

BORGER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

Brown, Graham & Company, P.C.
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**BORGER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013**

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CERTIFICATE OF BOARD

BORGER INDEPENDENT SCHOOL DISTRICT

Name of School District

HUTCHINSON

County

117901

Co-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved ___ disapproved for the year ended August 31, 2013, at a meeting of the board of trustees of such school district on the 12th day of December, 2013.

ss:// Todd Harris

Signature Board Secretary

ss:// Robert Bradley

Signature of Board President



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

7431 Continental Parkway • Amarillo, Texas 79119
P.O. Box 20210 • Amarillo, Texas 79114
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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION INCLUDING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of Trustees
Borger Independent School District
Borger, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District (the "District") as of August 31, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 Borger Independent School District as of August 31, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Board of Trustees
Borger Independent School District**

Other Matters

Required Supplementary Information

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The required Texas Education Agency ("TEA") schedules listed in the table of contents are likewise presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Brown Graham & Company, P.C.

Amarillo, Texas
December 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

BORGER INDEPENDENT SCHOOL DISTRICT

Chance Welch ~ Superintendent

200 East Ninth, Borger, TX 79007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the administrators of Borger Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with the independent auditor's report and the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibits A-1 & B-1). These provide information about the activities of the District as a whole and present a long-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (Exhibits C-1 to E-2) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The primary analysis of the District's overall financial condition and operations begins at Exhibit A-1. The purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, and liabilities as of August 31, 2013, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the fiscal year ended August 31, 2013. These financial statements are prepared using the accrual basis of accounting which is the basis used by private sector companies.

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

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

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

- Governmental activities - The District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance the majority of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin at Exhibit C-1 and provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's three kinds of funds, governmental, proprietary, and fiduciary, use different accounting approaches.

- Governmental funds - Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements. The financial statements for the governmental funds can be found on Exhibits C-1 through C-4.
- Proprietary funds – The District reports the activity for which it charges other users (other funds of the District) in a proprietary fund using the accrual basis of accounting, which is the same basis of accounting employed in the Statement of Net Position and the Statement of Activities. The District accounts for the activities of its self-insured workers compensation program in an internal service fund, which is a type of proprietary fund. The financial statements for the proprietary funds can be found on Exhibits D-1 through D-3. The District closed out this fund at the end of the fiscal year.
- Fiduciary funds - The District uses fiduciary funds to account for the resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary funds use the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period when they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The financial statements for the fiduciary funds can be found on Exhibits E-1 and E-2.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities including a few scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on Exhibit E-1 and E-2. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. Net position of the District's governmental activities increased from \$13,607,518 to \$14,600,440. This increase in governmental net position is primarily the result of increases in property tax and state aid – funding grant revenue from the prior year. Property values in the District saw an increase from a total assessed value of \$540,717,180 up to \$554,164,070, or an increase of \$13,446,890. The tax rate decreased from \$1.3582 to \$1.3339 per \$100 of valuation over the prior year. Overall property tax revenues increased \$311,397 from the prior year due to the higher taxable property values. The District's total liabilities increased only slightly by \$43,530 from the prior year. Long-term liabilities increased by \$350,604 from the prior year. The increase was primarily attributable to the issuance of refunding bonds during the year discussed in the notes to the financial statements. Other liabilities decreased by \$307,074 from the prior year, most of which was due to lower estimated workers compensation claims payable and arbitrage payable on the District's bonds. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$5,142,667 on August 31, 2013. In fiscal year 2013, the District's revenue in all Governmental Activities exceeded expenses by a total of \$1,228,871.

**TABLE I
NET POSITION**

	Governmental Activities 2013	Governmental Activities 2012
Current and other assets	\$ 8,016,028	\$ 7,056,363
Capital assets	43,577,204	44,483,616
Total assets	<u>51,593,232</u>	<u>51,539,979</u>
Deferred outflows of resources		
Deferred charge for refunding	983,199	-
Long-term liabilities	36,900,604	36,550,000
Other liabilities	1,075,387	1,382,461
Total liabilities	<u>37,975,991</u>	<u>37,932,461</u>
Net position:		
Invested in capital assets, net of related debt	7,659,799	8,169,565
Restricted	1,797,974	1,715,323
Unrestricted net net position	5,142,667	3,722,630
Total net position	<u>\$ 14,600,440</u>	<u>\$ 13,607,518</u>

TABLE II
CHANGES IN NET POSITION

	Governmental Activities 2013	Governmental Activities 2012
Revenues:		
Program Revenues:		
Charges for services	\$ 1,776,255	\$ 1,882,994
Operating grants and contributions	5,248,750	5,205,425
General Revenues:		
Maintenance and operation taxes	5,779,760	5,444,249
Debt service taxes	1,616,749	1,640,863
State aid - formula grants	13,289,309	12,573,599
Investment earnings	11,952	18,804
Miscellaneous	434,032	160,787
Total revenues	<u>28,156,807</u>	<u>26,926,721</u>
Expenses:		
Instruction, curriculum and media services	14,782,366	14,115,245
Instructional and school leadership	1,051,625	983,687
Student support services	1,075,173	1,077,662
Transportation	605,222	551,463
Child nutrition	1,211,944	1,151,967
Extracurricular activities	1,008,406	972,231
General administration	708,129	635,038
Facilities maintenance, security, and data processing	2,368,807	2,299,419
Community services	9,534	357
Debt service	1,793,243	1,710,070
Capital outlay	-	5,512
Payments related to shared service arrangements	2,209,025	2,272,228
Other intergovernmental charges	104,462	112,747
Total Expenses	<u>26,927,936</u>	<u>25,887,626</u>
Increase in net position	<u>1,228,871</u>	<u>1,039,095</u>
Net position at beginning of year	13,607,518	12,568,423
Prior period adjustments	(235,949)	-
Net position at end of year	<u>\$ 14,600,440</u>	<u>\$ 13,607,518</u>

The cost of all governmental activities this year was \$26,927,936 compared to \$25,887,626 last year. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$7,396,509. Some of the costs, \$1,776,255, were paid by those who directly benefited from the programs. Other governments and organizations subsidized certain programs with grants and contributions in the amount of \$5,248,750, and state equalization funding provided \$13,289,309 to be used to support the District's operations.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a combined fund balance of \$6,593,606, which is an increase of \$1,498,243 from last year's total fund balance of \$5,095,363. Included in this year's total change in fund balance are an increase of \$1,197,466 in the District's General Fund and an increase of \$131,600 in the District's Debt Service Fund. The District's General Fund revenues were approximately \$1,404,700 higher than in the prior year, while expenditures increased by \$1,028,759 from the prior year. Property tax revenues increased by \$266,775 from the prior year, while state formula grants increased by \$715,710. The General Fund had net transfers in from other funds of \$116,510 this year, compared to \$454,357 of net transfers in from other funds in the prior year.

The Board of Trustees revised the District's budget several times during the fiscal year. These amendments included minor adjustments among functions; to add for intergovernmental charges incurred during the year, and to adjust local, state, and federal revenues. The overall amendments to the expenditures decreased the overall expenditures budgeted compared to what was estimated in the originally adopted budget by \$20,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had approximately \$43.6 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance, net of accumulated depreciation. The District acquired capital assets in the amount of \$237,326 during the year.

Debt

At year-end, the District had \$35,619,336 in bonds outstanding versus \$36,550,000 last year – a decrease of \$930,664 or 2.55%. During the year, the District issued \$8,579,992 of Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Bonds"). The Series 2013 Bonds were issued in part as current interest bonds and in part as premium capital appreciation bonds. The Series 2013 Bonds were used to refund a portion of the District's Unlimited Tax School Building Bonds, Series 2006 (the "Series 2006 Bonds"). Specifically, the District refunded \$8,580,000 of the Series 2006 bonds that were to have matured on February 15, 2028 through February 15, 2036. More information on the District's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2014 budget and tax rates. Changes implemented under current legislation remain a major consideration due to the restrictions on the use of funds, as well as the uncertainty of future formulas used for state funding. In addition, the current status of the national economy with fluctuations in interest rates and increased prices for goods or services, along with the sluggish local economy were also considered. The District's population growth remained steady during 2012-2013 and is expected to continue for 2013-2014. The maintenance and operations tax rate remained the same at \$1.04, with the interest and sinking tax rate was decreased to \$0.2889 down from last year's rate of \$0.2939 per \$100 valuation.

