1,427
0032	Social work services	35,191	16,121	36,118
0033	Health services	41,789	-	-
0034	Student transportation	-	6,586	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	1,312
0061	Community services	540,337	-	108,578
6030	Total Expenditures	<u>744,934</u>	<u>38,829</u>	<u>5,346,695</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
	Other Financing Sources (Uses)			
7912	Sale of real or personal property	-	-	-
7915	Transfers in	-	-	-
7080	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
0100	Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

212	224	225	240	244	255	263
ESEA Title I, Part C	IDEA B Formula	IDEA B Preschool Grant	Child Nutrition	Vocational Ed - Basic	Title II, Part A	Title III, Part A
\$ -	\$ -	\$ -	\$ 2,594,136	\$ -	\$ 1,041	\$ -
-	-	-	72,507	-	-	-
345,741	3,613,526	104,784	10,017,225	272,356	734,977	889,017
345,741	3,613,526	104,784	12,683,868	272,356	736,018	889,017
101,390	2,674,688	88,780	-	263,856	337,109	464,121
-	-	-	-	-	-	-
-	403,636	15,280	-	8,500	352,449	333,926
141,948	141,038	724	-	-	42,328	81,531
-	1,176	-	-	-	4,132	-
1,423	364,259	-	-	-	-	462
32,548	1,697	-	-	-	-	-
-	26,273	-	-	-	-	-
3,752	-	-	-	-	-	6,901
-	-	-	12,036,049	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	542,099	-	-	-
-	398	-	-	-	-	-
-	-	-	-	-	-	-
64,680	361	-	-	-	-	2,076
345,741	3,613,526	104,784	12,578,148	272,356	736,018	889,017
-	-	-	105,720	-	-	-
-	-	-	6,282	-	-	-
-	-	-	-	-	-	-
-	-	-	6,282	-	-	-
-	-	-	112,002	-	-	-
-	-	-	3,651,238	-	-	-
\$ -	\$ -	\$ -	\$ 3,763,240	\$ -	\$ -	\$ -

GALENA PARK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2012

Data Control Codes	265	280	282
Revenues	21st Century Grant	ESEA, Title X, Part C- Education for the Homeless Children and Youth-ARRA	Safe and Drug Free Schools and Communities - National Programs
5700 Local, intermediate, and out-of-state	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	272,190	-	70,490
5020 Total revenues	272,190	-	70,490
Expenditures			
Current:			
0011 Instruction	196,620	-	-
0012 Instruction resources and media services	-	-	-
0013 Curriculum and instructional staff development	368	-	-
0021 Instructional leadership	75,020	-	-
0023 School leadership	-	-	-
0031 Guidance, counseling and evaluation services	-	-	-
0032 Social work services	-	-	-
0033 Health services	-	-	70,490
0034 Student transportation	-	-	-
0035 Food service	-	-	-
0036 Extracurricular activities	-	-	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	-	-
0053 Data processing services	-	-	-
0061 Community services	182	-	-
6030 Total Expenditures	272,190	-	70,490
1100 Excess (deficiency) of revenues over expenditures	-	-	-
Other Financing Sources (Uses)			
7912 Sale of real or personal property	-	-	-
7915 Transfers in	-	-	-
7080 Total other financing sources and uses	-	-	-
1200 Net change in fund balances	-	-	-
0100 Fund balance - September 1 (beginning)	-	-	-
3000 Fund balance - August 31 (ending)	\$ -	\$ -	\$ -

287	289	394	397	404	409	410
Education Jobs Fund	Various Federal Funds	Pregnancy, Educations, & Parenting Program	Advanced Placement Incentive	Student Succ. Init-Acc REA	Basic Skills / HS Students	Instructional Materials Allotment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	12,373	351,661	25,941	503,730
3,792,270	553,327	-	-	-	-	-
<u>3,792,270</u>	<u>553,327</u>	<u>-</u>	<u>12,373</u>	<u>351,661</u>	<u>25,941</u>	<u>503,730</u>
3,792,270	317,922	-	7,873	216,611	-	498,656
-	-	-	-	-	-	-
-	71,321	-	4,500	130,421	-	-
-	624	-	-	-	-	-
-	-	-	-	4,290	-	-
-	-	-	-	1,296	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	70,302	-	-	-	24,217	-
-	-	-	-	-	1,724	-
-	93,158	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	5,074
<u>3,792,270</u>	<u>553,327</u>	<u>-</u>	<u>12,373</u>	<u>352,618</u>	<u>25,941</u>	<u>503,730</u>
-	-	-	-	(957)	-	-
-	-	-	-	-	-	-
-	-	2,513	-	-	-	-
-	-	2,513	-	-	-	-
-	-	2,513	-	(957)	-	-
-	-	(2,513)	-	957	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2012