These indicators were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund are \$20,033,146, an increase of \$763,963 from the final 2013 budget of \$19,269,183. Property tax, state payments, and grant revenues account for 98% of the total revenue. The District will use its revenues to finance programs we currently offer. The District has not added any major new programs or initiatives to the 2014 budget. If these estimates are realized, the District's budgetary General Fund balance is expected to remain stable by the close of 2014. More importantly, however, this will have been accomplished in spite of unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Borger Independent School District, P.O. Box 1177, Borger, Texas 79008-1177.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,962,389
1220 Property Taxes Receivable (Delinquent)	749,234
1230 Allowance for Uncollectible Taxes	(322,170)
1240 Due from Other Governments	444,958
1290 Other Receivables, net	1,452
1300 Inventories	180,165
Capital Assets:	
1510 Land	100,045
1520 Buildings, Net	42,690,879
1530 Furniture and Equipment, Net	268,159
1540 Vehicles, Net	483,535
1580 Construction in Progress	34,586
1000 Total Assets	51,593,232
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	983,199
1700 Total Deferred Outflows of Resources	983,199
LIABILITIES	
2110 Accounts Payable	43,051
2140 Interest Payable	80,029
2150 Payroll Deductions & Withholdings	7,610
2160 Accrued Wages Payable	610,925
2190 Due to Student Groups	5,270
2200 Accrued Expenses	273,256
2300 Unearned Revenue	36,734
2400 Payable from Restricted Assets	18,512
Noncurrent Liabilities	
2501 Due Within One Year	889,115
2502 Due in More Than One Year	36,011,489
2000 Total Liabilities	37,975,991
NET POSITION	
3200 Net Investment in Capital Assets	7,659,799
3820 Restricted for Federal and State Programs	1,344,450
3850 Restricted for Debt Service	430,161
3890 Restricted for Other Purposes	23,363
3900 Unrestricted	5,142,667
3000 Total Net Position	\$ 14,600,440

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

**BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013**

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 13,904,368	\$ 1,262,967	\$ 2,339,314	\$ (10,302,087)
12 Instructional Resources and Media Services	382,229	16,013	14,560	(351,656)
13 Curriculum and Staff Development	495,769	-	24,822	(470,947)
21 Instructional Leadership	38,169	-	27,296	(10,873)
23 School Leadership	1,013,456	-	53,511	(959,945)
31 Guidance, Counseling and Evaluation Services	806,360	-	34,563	(771,797)
32 Social Work Services	18,609	-	946	(17,663)
33 Health Services	250,204	-	12,260	(237,944)
34 Student (Pupil) Transportation	605,222	-	35,907	(569,315)
35 Food Services	1,211,944	408,599	773,292	(30,053)
36 Extracurricular Activities	1,008,406	83,168	54,302	(870,936)
41 General Administration	708,129	-	60,492	(647,637)
51 Facilities Maintenance and Operations	1,925,154	5,508	125,049	(1,794,597)
52 Security and Monitoring Services	8,747	-	-	(8,747)
53 Data Processing Services	434,906	-	12,215	(422,691)
61 Community Services	9,534	-	516	(9,018)
72 Debt Service - Interest on Long Term Debt	1,683,531	-	-	(1,683,531)
73 Debt Service - Bond Issuance Cost and Fees	109,712	-	-	(109,712)
93 Payments related to Shared Services Arrangements	2,209,025	-	1,679,705	(529,320)
99 Other Intergovernmental Charges	104,462	-	-	(104,462)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 26,927,936	\$ 1,776,255	\$ 5,248,750	(19,902,931)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		5,779,760
DT	Property Taxes, Levied for Debt Service		1,616,749
SF	State Aid - Formula Grants		13,289,309
IE	Investment Earnings		11,952
MI	Miscellaneous Local and Intermediate Revenue		434,032
TR	Total General Revenues		<u>21,131,802</u>
CN	Change in Net Position		1,228,871
NB	Net Position - Beginning		13,607,518
PA	Prior Period Adjustment		(235,949)
NE	Net Position--Ending		<u>\$ 14,600,440</u>

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

FUND FINANCIAL STATEMENTS

BORGER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 6,358,148	\$ 604,241	\$ 6,962,389
1220 Property Taxes - Delinquent	603,387	145,847	749,234
1230 Allowance for Uncollectible Taxes (Credit)	(259,456)	(62,714)	(322,170)
1240 Receivables from Other Governments	302,521	142,437	444,958
1260 Due from Other Funds	38,844	1,541,435	1,580,279
1290 Other Receivables	1,452	-	1,452
1300 Inventories	173,241	6,924	180,165
1000 Total Assets	<u>\$ 7,218,137</u>	<u>\$ 2,378,170</u>	<u>\$ 9,596,307</u>
LIABILITIES			
2110 Accounts Payable	\$ 40,236	\$ 2,815	\$ 43,051
2150 Payroll Deductions and Withholdings Payable	7,610	-	7,610
2160 Accrued Wages Payable	518,289	92,636	610,925
2170 Due to Other Funds	1,536,435	43,844	1,580,279
2190 Due to Student Groups	-	5,270	5,270
2200 Accrued Expenditures	273,256	-	273,256
2300 Unearned Revenues	7,200	29,534	36,734
2400 Payable from Restricted Assets	-	18,512	18,512
2000 Total Liabilities	<u>2,383,026</u>	<u>192,611</u>	<u>2,575,637</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	343,931	83,133	427,064
2600 Total Deferred Inflows of Resources	<u>343,931</u>	<u>83,133</u>	<u>427,064</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	173,241	6,924	180,165
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	354,654	354,654
3480 Retirement of Long-Term Debt	-	427,057	427,057
3490 Restricted for Other Purposes	23,363	982,872	1,006,235
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	82,978	82,978
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	247,941	247,941
3600 Unassigned Fund Balance	4,294,576	-	4,294,576
3000 Total Fund Balances	<u>4,491,180</u>	<u>2,102,426</u>	<u>6,593,606</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,218,137</u>	<u>\$ 2,378,170</u>	<u>\$ 9,596,307</u>

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

BORGER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$	6,593,606
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$56,711,908 and the accumulated depreciation was \$12,228,292. In addition, long-term liabilities, including bonds payable in the amount of \$36,550,000, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		7,933,616
2 Current year capital outlays in the amount of \$237,326 and long-term debt principal payments in the amount of \$930,656 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase net position.		1,167,982
3 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,143,738)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		48,974
19 Net Position of Governmental Activities	\$	14,600,440

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT C-3

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 6,206,715	\$ 3,348,313	\$ 9,555,028
5800 State Program Revenues	13,175,402	1,232,049	14,407,451
5900 Federal Program Revenues	16,713	4,041,118	4,057,831
5020 Total Revenues	<u>19,398,830</u>	<u>8,621,480</u>	<u>28,020,310</u>
EXPENDITURES:			
Current:			
0011 Instruction	10,954,028	2,286,495	13,240,523
0012 Instructional Resources and Media Services	341,677	21,535	363,212
0013 Curriculum and Instructional Staff Development	358,788	112,316	471,104
0021 Instructional Leadership	7,894	28,376	36,270
0023 School Leadership	963,035	-	963,035
0031 Guidance, Counseling and Evaluation Services	314,771	451,471	766,242
0032 Social Work Services	17,683	-	17,683
0033 Health Services	237,756	-	237,756
0034 Student (Pupil) Transportation	574,614	10,000	584,614
0035 Food Services	-	1,179,017	1,179,017
0036 Extracurricular Activities	951,740	6,496	958,236
0041 General Administration	660,185	12,713	672,898
0051 Facilities Maintenance and Operations	1,838,321	85,560	1,923,881
0052 Security and Monitoring Services	8,312	-	8,312
0053 Data Processing Services	413,269	-	413,269
0061 Community Services	9,060	-	9,060
Debt Service:			
0071 Principal on Long Term Debt	-	930,656	930,656
0072 Interest on Long Term Debt	-	1,490,299	1,490,299
0073 Bond Issuance Cost and Fees	-	109,712	109,712
Capital Outlay:			
0081 Facilities Acquisition and Construction	44,187	13,602	57,789
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	514,202	1,694,823	2,209,025
0099 Other Intergovernmental Charges	104,462	-	104,462
6030 Total Expenditures	<u>18,313,984</u>	<u>8,433,071</u>	<u>26,747,055</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,084,846</u>	<u>188,409</u>	<u>1,273,255</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	8,579,992	8,579,992
7915 Transfers In	116,510	33,707	150,217
7916 Premium on Issuance of Bonds	-	1,290,791	1,290,791
7949 Other Resources	20,000	-	20,000
8911 Transfers Out (Use)	(3,890)	(32,397)	(36,287)
8949 Other (Uses)	(20,000)	(9,759,725)	(9,779,725)
7080 Total Other Financing Sources (Uses)	<u>112,620</u>	<u>112,368</u>	<u>224,988</u>
1200 Net Change in Fund Balances	1,197,466	300,777	1,498,243
0100 Fund Balance - September 1 (Beginning)	<u>3,293,714</u>	<u>1,801,649</u>	<u>5,095,363</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,491,180</u>	<u>\$ 2,102,426</u>	<u>\$ 6,593,606</u>

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

BORGER INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	1,498,243
Current year capital outlays in the amount of \$237,326 and long-term debt principal payments in the amount of \$930,656 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to increase net position.		1,167,982
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,143,738)
During the year, the District issued the Series 2013 Unlimited Tax Refunding Bonds (the "Series 2013 Bonds") to refund a portion of the Series 2006 Unlimited Tax School Building Bonds. On the fund financial statements, the issuance of the Series 2013 bonds is reported by the District in other financing sources and uses. On the government-wide financial statements, the District reports the bonds and related accounts on the Statement of Net Position. The net effect of removing the other financing sources and the other financing uses to prepare the government-wide Statement of Activities is to decrease net position.		(91,058)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(202,558)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>1,228,871</u>

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ -
Total Assets	-
LIABILITIES	
Current Liabilities:	
Accrued Expenses	-
Total Liabilities	-
NET POSITION	
Unrestricted Net Position	-
Total Net Position	\$ -

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ -
Total Operating Revenues	-
OPERATING EXPENSES:	
Professional and Contracted Services	11,893
Total Operating Expenses	11,893
Operating Income (Loss)	(11,893)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	42
Other Non-Operating Revenues	125,781
Total Nonoperating Revenues (Expenses)	125,823
Income Before Transfers	113,930
Transfers Out	(113,930)
Change in Net Position	-
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	\$ -

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Payments for Insurance Claims	\$ (11,893)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Reduction of Estimated Workers Compensation Claims	56,507
Operating Transfer Out	(113,930)
Net Cash Used for Non-Capital Financing Activities	(57,423)
<u>Cash Flows from Investing Activities:</u>	
Interest Earned	42
Net Decrease in Cash and Cash Equivalents	(69,274)
Cash and Cash Equivalents at Beginning of Year	69,274
Cash and Cash Equivalents at End of Year	\$ -
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	\$ (11,893)

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 5,400	\$ 119,107
Total Assets	<u>5,400</u>	<u>\$ 119,107</u>
LIABILITIES		
Due to Student Groups	-	\$ 119,107
Total Liabilities	<u>-</u>	<u>\$ 119,107</u>
NET POSITION		
Restricted for Scholarships	<u>5,400</u>	
Total Net Position	<u>\$ 5,400</u>	

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 2,413
Total Additions	<u>2,413</u>
DEDUCTIONS:	
Professional and Contracted Services	<u>8,403</u>
Total Deductions	<u>8,403</u>
Change in Net Position	(5,990)
Total Net Position - September 1 (Beginning)	<u>11,390</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 5,400</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies:

Borger Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's ("TEA") *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with the applicable interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

B. Government-Wide and Fund Financial Statements (continued)

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

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

The Proprietary Fund and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. Fund Accounting

The District reports the following major governmental fund:

The General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by a grantor in Special Revenue Funds. Most Federal and some State financial assistance are accounted for in Special Revenue Funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in the Debt Service Fund.

The Capital Projects Fund – The District uses the Capital Projects Fund to account for various renovation and construction projects that are being financed from the issuance of bonds.

Proprietary Funds:

The Internal Service Fund – Revenues and expenses related to services provided to other funds within the District on a cost reimbursement basis are accounted for in Internal Service Fund. The District's Internal Service Fund was used to account for the District's self-insured workers compensation program. During the year ended August 31, 2013, the District decided to no longer use an Internal Service Fund to account for the self-insured workers compensation program, as the District converted its plan into an aggregate deductible program effective September 1, 2012, as discussed in further detail later in the notes to the financial statements. During the year ended August 31, 2013, the remaining assets and liabilities of the Internal Service Fund were transferred into the District's General Fund.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

D. Fund Accounting (continued)

Fiduciary Funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in Agency Funds. The District's Agency Fund is the Student Activity Fund. Financial resources for the Agency Funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.

Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that the principal be expended for a specific purpose in Private Purpose Trust Funds. The District's Private Purpose Trust Funds are all Scholarship Funds.

E. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Child Nutrition Program (which is included in the Special Revenue Funds) and the Debt Service Fund. At a minimum, the District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for these three funds. These comparisons are on Exhibits G-1, J-3 and J-4, respectively.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances were all cancelled.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

E. Budgetary Data (continued)

5. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
6. As noted on Exhibit J-4 on page 73, the District had two negative variances in Functions 71 and 73 compared to the final amended budget for the year. In addition, the overall expenditures for the Debt Service Fund exceeded the actual expenditures by \$94,718. The explanation for the variance for this fund was due to the District not amending the budget for the issuance of the Unlimited Tax School Refunding Bonds, Series 2013 discussed in further detail below in the notes to the financial statements. The District attempts to monitor expenditures as closely as possible; however, variances can and do occur from time to time due to timing differences, accruals, etc. Management is aware of the variances and will more closely monitor the budget in the future in order to try and avoid negative budget variances. The District also had variances as shown on Exhibit G-1 in the other financing sources and uses section. The District issued refunding bonds during the year and had interfund transfers between the General Fund and other funds; however, none of these were included in the District's budget. The District will consider budgeting for these items in the future.

F. Other Accounting Policies

1. The Data Control Codes refer to the account code structure prescribed by TEA's Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a State-wide database for policy development and funding plans.
2. The District records purchases of supplies as expenditures. If a material amount of supplies is on hand at the end of the year, their total cost is recorded as inventory and reported as nonspendable fund balance for the same amount. At August 31, 2013, the amount of supplies on hand reported as inventory and nonspendable fund balance was \$180,165.
3. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
4. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
5. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

6. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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. Outlays for construction projects and improvements are capitalized and depreciated as projects are completed. Buildings, furniture, equipment and vehicles of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	8-50
Furniture and equipment	5-20
Vehicles	8-12

7. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. If material, bond premiums and discounts as well as gains or losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the year paid on the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 an expense in the year incurred on the fund financial statements.
8. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of Internal Service Funds are eliminated to avoid “grossing up” the revenues and expenditures of the District as a whole.
9. For purposes of the statement of cash flows for the Internal Service Fund, the District considers highly liquid investments to be cash and cash equivalents if they have a maturity of three months or less when purchased.
10. 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. Operating revenues of the District are charges to other funds for workers compensation. Operating expenses are workers compensation claims and fees. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

11. On the government-wide financial statements, the District's net investment in capital assets and restricted net position are as follows:

Net Investment in Capital Assets:

Land	\$	100,045
Buildings, net		42,690,879
Furniture and equipment, net		268,159
Vehicles, net		483,535
Construction in progress		34,586
Deferred charge for bond refunding		983,199
Bonds payable		<u>(36,900,604)</u>
Net Investment in Capital Assets	\$	<u><u>7,659,799</u></u>