Data Control Codes	411	429	461
Codes	Technology Allotment	State Funded Special Revenue	Campus Activity Funds
Revenues			
5700	\$ -	\$ 3,061	\$ 1,012,854
5800	-	1,454,823	-
5900	-	-	-
5020	Total revenues	1,457,884	1,012,854
Expenditures			
Current:			
0011	167,918	1,334,908	224,678
0012	-	349	26,377
0013	-	26,354	460
0021	-	-	-
0023	-	92,584	85,057
0031	-	-	-
0032	-	-	-
0033	-	-	302
0034	-	-	2,675
0035	-	-	-
0036	-	-	476,988
0041	-	627	3,965
0051	-	-	1,466
0052	-	-	5,961
0053	5,848	-	-
0061	-	3,062	5,483
6030	Total Expenditures	1,457,884	833,412
1100	Excess (deficiency) of revenues over expenditures	(173,766)	179,442
Other Financing Sources (Uses)			
7912	-	-	-
7915	-	-	-
7080	Total other financing sources and uses	-	-
1200	Net change in fund balances	(173,766)	179,442
0100	Fund balance - September 1 (beginning)	173,766	939,552
3000	Fund balance - August 31 (ending)	\$ -	\$ 1,118,994

481	486	Total - Nonmajor Governmental Funds
Other Local Grants	Miscellaneous Donations	
\$ 91,557	\$ 1,324	\$ 3,703,973
-	-	2,421,035
-	-	26,796,361
<u>91,557</u>	<u>1,324</u>	<u>32,921,369</u>
52,298	-	14,477,933
2,017	-	33,981
-	-	2,364,949
-	322	1,062,020
9,919	-	200,465
4,567	-	373,434
-	-	121,675
-	-	138,854
-	-	19,914
-	-	12,036,049
-	-	476,988
3,174	-	102,285
1,552	-	546,841
-	-	99,517
-	-	7,160
57,424	1,002	788,259
<u>130,951</u>	<u>1,324</u>	<u>32,850,324</u>
<u>(39,394)</u>	<u>-</u>	<u>71,045</u>
-	-	6,282
39,394	-	41,907
<u>39,394</u>	<u>-</u>	<u>48,189</u>
<u>-</u>	<u>-</u>	<u>-</u>
-	-	119,234
<u>-</u>	<u>-</u>	<u>4,763,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,882,234</u>

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GALENA PARK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
August 31, 2012

Exhibit H-3

	Balance September 1, 2011, Restated	Additions	Deductions	Balance August 31, 2012
Assets				
Cash and Cash Equivalents	\$ 1,227,053	\$ 4,350,817	\$ 5,246,602	\$ 331,268
Due From Others	5,021	79,050	83,252	819
Prepaid Items	323	1,213	325	1,211
	<u>\$ 1,232,397</u>	<u>\$ 4,431,080</u>	<u>\$ 5,330,179</u>	<u>\$ 333,298</u>
Liabilities				
Accounts Payable	\$ 903,856	\$ 1,231,356	\$ 2,083,594	\$ 51,618
Due to Student Groups	328,541	3,594,846	3,641,707	281,680
	<u>\$ 1,232,397</u>	<u>\$ 4,826,202</u>	<u>\$ 5,725,301</u>	<u>\$ 333,298</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2012

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 8/31/11</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
2003 and prior	Various	Various	Various	\$ 1,600,872
2004	1.56500	0.20000	3,365,153,952	449,897
2005	1.58000	0.21500	3,698,108,864	387,534
2006	1.61000	0.20500	3,800,153,223	274,227
2007	1.46750	0.24750	4,219,257,026	271,155
2008	1.18340	0.24750	4,817,270,110	334,986
2009	1.18340	0.27250	5,466,719,898	573,514
2010	1.18340	0.29500	5,682,442,359	970,365
2011	1.18340	0.33000	5,462,732,192	1,436,085
2012	1.18340	0.33000	5,420,068,587	
1000 Totals				<u>\$ 6,298,635</u>
9000	Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Cose (Function 97)			<u>-</u>