Restricted for Debt Service:

Cash and cash equivalents	\$	409,011
Property taxes receivable, net		83,133
Due from other governments		36,558
Accrued interest payable		(80,029)
Arbitrage payable		<u>(18,512)</u>
Net position restricted for debt service	\$	<u><u>430,161</u></u>

Restricted for Federal and State Programs:

Cash and cash equivalents	\$	139,684
Due from general fund		1,254,952
Due from other governments		18,012
Inventories		6,924
Accrued expenses		(43,458)
Due to other funds		(6,512)
Deferred revenue		<u>(25,152)</u>
Net position restricted for federal and state programs	\$	<u><u>1,344,450</u></u>

Restricted for Other Purposes:

Cash and cash equivalents	\$	<u><u>23,363</u></u>
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**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and pledged securities.
- b. **Interest-rate Risk - Interest rate risk** arises from investments in debt instruments and is defined as “the risk that changes in interest rates will adversely affect the fair value of an investment.” The District has a policy of investing in investment pools and certificates of deposit and, consequently, has no substantial interest-rate risk.
- c. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments include interest bearing accounts that are covered by depository insurance and pledged securities. Investments in the TexSTAR investment pool are on demand investments with AAAM credit quality ratings. Investments are carried at cost, which approximates market. The District’s investments are included in cash and cash equivalents on the financial statements.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

A. Deposits and Investments (continued)

As of August 31, 2013, the District’s investments in accounts other than interest bearing accounts at the District’s depository bank consisted of the following:

<u>Type</u>	<u>Standard & Poor's Rating</u>	<u>Carrying Amount</u>
Fund Financial Statements:		
TexSTAR	AAAm	\$ <u>16</u>

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes receivable within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund Balances and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers were used to close out the Internal Service Fund and the Capital Projects Fund to the General Fund. In addition, the District transferred funds from the General Fund to the ESEA Title I, Part A – Improving Basic Education Fund; the IDEA – Part B Formula Fund; the IDEA – Part B Preschool Fund; and the Reading Recovery Fund to cover excess expenditures over revenues received.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

D. Interfund Balances and Transfers (continued)

Interfund balances at August 31, 2013, consisted of the following amounts:

Due to General Fund from:

Nonmajor Special Revenue Funds	\$ <u>38,844</u>
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Due to Nonmajor Special Revenue Funds from:

General Fund	\$ 1,536,435
Nonmajor Special Revenue Funds	<u>5,000</u>
Total due to Nonmajor Special Revenue Funds	<u>\$ 1,541,435</u>

Transfers between funds for the year ended August 31, 2013 consisted of the following:

Transfers to General Fund from:

Nonmajor Capital Projects Fund	\$ 2,580
Internal Service Fund	<u>113,930</u>
Total transfers to the General Fund	<u>\$ 116,510</u>

Transfers to Nonmajor Special Revenue Funds from:

General Fund	\$ 3,890
Nonmajor Special Revenue Funds	<u>29,817</u>
Total transfers to Nonmajor Special Revenue Funds	<u>\$ 33,707</u>

E. Disaggregation of Receivables and Payables

Receivables in the Fund Financial Statements at August 31, 2013, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 603,387	\$ 302,521	\$ 38,844	\$ 1,452	\$ 946,204
Nonmajor Debt Service Fund	145,847	36,558	-	-	182,405
Nonmajor Special Revenue Funds	<u>-</u>	<u>105,879</u>	<u>1,541,435</u>	<u>-</u>	<u>1,647,314</u>
Total - Governmental Activities	<u>\$ 749,234</u>	<u>\$ 444,958</u>	<u>\$ 1,580,279</u>	<u>\$ 1,452</u>	<u>\$ 2,775,923</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 322,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,170</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

E. Disaggregation of Receivables and Payables (continued)

Payables in the Fund Financial Statements at August 31, 2013, were as follows:

	Accounts Payable and Accrued Expenses	Salaries and Benefits	Due to Other Funds	Due to Student Groups	Arbitrage Payable	Total Payables
Governmental Activities:						
General Fund	\$ 313,492	\$ 525,899	\$ 1,536,435	\$ -	\$ -	\$ 2,375,826
Nonmajor Debt Service Fund	-	-	-	-	18,512	18,512
Nonmajor Special Revenue Funds	<u>2,815</u>	<u>92,636</u>	<u>43,844</u>	<u>5,270</u>	<u>-</u>	<u>144,565</u>
Total - Governmental Activities	<u>\$ 316,307</u>	<u>\$ 618,535</u>	<u>\$ 1,580,279</u>	<u>\$ 5,270</u>	<u>\$ 18,512</u>	<u>\$ 2,538,903</u>

F. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	Balance 09/01/12	Additions	Retirements & Reclasi- fications	Balance 08/31/13
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 100,045	\$ -	\$ -	\$ 100,045
Construction in Progress	<u>-</u>	<u>34,586</u>	<u>-</u>	<u>34,586</u>
Total capital assets not being depreciated	<u>100,045</u>	<u>34,586</u>	<u>-</u>	<u>134,631</u>
Capital assets, being depreciated				
Buildings and improvements	53,814,559	106,762	-	53,921,321
Furniture and equipment	508,196	44,698	-	552,894
Vehicles	<u>2,289,108</u>	<u>51,280</u>	<u>-</u>	<u>2,340,388</u>
Total capital assets being depreciated	<u>56,611,863</u>	<u>202,740</u>	<u>-</u>	<u>56,814,603</u>
Less: accumulated depreciation for:				
Buildings and improvements	10,209,220	1,021,222	-	11,230,442
Furniture and equipment	258,316	26,419	-	284,735
Vehicles	<u>1,760,756</u>	<u>96,097</u>	<u>-</u>	<u>1,856,853</u>
Total accumulated depreciation	<u>12,228,292</u>	<u>1,143,738</u>	<u>-</u>	<u>13,372,030</u>
Total capital assts, being depreciated, net	<u>44,383,571</u>	<u>(940,998)</u>	<u>-</u>	<u>43,442,573</u>
Governmental activities capital assets, net	<u>\$ 44,483,616</u>	<u>\$ (906,412)</u>	<u>\$ -</u>	<u>\$ 43,577,204</u>

Construction in progress at year end consisted of amounts paid by the District for architect fees pertaining to the possible renovation of the Bulldog Stadium Football Field, as discussed in more detail in Note AA below.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

F. Capital Asset Activity (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 693,232
Instructional Resources and Media Services	19,017
Curriculum and Instruction Staff Development	24,665
Instructional Leadership	1,899
School Leadership	50,421
Guidance, Counseling and Evaluation Services	40,118
Social Work Services	926
Health Services	12,448
Student (Pupil) Transportation	30,608
Food Services	61,729
Extracurricular Activities	50,170
General Administration	35,231
Facilities Maintenance and Operations	100,728
Security and Monitoring Services	435
Data Processing Services	21,637
Community Services	<u>474</u>
 Total Depreciation Expense	 \$ <u><u>1,143,738</u></u>

G. Bonds Payable

At August 31, 2013, the District had bonds payable as described below:

In a previous year, the District issued \$19,465,000 of Unlimited Tax School Building Bonds, Series 2006 (the "Series 2006 Bonds"). Proceeds from the sale of the bonds were used to (1) construct, renovate, and equip school buildings and to purchase school buses, and (2) to pay the costs associated with the sale of the bonds. The bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied on all taxable property within the District. Interest on the bonds is payable semi-annually on February 15th and August 15th of each year, and range at rates from 4% to 5%. The first principal payment on the bonds was due February 15, 2007. The bonds' final maturity date is February 15, 2036. A portion of the Series 2006 Bonds were refunded during the year, as discussed below.