20	31	32	40	50
<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/12</u>
\$ -	\$ 25,929	\$ 3,006	\$ (361,594)	\$ 1,210,343
-	10,125	1,294	(5,456)	433,022
-	7,945	1,081	(4,824)	373,684
-	8,448	1,076	(197)	264,506
-	29,714	5,011	3,241	239,671
-	50,134	10,485	(17,596)	256,771
-	136,976	31,541	(21,264)	383,733
-	223,904	55,815	(248,430)	442,216
-	345,570	96,365	(432,311)	561,839
<u>82,027,318</u>	<u>63,100,156</u>	<u>17,569,659</u>	<u>(328,584)</u>	<u>1,028,919</u>
<u>\$ 82,027,318</u>	<u>\$ 63,938,901</u>	<u>\$ 17,775,333</u>	<u>\$ (1,417,015)</u>	<u>5,194,704</u>
				<u>Penalty and interest receivable on taxes</u>
				4,232,090
				<u>Total taxes receivable per Governmental Fund Balance Sheet (C-1)</u>
				<u>\$ 9,426,794</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COSTS FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended August 31, 2012

Exhibit J-2

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 168	\$165,508	\$ 182,752	\$ 4,696,368			\$ 5,044,796
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							
6211	Legal Services		1,424	4,673		88,962		95,059
6212	Audit Services				118,899			118,899
6213	(Appraisal district costs only from function 99)		680,484					680,484
6214	Lobbying							
621X	Other Prof. Services		18,000					18,000
6220	Tuition and Transfer Payments						612	612
6230	Education Service Centers				25,087			25,087
6240	Contr. Maint. and Repair					40,537		40,537
6250	Utilities							
6260	Rentals		2,998	4,487	28,785			36,270
6290	Miscellaneous Contr.	15	10,764		156,292			167,071
6320	Textbooks and Reading			5,731	2,350			8,081
6330	Testing Materials	85						85
63XX	Other Supplies Materials	306	9,690		207,518			217,514
6410	Travel, Subsistence, Stipends	15,629	420	2,507	26,985			45,541
6420	Ins. and Bonding Costs		168		6,667			6,835
6430	Election Costs	11,450						11,450
6490	Miscellaneous Operating	8,929	622	16,905	255,200			281,656
6500	Debt Service							
6600	Capital Outlay						26,328	26,328
6000	TOTAL	\$ 36,582	\$ 890,078	\$ 217,055	\$ 5,524,151	\$ 129,499	\$ 26,940	\$ 6,824,305

Total expenditures/expenses for General and Special Revenue Funds
 (plus Food Service Enterprise Fund if present) 9 \$ 187,878,494

Less: Deductions of Unallowable Costs

Fiscal Year	
Total Capital Outlay (6600)	10 \$ 1,726,438
Total Debt & Lease (6500)	11 79,019
Plant Maintenance (Function 51, 6100-6400)	12 20,288,495
Food (Function 35, 6341 and 6499)	13 4,939,723
Stipends (6413)	14 513
Column 4 (above) - Total Indirect Cost	5,524,151
Subtotal:	32,558,339
Net Allowed Direct Cost	\$ 155,320,155

Cumulative

Total Cost of Buildings before Depreciation (1520)	15 \$ 339,232,023
Historical Cost of Buildings over 50 years old	16 12,524,763
Amount of Federal Money in building Cost (Net of #16)	17 50,585
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	18 47,681,072
Historical Cost of Furniture & Equipment over 16 years old	19 85,513
Amount of Federal Money in Furniture & Equipment (Net of #19)	20 3,652,154

(8) Note A - \$0 in Function 53 expenditures are included in this report on administrative costs.

\$680,484 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION FUND

For the Year Ended August 31, 2012

Data Control Codes		Budget			Variance Favorable (Unfavorable)
		Original	Final	Actual	
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 2,650,854	\$ 2,650,854	\$ 2,594,136	\$ (56,718)
5800	State Program Revenues	69,000	69,000	72,507	3,507
5900	Federal Program Revenues	9,893,226	9,893,226	10,017,225	123,999
5020	Total Revenues	<u>12,613,080</u>	<u>12,613,080</u>	<u>12,683,868</u>	<u>70,788</u>
Expenditures					
Current:					
0035	Food Services	13,229,889	13,599,889	12,036,049	1,563,840
0051	Plant maintenance and operations	532,191	662,191	542,099	120,092
6030	Total Expenditures	<u>13,762,080</u>	<u>14,262,080</u>	<u>12,578,148</u>	<u>1,683,932</u>
1100	Excess (Deficiency) Revenues Over Expenditures	(1,149,000)	(1,649,000)	105,720	1,754,720
Other Financing Sources (Uses)					
7912	Sale of real or personal property	-	-	6,282	6,282
1200	Net change in fund balances	(1,149,000)	(1,649,000)	112,002	1,761,002
0100	Fund Balance - beginning	<u>3,651,238</u>	<u>3,651,238</u>	<u>3,651,238</u>	<u>-</u>
3000	Fund Balance - ending	<u>\$ 2,502,238</u>	<u>\$ 2,002,238</u>	<u>\$ 3,763,240</u>	<u>\$ 1,761,002</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2012

Data Control Codes		Budget			Variance Favorable (Unfavorable)
		Original	Final	Actual	
	Revenues				
5700	Local, Intermediate, and Out-of-State	\$ 17,718,435	\$ 17,718,435	\$ 17,970,903	\$ 252,468
5800	State Program Revenues	3,731,503	3,731,503	3,597,685	(133,818)
5020	Total Revenues	<u>21,449,938</u>	<u>21,449,938</u>	<u>21,568,588</u>	<u>118,650</u>
	Expenditures				
	Current:				
	Debt Service:				
0071	Principal on long-term debt	7,392,806	7,392,806	7,392,806	-
0072	Interest on long-term debt	13,086,430	13,086,430	13,086,432	(2)
0073	Bond issuance costs and fees	20,000	220,000	163,982	56,018
6030	Total Expenditures	<u>20,499,236</u>	<u>20,699,236</u>	<u>20,643,220</u>	<u>56,016</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>950,702</u>	<u>750,702</u>	<u>925,368</u>	<u>174,666</u>
	Other Financing Sources (Uses)				
7911	Refunding bonds issued	-	9,250,000	9,234,299	(15,701)
7915	Transfers In	-	-	1,304,990	1,304,990
7916	Premium or discount on issuance of bonds		750,000	745,214	(4,786)
8949	Payment to bond refunding escrow agent		(10,000,000)	(9,796,601)	203,399
	Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>1,487,902</u>	<u>1,487,902</u>
1200	Net change in fund balances	950,702	750,702	2,413,270	1,662,568
0100	Fund Balance - beginning	<u>4,973,568</u>	<u>4,973,568</u>	<u>4,973,568</u>	<u>-</u>
3000	Fund Balance - ending	<u>\$ 5,924,270</u>	<u>\$ 5,724,270</u>	<u>\$ 7,386,838</u>	<u>\$ 1,662,568</u>

STATISTICAL SECTION
(UNAUDITED)

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GALENA PARK INDEPENDENT SCHOOL DISTRICT
STATISTICAL SECTION

The statistical section of the Galena Park Independent School District’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s economic condition and overall financial health. To assist financial statement users, the information contained within this section is categorized as follows:

	<u>Page</u>
Financial Trends	78
These schedules contain trend information to show how the District’s financial performance and position have changed over time	
Revenue Capacity	88
These schedules contain information to help assess the factors affecting the District’s most significant local revenue source, the property tax.	
Debt Capacity	96
These schedules present information to help assess the affordability of the District’s current debt burden and its ability to issue additional debt in the future.	
Demographic and Economic Information	102
These schedules provide demographic and economic indicators to help in understanding the environment in which the District operates and to facilitate in comparisons over time.	
Operating Information	106
These schedules provide information about the District’s operations and resources to assist in using the financial statement information to better understand and assess the District’s economic condition.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