In a previous year, the District issued \$20,349,996 of Unlimited Tax School Building Bonds, Series 2007. Proceeds from the sale of the bonds were used to (1) construct, renovate, and equip school buildings and to purchase school buses, and (2) to pay the costs associated with the sale of the bonds. The bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied on all taxable property within the District.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds Payable (continued)

The Series 2007 Bonds consist of two types of bonds, \$20,010,000 of current interest bonds, and \$339,996 of capital appreciation bonds. The current interest bonds bear interest at rates from 4.00% to 4.70%, and have maturity dates from February 15, 2011 through February 15, 2038. The capital appreciation bonds had maturity dates of August 15, 2008 through August 15, 2010, and unlike most bonds which pay interest semi-annually over the life of the bond, the capital appreciation bonds do not pay interest until maturity. All capital appreciation bonds had been paid in full by the District as of August 31, 2010.

On May 30, 2013, the District issued \$8,579,992 of Unlimited Tax Refunding Bonds Series 2013 (the "2013 Bonds") to advance refund \$8,580,000 of the Series 2006 Bonds in order to achieve debt service savings. The 2006 Series Bond maturities that were refunded were the 2028 through 2036 maturities, with interest rates of 5.0%.

The net proceeds from the issuance of the 2013 Bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the 2006 Bonds have been refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the 2006 Bonds redeemed have been removed from the District's government-wide financial statements. The amount of defeased bonds outstanding as of August 31, 2013 was \$8,580,000.

The 2013 Bonds consist of two types of bonds, \$8,035,000 of current interest bonds, and \$544,992 of capital appreciation bonds. The current interest bonds bear interest at rates from 3.00% to 4.00%, and have maturity dates from February 15, 2018 through February 15, 2034. The capital appreciation bonds have maturity dates ranging from August 15, 2013 through February 15, 2029, and unlike most bonds which pay interest semi-annually over the life of the bond, the capital appreciation bonds do not pay interest until maturity.

The 2013 Bonds were issued at a premium of \$1,361,285, net of an underwriter's discount of \$70,494. This net premium of \$1,290,791 is being amortized over the life of the Series 2013 bonds using the effective interest method. Current year amortization of the net premium was \$9,523.

The District follows the reporting guidance of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") for the reporting of the Series 2013 Bonds. Under GASB 65, since the Series 2013 Bonds are considered to be an in-substance defeasance of the Series 2006 Bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the District's case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the Series 2006 bonds using the effective interest method. The reacquisition price of the Series 2006 Bonds was \$9,759,725 and the net carrying value was \$8,580,000, which resulted in a deferred outflow of resources of \$1,179,725. The current year's amortization of the deferred outflow of resources was \$196,526.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds Payable (continued)

Bond indebtedness of the District is reflected in the government-wide Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the bond indenture. The District's administrators believe that the District is in compliance with all significant limitations and restrictions at August 31, 2013. A summary of changes in bonds payable for the year ended August 31, 2013 is as follows:

<u>Bonds Payable</u>	<u>Bond Issue Date</u>	<u>Interest Rate Payable</u>	<u>Interest Paid Current Year</u>	<u>Payable/ Amounts Outstanding 09/01/12</u>	<u>Additions</u>	<u>Retired/ Refunded</u>	<u>Payable/ Amounts Outstanding 08/31/13</u>	<u>Due Within One Year</u>
Unlimited Tax School Building Bonds, Series 2006 (original amount of \$19,465,000)	8/17/2006	4.00% to 5.00%	\$ 589,750	\$ 17,215,000	\$ -	\$ 8,990,000	\$ 8,225,000	\$ 425,000
Unlimited Tax School Building Bonds, Series 2007 (original amount of \$20,349,996)	6/5/2007	4.00% to 4.70%	863,499	19,335,000	-	355,000	18,980,000	375,000
Unlimited Tax School Refunding Bonds, Series 2013 Current Interest & Term Bonds (original amount of \$8,035,000)	5/31/2013	3.00% to 4.00%	39,049	-	8,035,000	-	8,035,000	-
Unlimited Tax School Refunding Bonds, Series 2013 Capital Appreciation Bonds (original amount of \$544,992)	5/31/2013	0.47% to 3.25%	4,344	-	544,992	165,656	379,336	89,115
Total Bonds Payable			<u>\$ 1,496,642</u>	<u>\$ 36,550,000</u>	<u>\$ 8,579,992</u>	<u>\$ 9,510,656</u>	<u>\$ 35,619,336</u>	<u>\$ 889,115</u>
				<u>Balance 09/01/12</u>	<u>Additions</u>	<u>Current Year Amortization</u>	<u>Balance 08/31/13</u>	
Unamortized premium on bond issuance				<u>\$ -</u>	<u>\$ 1,290,791</u>	<u>\$ (9,523)</u>	<u>\$ 1,281,268</u>	
Unamortized deferred charge on bond issuance				<u>\$ -</u>	<u>\$ 1,179,725</u>	<u>\$ (196,526)</u>	<u>\$ 983,199</u>	

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds Payable (continued)

Debt service requirements for loan, bonds and capital lease payable are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2014	\$ 889,115	\$ 1,498,440	\$ 2,387,555
2015	904,408	1,479,460	2,383,868
2016	927,128	1,456,702	2,383,830
2017	956,874	1,430,369	2,387,243
2018	1,025,000	1,342,612	2,367,612
2019-2023	5,820,000	6,021,871	11,841,871
2024-2028	6,583,505	5,254,433	11,837,938
2029-2033	7,803,306	4,042,986	11,846,292
2034-2038	10,710,000	1,258,883	11,968,883
Total	\$ 35,619,336	\$ 23,785,756	\$ 59,405,092

H. Operating Leases

The District leases copy machines under various non-cancelable operating leases. Total costs for such leases were \$146,426 for the year ended August 31, 2013. The future minimum lease payments for these leases are as follows:

<u>Year ending August 31,</u>	<u>Amount</u>
2014	\$ 173,095
2015	173,095
2016	173,095
2017	173,095
2018	28,849
	\$ 721,229

I. Unearned Revenues

Unearned revenues at year-end in the Fund Financial Statements consisted of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Season football tickets	\$ 7,200	\$ -	\$ 7,200
National school lunch & breakfast program	-	25,152	25,152
Instructional Facilities Allotment	-	4,382	4,382
Totals	\$ 7,200	\$ 29,534	\$ 36,734

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

J. Fund Balance

The District's fund balances for its governmental funds are presented in accordance with GASB 54, which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in the following categories:

1. Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.
2. Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Trustees. Formal action consists of a board resolution by a majority vote of the District's Board of Trustees in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (board resolution). Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board of Trustees. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
4. Assigned – The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by majority vote in a publicly scheduled meeting. The Board of Trustees has delegated the authority to make assignments of fund balance amounts to the District's Superintendent or his designee.
5. Unassigned – The unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged first to restricted balances, and then to unrestricted balances as they are needed. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed resources first, then to assigned resources and then to unassigned resources as they are needed.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

J. Fund Balance (continued)

The District's governmental funds as of August 31, 2013 are reported as follows:

	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total</u>
Nonspendable:				
Inventories	\$ 173,241	\$ 6,924	\$ -	\$ 180,165
Restricted:				
Federal & State grant restrictions:				
National school breakfast & lunch program	-	312,453	-	312,453
Summer feeding program	-	42,201	-	42,201
SSA - School health & related services program	-	91,732	-	91,732
SSA - Special education	-	891,140	-	891,140
SEP Bus purchase program	23,363	-	-	23,363
Retirement of long-term debt	-	-	427,057	427,057
Committed:				
Campus activity funds	-	82,978	-	82,978
Assigned:				
SHARS Special Education	-	247,941	-	247,941
Unassigned	4,294,576	-	-	4,294,576
Total fund balances	<u>\$ 4,491,180</u>	<u>\$ 1,675,369</u>	<u>\$ 427,057</u>	<u>\$ 6,593,606</u>

K. Defined Benefit Pension Plan

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. 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 pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

K. Defined Benefit Pension Plan (continued)

Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum:

Contribution Rates and Amounts						
Fiscal Year	Active Member		State		Statutory Minimum	
	Rate	Amount	Rate	Amount	Amount	
2013	6.4%	\$ 966,779	6.400%	\$ 834,799	\$ 106,645	
2012	6.4%	930,780	6.000%	729,569	85,141	
2011	6.4%	991,688	6.644%	780,977	105,516	

L. Retiree Health Plan

Plan Description – The 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 TRS. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the TRS at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

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. Funding for basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013-2011:

Contribution Rates and Amounts						
Fiscal Year	Active Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2013	0.65%	\$ 98,188	0.50%	\$ 78,256	0.55%	\$ 83,082
2012	0.65%	94,535	1.00%	145,438	0.55%	79,991
2011	0.65%	100,717	1.00%	154,956	0.55%	85,226

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

M. Medicare Part D – On-Behalf Payments

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended August 31, 2013, 2012, and 2011 were \$39,940, \$38,919, and \$40,075, respectively.