GALENA PARK INDEPENDENT SCHOOL DISTRICT

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS*

(Accrual Basis of Accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental Activities:			
Invested in capital assets, net of related debt	\$ 39,643,703	\$ 48,387,569	\$ 53,833,026
Restricted	13,023,826	10,016,278	10,531,018
Unrestricted	20,082,317	10,028,641	5,897,450
Total Governmental Activities Net Assets	<u>\$ 72,749,846</u>	<u>\$ 68,432,488</u>	<u>\$ 70,261,494</u>

Table 1

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 49,875,572	\$ 52,299,778	\$ 51,849,703	\$ 51,112,413	\$ 61,209,595	\$ 52,104,329	\$ 51,894,816
9,835,302	9,702,298	8,028,543	8,122,503	7,557,687	9,825,046	7,744,070
10,646,315	5,488,537	4,843,758	(1,221,323)	(4,191,321)	10,500,883	17,391,976
<u>\$ 70,357,189</u>	<u>\$ 67,490,613</u>	<u>\$ 64,722,004</u>	<u>\$ 58,013,593</u>	<u>\$ 64,575,961</u>	<u>\$ 72,430,258</u>	<u>\$ 77,030,862</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS *

(Accrual Basis of Accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expenses:			
Governmental Activities:			
Instruction	\$ 110,548,329	\$ 119,602,322	\$ 122,370,042
Instructional Resources and Media Services	2,421,087	2,516,129	2,534,826
Curriculum and Instructional Staff Development	4,508,432	5,345,912	5,908,955
Instructional Leadership	4,728,055	5,141,031	4,956,514
School Leadership	9,877,826	10,620,953	11,178,042
Guidance, Counseling, and Evaluation Services	5,606,717	6,634,847	6,937,775
Social Work Services	419,590	388,202	537,078
Health Services	1,641,843	1,733,425	1,724,297
Student (Pupil) Transportation	5,533,763	5,520,678	5,508,054
Food Services	12,325,411	12,428,159	11,309,542
Cocurricular/Extracurricular Activities	3,896,064	4,209,663	3,842,327
General Administration	6,445,569	6,905,251	7,385,442
Plant Maintenance and Operations	23,624,581	25,311,366	24,487,945
Security and Monitoring Services	2,013,057	1,968,539	2,363,252
Data Processing Services	2,539,098	2,289,328	2,195,154
Community Services	1,419,328	1,387,390	1,318,585
Debt Service - Interest on Long-term Debt	13,296,766	13,569,926	13,692,016
Debt Service - Bond Issuance Costs and Fees		2,100	99,352
Facilities Acquisition and Construction	-	-	-
Payments to Appraisal District	680,484	687,831	667,412
Total Governmental Activities Expenses	<u>211,526,000</u>	<u>226,263,052</u>	<u>229,016,610</u>
Total Primary Government Expenses	<u>211,526,000</u>	<u>226,263,052</u>	<u>229,016,610</u>
Program Revenues:			
Governmental Activities:			
Charges for Services:			
Instruction	378,481	691,838	321,668
School Leadership	92,036	108,021	141,352
Food Services	2,584,100	2,629,662	2,664,951
Cocurricular/Extracurricular Activities	776,879	755,675	341,864
General Administration	-	-	-
Plant Maintenance and Operations	29,935	145,482	160,201
Security and Monitoring Services	-	-	59,129
Facilities Acquisition and Construction	-	-	-
Other Activities	-	-	-
Operating Grants and Contributions	34,920,645	47,454,168	52,386,497
Total Governmental Activities Program Revenues	<u>38,782,076</u>	<u>51,784,846</u>	<u>56,075,662</u>
Total Primary Government Program Revenues	<u>38,782,076</u>	<u>51,784,846</u>	<u>56,075,662</u>