N. Cafeteria Plan

During the year ended August 31, 2013, the District offered a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code to all full-time employees. Under the cafeteria plan participants designate a portion of their salary to be contributed to the cafeteria plan to pay for selected unreimbursed expenses. Eligible unreimbursed expenses include medical expenses, child and dependent care costs, term life insurance costs, health insurance costs, cancer insurance cost and dental expenses. By contributing to the cafeteria plan, employees can receive certain income tax benefits.

O. Revenues from Local and Intermediate Sources

During the year ended August 31, 2013, revenues from local and intermediate sources in the Governmental Fund Financial Statements consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Property taxes	\$ 5,761,510	\$ 1,624,325	\$ -	\$ 7,385,835
Penalties, interest	106,049	23,488	-	129,537
Tuition and fees	21,000	-	-	21,000
Investment income	10,175	1,654	80	11,909
Food sales	-	-	408,599	408,599
Gifts and bequests	54,406	-	18,371	72,777
Extracurricular student activities	77,517	-	-	77,517
Shared service arrangements	-	-	1,169,439	1,169,439
Campus fund activities	-	-	94,192	94,192
Other	176,058	-	8,165	184,223
Totals	<u>\$ 6,206,715</u>	<u>\$ 1,649,467</u>	<u>\$ 1,698,846</u>	<u>\$ 9,555,028</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

P. Litigation and Contingencies

At August 31, 2013, the District had no known or threatened pending litigation which would materially affect the District's financial condition.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Q. Joint Venture - Shared Service Arrangements

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides for education programs for children with disabilities. In addition to the District, the other participating members are Sanford-Fritch ISD, Panhandle ISD, Claude ISD, White Deer ISD, Groom ISD, Plemons-Stinnett-Phillips ISD, Pringle Morse ISD, and Spring Creek ISD. Specifically, the District is administering a program under the IDEA Part B, Formula grant from the U.S. Department of Education, passed through the TEA. The District receives monies from the TEA and distributes to other member districts. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities for this grant in Special Revenue Fund No. 313, and is accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Borger Independent School District	\$ 528,798
Sanford-Fritch Independent School District	203,596
Panhandle Independent School District	138,936
Claude Independent School District	80,213
White Deer Independent School District	91,981
Groom Independent School District	29,965
Plemons-Stinnett-Phillips Independent School District	138,923
Pringle Morse Independent School District	20,226
Spring Creek Independent School District	18,660
	<u>\$ 1,251,298</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

Q. Joint Venture - Shared Service Arrangements (continued)

The District is the fiscal agent for an SSA which provides for education programs for preschool children with disabilities. In addition to the District, the other participating members are Sanford-Fritch ISD, Panhandle ISD, Claude ISD, White Deer ISD, Groom ISD, Plemons-Stinnett-Phillips ISD, Pringle Morse ISD, and Spring Creek ISD. Specifically, the District is administering a program under the IDEA Part B, Preschool grant from the U.S. Department of Education, passed through the TEA. The District receives monies from the TEA and distributes to other member districts. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities for this grant in Special Revenue Fund No. 314, and is accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Borger Independent School District	\$ 13,688
Sanford-Fritch Independent School District	8,045
Panhandle Independent School District	8,446
Claude Independent School District	5,444
White Deer Independent School District	4,976
Groom Independent School District	52
Plemons-Stinnett-Phillips Independent School District	5,073
Pringle Morse Independent School District	532
Spring Creek Independent School District	39
	<u>\$ 46,295</u>

The District is the fiscal agent for an SSA which provides school-based health services which are provided to special education students enrolled in the Medicaid Program. In addition to the District, the other participating members are Sanford-Fritch ISD, Panhandle ISD, and Plemons-Stinnett-Phillips ISD. Specifically, the District is administering a program under the School Health and Related Services (“SHARS”) program. The District receives monies from the TEA and distributes to other member districts. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities for this grant in Special Revenue Fund No. 379, and is accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Borger Independent School District	\$ 206,251
Sanford-Fritch Independent School District	75,916
Panhandle Independent School District	41,223
Plemons-Stinnett-Phillips Independent School District	73,840
	<u>\$ 397,230</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

Q. Joint Venture - Shared Service Arrangements (continued)

The District is the fiscal agent for an SSA which provides speech therapy, a diagnostician and administrative support services for special education to member districts. In addition to the District, the other participating members are Sanford-Fritch ISD, Panhandle ISD, Claude ISD, White Deer ISD, Groom ISD, Plemons-Stinnett-Phillips ISD, Pringle Morse ISD, and Spring Creek ISD. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 437, Shared Services Arrangements - Special Education and is accounted for using Model 3 in the SSA section of the Resource Guide. Revenues from the member districts of the SSA are summarized below:

Borger Independent School District	\$ 514,202
Sanford-Fritch Independent School District	198,220
Panhandle Independent School District	123,142
Claude Independent School District	78,586
White Deer Independent School District	57,186
Groom Independent School District	25,026
Plemons-Stinnett-Phillips Independent School District	135,655
Pringle Morse Independent School District	21,401
Spring Creek Independent School District	16,021
	<u>\$ 1,169,439</u>

R. Claims and Judgments - Arbitrage

As discussed in Note II G, the District issued the Unlimited Tax School Building Bonds, Series 2006 and Series 2007 during previous years to renovate various facilities within the District, to construct new elementary schools, and to purchase school buses. The bond proceeds were invested to earn interest until the capital expenditures could be made. Under the current federal United States Tax Code, earnings on these invested funds are subject to the arbitrage provisions. Essentially, the arbitrage provisions stipulate that earnings received on temporarily invested proceeds from tax-exempt debt in excess of the interest rates on the bonds must be rebated to the United States Government. Federal law requires that the arbitrage must be calculated and rebated at the end of each five year period that the tax-exempt debt is outstanding. This provision would end when all of the proceeds from the tax-exempt debt have been spent and are no longer invested in higher yielding investments. The District's financial advisor for the bonds, First Southwest Company, has calculated the amount of arbitrage due on the bond issuances. As of August 31, 2013, the remaining estimated District bond arbitrage liability was as follows:

Total Rebatable Arbitrage:

Unlimited Tax School Building Bonds, Series, 2006	\$ 9,007
Unlimited Tax School Building Bonds, Series, 2007	9,505
Total estimated arbitrage rebate payable	<u>\$ 18,512</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

R. Claims and Judgments – Arbitrage (continued)

The District remitted its first payment on the arbitrage payable to the United State Treasury in November 2011 in the amount of \$106,531. Additional payments in the amount of \$125,768 were made by the District in September, 2012. The District is anticipating that the remaining balance due on the arbitrage payable will be made by the end of fiscal year 2014.