Table 2
Page 1 of 2

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 113,577,108	\$ 108,256,241	\$ 97,192,638	\$ 103,888,973	\$ 96,513,939	\$ 90,123,925	\$ 84,118,179
2,442,877	2,329,227	2,118,912	2,223,039	2,065,060	1,988,642	2,245,612
5,161,904	4,269,795	3,989,393	4,653,581	4,301,105	3,577,020	2,961,891
4,445,447	4,750,832	3,909,503	3,632,373	3,429,591	3,160,508	3,080,761
10,327,302	9,968,042	8,789,170	8,933,777	8,634,915	8,117,501	7,859,706
6,148,901	6,090,505	5,592,874	5,532,078	5,404,307	5,587,258	4,988,518
593,215	625,719	673,929	646,963	537,622	443,172	374,713
1,574,097	1,413,780	1,301,805	1,222,425	1,185,118	1,189,319	1,061,597
4,584,314	4,950,809	4,807,046	4,894,751	4,506,781	4,418,172	4,116,207
9,775,884	10,162,221	9,337,078	9,247,540	9,040,373	8,846,238	8,025,861
3,538,725	3,307,338	3,124,249	3,220,584	3,120,988	3,448,889	3,506,169
5,963,619	5,953,647	6,265,341	6,210,987	6,664,173	5,925,285	6,014,532
20,412,889	21,412,919	19,147,258	18,699,421	18,441,309	18,510,350	18,839,765
2,105,534	2,090,879	1,808,136	1,775,667	1,684,162	1,673,110	1,791,779
2,694,257	1,911,117	1,651,635	1,235,566	1,513,649	1,123,326	1,208,973
1,294,642	1,085,044	949,134	1,054,545	1,040,449	998,740	1,078,229
13,543,239	12,550,677	11,898,476	11,299,338	12,488,412	11,707,683	10,566,749
6,814	7,665	215,808	-	-	-	-
5,004,840	1,373,270	1,114,540	2,274,797	135,168	1,657,418	2,014,506
586,095	563,772	-	-	-	-	-
<u>213,781,703</u>	<u>203,073,499</u>	<u>183,886,925</u>	<u>190,646,405</u>	<u>180,707,121</u>	<u>172,496,556</u>	<u>163,853,747</u>
<u>213,781,703</u>	<u>203,073,499</u>	<u>183,886,925</u>	<u>190,646,405</u>	<u>180,707,121</u>	<u>172,496,556</u>	<u>163,853,747</u>
253,892	511,097	531,777	263,462	314,536	443,259	315,764
121,318	108,929	144,475	77,443	69,631	62,811	37,327
2,671,651	2,813,059	2,348,231	2,492,018	2,425,162	2,572,020	2,504,488
285,589	334,166	330,813	237,615	294,651	445,032	289,421
23,471	38,669	72,693	743,795	35,323	43,397	25,790
109,623	84,388	113,675	128,817	126,236	104,108	153,531
66,313	-	-	9,173	210,575	35,463	24,313
11,884	199,927	199,927	-	-	-	-
12,918	30,142	61,725	83,223	105,857	79,071	46,885
<u>35,532,170</u>	<u>30,617,676</u>	<u>27,854,681</u>	<u>32,028,531</u>	<u>27,335,714</u>	<u>23,967,337</u>	<u>23,473,168</u>
<u>39,088,829</u>	<u>34,738,053</u>	<u>31,657,997</u>	<u>36,064,077</u>	<u>30,917,685</u>	<u>27,752,498</u>	<u>26,870,687</u>
<u>39,088,829</u>	<u>34,738,053</u>	<u>31,657,997</u>	<u>36,064,077</u>	<u>30,917,685</u>	<u>27,752,498</u>	<u>26,870,687</u>

GALENA PARK INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS *

(Accrual Basis of Accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net (Expense) / Revenue:			
Governmental Activities	\$ (172,743,924)	\$ (174,478,206)	\$ (172,940,948)
Total Primary Government Net (Expense)/Revenue	<u>(172,743,924)</u>	<u>(174,478,206)</u>	<u>(172,940,948)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Property Taxes	\$ 82,406,881	82,638,413	84,019,149
State Aid - Formula Grants	90,609,429	89,566,964	88,240,597
Unrestricted Grants and Contributions	3,524,025	3,619	133,886
Investment Earnings	195,268	226,543	285,073
Miscellaneous Income	325,679	213,661	166,548
Gain (Loss) on Asset Disposition	-	-	-
Total Governmental Activities	<u>177,061,282</u>	<u>172,649,200</u>	<u>172,845,253</u>
Total Primary Government	<u>177,061,282</u>	<u>172,649,200</u>	<u>172,845,253</u>
Change in Net Assets			
Governmental Activities	4,317,358	(1,829,006)	(95,695)
Total Primary Government	<u>\$ 4,317,358</u>	<u>\$ (1,829,006)</u>	<u>\$ (95,695)</u>