S. Unemployment Compensation Pool

During the year ended August 31, 2013, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Board's (TASB) Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

T. Liability Program

During the year ended August 31, 2013, the District participated in the TASB Risk Management Fund's (the "Fund") Liability Program with coverage in: General Liability; Sexual Misconduct Endorsement; and School Professional Legal Liability.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Liability Program. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

U. Auto Program

During the year ended August 31, 2013, the District participated in the TASB Risk Management Fund's (the "Fund") Auto Program with coverage in: auto liability and auto physical damage. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Auto Program. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

V. Property Program

During the year ended August 31, 2013, the District participated in the TASB Risk Management Fund's (the "Fund") Property Program with coverage in: crime; equipment breakdown; and property. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

W. Workers Compensation Aggregate Deductible

During the year ended August 31, 2013, the District met its statutory worker's compensation obligations through participation in the TASB Risk Management Fund. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory worker's compensation benefits to its members and their injured employees.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

W. Workers Compensation Aggregate Deductible (continued)

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2012, the Fund carries a discounted reserve of \$68,883,628 for future development on reported claims and claims that have been incurred but not reported. For the Fund's year ended August 31, 2013, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin

X. Self-Insured Workers' Compensation Program

Prior to September 1, 2012, the District had met its statutory workers' compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District was solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

The District was protected against higher than expected claims costs through the purchase of stop loss coverage.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Funds audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The District had accounted for the risk activities related to workers' compensation insurance in the Internal Service Fund, and recorded related costs charged to other funds as expenditures in the General Fund and applicable Nonmajor Special Revenue Funds. Claims liabilities were based on estimates of the ultimate cost of reported claims and an estimate for probable claims incurred but not reported. Estimated claims payable was calculated using the estimated outstanding loss and allocated loss and expenses (ALAE) as provided by TASB.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

X. Self-Insured Workers' Compensation Fund (continued)

The District is still potentially liable for claims incurred prior to September 1, 2012 when the District switched over to TASB's Worker's Compensation Aggregate Deductible program discussed above in Note W. The following is a summary of the changes in the estimated workers' compensation benefit obligation for the years listed below, which represents unpaid claims reported and estimated incurred but not reported claims:

Fiscal Year Ended	Beginning of fiscal year liability	Current year claims and claims incurred but not reported	Changes in estimated claims liability from the claims administrator	Claims payments during fiscal year	End of fiscal year liability
8/31/1992	\$ 1,669	\$ -	\$ (1,669)	\$ -	\$ -
8/31/1993	6,560	-	(6,560)	-	-
8/31/1994	1,116	-	(1,116)	-	-
8/31/1995	2,776	-	(2,776)	-	-
8/31/1996	2,834	-	(2,834)	-	-
8/31/1997	1,673	-	(1,673)	-	-
8/31/1998	1,988	-	(1,988)	-	-
8/31/1999	8,046	-	(8,046)	-	-
8/31/2000	5,766	-	(5,766)	-	-
8/31/2001	16,248	-	(16,248)	-	-
8/31/2002	29,490	-	(9,740)	(1,018)	18,732
8/31/2003	56,534	-	(14,610)	(1,637)	40,287
8/31/2004	31,283	-	220	(2,073)	29,430
8/31/2005	8,778	-	30	-	8,808
8/31/2006	18,184	-	57	(1,072)	17,169
8/31/2007	17,194	-	(6)	-	17,188
8/31/2008	16,281	-	(26)	-	16,255
8/31/2009	51,929	-	(24,111)	-	27,818
8/31/2010	27,390	-	276	-	27,666
8/31/2011	31,260	-	949	-	32,209
8/31/2012	62,038	-	(19,569)	(4,775)	37,694
Totals	<u>\$ 399,037</u>	<u>\$ -</u>	<u>\$ (115,206)</u>	<u>\$ (10,575)</u>	<u>\$ 273,256</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

Y. Related Organization

The Borger ISD Foundation (the “Foundation”), is a separate not-for-profit entity which was created to provide scholarship funds for students of the District. Under reporting guidance taken from GASB, the Foundation is being treated as a related organization, as the District cannot impose its will on the Foundation, and the District does not have any financial benefit/burden relationship with the Foundation. The members of the board of the Foundation are appointed by an outside taxpayer group. The Superintendent of the District is one of the voting members of the Foundation. Total assets of the Foundation as of August 31, 2013, were approximately \$18,611.

Z. Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”). GASB 63 standardized the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It also alleviated uncertainty about reporting those financial statement elements by providing guidance where none previously existed. GASB 63 became effective for the District’s fiscal year ended August 31, 2013. The most significant impact GASB 63 had on the District’s financial statements was to change the titles of the government-wide, proprietary fund, and trust and agency fund financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”). GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012, with early implementation encouraged. Management decided to implement GASB 65 for the District’s fiscal year ending August 31, 2013. The most significant impact on the District’s financial statements was to restate the beginning net position by decreasing it \$235,949 for the remaining balance of unamortized bond issuance costs. GASB 65 requires bond issuance costs to be expensed in the year incurred. Cost incurred in prior periods should be taken to beginning net position in the year that GASB 65 is implemented. In addition, the District has reported unearned tax revenues as deferred inflows of resources on the fund financial statements. These were previously reported by the District as deferred revenue on prior fund financial statements. Furthermore, the District has reported a deferred outflow of resources on the government-wide financial statements pertaining to the bond refunding discussed in Note G above.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement 25* (“GASB 67”). GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

Z. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements (continued)

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27* (“GASB 68”). GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

AA. Construction Commitments

During the year, the District began the process of assessing the current status of its football stadium known as Bulldog Stadium. The District incurred architect fees in the amount of \$34,586 through August 31, 2013 pertaining to this project, which were reported as construction in progress on the Statement of Net Position. Phase I of the project has been tentatively estimated to be approximately \$830,000. As of the date of the report on the financial statements, the District had not entered into any contracts or agreements for the renovation project. Management is currently assessing the feasibility of the project, as well as potential sources of funding for the project if plans to proceed are approved.

REQUIRED SUPPLEMENTARY INFORMATION

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,294,940	\$ 6,294,940	\$ 6,206,715	\$ (88,225)
5800	State Program Revenues	12,979,243	12,979,243	13,175,402	196,159
5900	Federal Program Revenues	15,000	15,000	16,713	1,713
5020	Total Revenues	19,289,183	19,289,183	19,398,830	109,647
EXPENDITURES:					
Current:					
0011	Instruction	11,448,114	11,438,030	10,954,028	484,002
0012	Instructional Resources and Media Services	349,256	349,256	341,677	7,579
0013	Curriculum and Instructional Staff Development	364,347	364,347	358,788	5,559
0021	Instructional Leadership	11,500	11,500	7,894	3,606
0023	School Leadership	959,219	964,428	963,035	1,393
0031	Guidance, Counseling and Evaluation Services	319,211	319,211	314,771	4,440
0032	Social Work Services	17,875	17,875	17,683	192
0033	Health Services	241,321	241,321	237,756	3,565
0034	Student (Pupil) Transportation	570,149	575,024	574,614	410
0036	Extracurricular Activities	1,040,162	1,013,269	951,740	61,529
0041	General Administration	755,608	735,608	660,185	75,423
0051	Facilities Maintenance and Operations	2,004,929	2,004,929	1,838,321	166,608
0052	Security and Monitoring Services	8,352	8,352	8,312	40
0053	Data Processing Services	547,028	547,028	413,269	133,759
0061	Community Services	5,205	12,820	9,060	3,760
Capital Outlay:					
0081	Facilities Acquisition and Construction	25,000	44,278	44,187	91
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	514,202	514,202	514,202	-
0099	Other Intergovernmental Charges	107,705	107,705	104,462	3,243
6030	Total Expenditures	19,289,183	19,269,183	18,313,984	955,199
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	20,000	1,084,846	1,064,846
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	116,510	116,510
7949	Other Resources	-	-	20,000	20,000
8911	Transfers Out (Use)	-	-	(3,890)	(3,890)
8949	Other (Uses)	-	(20,000)	(20,000)	-
7080	Total Other Financing Sources (Uses)	-	(20,000)	112,620	132,620
1200	Net Change in Fund Balances	-	-	1,197,466	1,197,466
0100	Fund Balance - September 1 (Beginning)	3,293,714	3,293,714	3,293,714	-
3000	Fund Balance - August 31 (Ending)	\$ 3,293,714	\$ 3,293,714	\$ 4,491,180	\$ 1,197,466

OTHER SUPPLEMENTARY INFORMATION

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	15,019	37,270	25,169	817
1260	Due from Other Funds	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 15,019</u>	<u>\$ 37,270</u>	<u>\$ 25,169</u>	<u>\$ 817</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	3,776	20,550	24,035	817
2170	Due to Other Funds	11,243	16,720	1,134	-
2190	Due to Student Groups	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2400	Payable from Restricted Assets	-	-	-	-
2000	Total Liabilities	<u>15,019</u>	<u>37,270</u>	<u>25,169</u>	<u>817</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Restricted for Other Purposes	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,019</u>	<u>\$ 37,270</u>	<u>\$ 25,169</u>	<u>\$ 817</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 Reading Recovery Program	289 SHARS Special Education
\$ -	\$ 40,260	\$ 7,923	\$ -	\$ -	\$ -	\$ -	\$ 55,546
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	18,012	-	210	1,460	2,791	5,131	-
-	288,773	34,278	-	-	-	-	193,853
-	4,624	2,300	-	-	-	-	-
<u>\$ -</u>	<u>\$ 351,669</u>	<u>\$ 44,501</u>	<u>\$ 210</u>	<u>\$ 1,460</u>	<u>\$ 2,791</u>	<u>\$ 5,131</u>	<u>\$ 249,399</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,399	\$ -	\$ -	\$ 1,416
-	9,005	-	-	-	-	-	-
-	435	-	210	61	2,791	5,131	42
-	-	-	-	-	-	-	-
-	25,152	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	34,592	-	210	1,460	2,791	5,131	1,458
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,624	2,300	-	-	-	-	-
-	312,453	42,201	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	247,941
-	317,077	44,501	-	-	-	-	247,941
<u>\$ -</u>	<u>\$ 351,669</u>	<u>\$ 44,501</u>	<u>\$ 210</u>	<u>\$ 1,460</u>	<u>\$ 2,791</u>	<u>\$ 5,131</u>	<u>\$ 249,399</u>

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	379 SSA SHARS Medicaid	404 Student Success Initiative	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 47,763	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	43,969	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,732</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2400	Payable from Restricted Assets	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Restricted for Other Purposes	-	-	91,732	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>91,732</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,732</u>	<u>\$ -</u>

410 Instructional Materials Allotment	427 SECO Grant - Cool Schools	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 43,738	\$ -	\$ 195,230	\$ 409,011	\$ -	\$ 604,241
-	-	-	-	-	145,847	-	145,847
-	-	-	-	-	(62,714)	-	(62,714)
-	-	-	-	105,879	36,558	-	142,437
4,382	-	887,932	88,248	1,541,435	-	-	1,541,435
-	-	-	-	6,924	-	-	6,924
<u>\$ 4,382</u>	<u>\$ -</u>	<u>\$ 931,670</u>	<u>\$ 88,248</u>	<u>\$ 1,849,468</u>	<u>\$ 528,702</u>	<u>\$ -</u>	<u>\$ 2,378,170</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,815	\$ -	\$ -	\$ 2,815
-	-	34,453	-	92,636	-	-	92,636
-	-	6,077	-	43,844	-	-	43,844
-	-	-	5,270	5,270	-	-	5,270
4,382	-	-	-	29,534	-	-	29,534
-	-	-	-	-	18,512	-	18,512
<u>4,382</u>	<u>-</u>	<u>40,530</u>	<u>5,270</u>	<u>174,099</u>	<u>18,512</u>	<u>-</u>	<u>192,611</u>
-	-	-	-	-	83,133	-	83,133
-	-	-	-	-	83,133	-	83,133
-	-	-	-	6,924	-	-	6,924
-	-	-	-	354,654	-	-	354,654
-	-	-	-	-	427,057	-	427,057
-	-	891,140	-	982,872	-	-	982,872
-	-	-	82,978	82,978	-	-	82,978
-	-	-	-	247,941	-	-	247,941
-	-	891,140	82,978	1,675,369	427,057	-	2,102,426
<u>\$ 4,382</u>	<u>\$ -</u>	<u>\$ 931,670</u>	<u>\$ 88,248</u>	<u>\$ 1,849,468</u>	<u>\$ 528,702</u>	<u>\$ -</u>	<u>\$ 2,378,170</u>

BORGER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	79,850	508,150	523,740	13,781
5020 Total Revenues	<u>79,850</u>	<u>508,150</u>	<u>523,740</u>	<u>13,781</u>
EXPENDITURES:				
Current:				
0011 Instruction	79,850	511,398	542,833	14,505
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	10,000	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>79,850</u>	<u>511,398</u>	<u>552,833</u>	<u>14,505</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(3,248)</u>	<u>(29,093)</u>	<u>(724)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915 Transfers In	-	3,248	29,093	724
7916 Premium on Issuance of Bonds	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
8949 Other (Uses)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>3,248</u>	<u>29,093</u>	<u>724</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 Reading Recovery Program	289 SHARS Special Education
\$ -	\$ 410,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,956
-	6,555	-	-	-	-	-	4,831
43,206	737,090	29,647	32,249	133,181	21,841	5,131	206,251
43,206	1,153,998	29,647	32,249	133,181	21,841	5,131	213,038
43,206	-	-	32,249	133,181	21,841	5,773	122,393
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,152,948	26,069	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,564
-	-	-	-	-	-	-	16,295
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,206	1,152,948	26,069	32,249	133,181	21,841	5,773	145,252
-	1,050	3,578	-	-	-	(642)	67,786
-	-	-	-	-	-	-	-
-	-	-	-	-	-	642	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(29,817)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	642	(29,817)
-	1,050	3,578	-	-	-	-	37,969
-	316,027	40,923	-	-	-	-	209,972
\$ -	\$ 317,077	\$ 44,501	\$ -	\$ -	\$ -	\$ -	\$ 247,941

BORGER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	379 SSA SHARS Medicaid	404 Student Success Initiative	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	9,328
5900	Federal Program Revenues	1,251,298	46,295	409,408	-
5020	Total Revenues	<u>1,251,298</u>	<u>46,295</u>	<u>409,408</u>	<u>9,328</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	-	(327)	9,328
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	28,376	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	1,251,298	46,295	397,230	-
6030	Total Expenditures	<u>1,251,298</u>	<u>46,295</u>	<u>425,279</u>	<u>9,328</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(15,871)	-
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915	Transfers In	-	-	-	-
7916	Premium on Issuance of Bonds	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
8949	Other (Uses)	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	(15,871)	-
0100	Fund Balance - September 1 (Beginning)	-	-	107,603	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,732</u>	<u>\$ -</u>

410 Instructional Materials Allotment	427 SECO Grant - Cool Schools	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,169,439	\$ 117,098	\$ 1,698,846	\$ 1,649,467	\$ -	\$ 3,348,313
193,395	69,265	46,933	-	330,307	901,742	-	1,232,049
-	-	-	-	4,041,118	-	-	4,041,118
193,395	69,265	1,216,372	117,098	6,070,271	2,551,209	-	8,621,480
193,395	-	480,451	96,419	2,286,495	-	-	2,286,495
-	-	-	21,535	21,535	-	-	21,535
-	-	112,316	-	112,316	-	-	112,316
-	-	-	-	28,376	-	-	28,376
-	-	451,471	-	451,471	-	-	451,471
-	-	-	-	10,000	-	-	10,000
-	-	-	-	1,179,017	-	-	1,179,017
-	-	-	6,496	6,496	-	-	6,496
-	-	6,149	-	12,713	-	-	12,713
-	69,265	-	-	85,560	-	-	85,560
-	-	-	-	-	930,656	-	930,656
-	-	-	-	-	1,490,299	-	1,490,299
-	-	-	-	-	109,712	-	109,712
-	-	-	-	-	-	13,602	13,602
-	-	-	-	1,694,823	-	-	1,694,823
193,395	69,265	1,050,387	124,450	5,888,802	2,530,667	13,602	8,433,071
-	-	165,985	(7,352)	181,469	20,542	(13,602)	188,409
-	-	-	-	-	8,579,992	-	8,579,992
-	-	-	-	33,707	-	-	33,707
-	-	-	-	-	1,290,791	-	1,290,791
-	-	-	-	(29,817)	-	(2,580)	(32,397)
-	-	-	-	-	(9,759,725)	-	(9,759,725)
-	-	-	-	3,890	111,058	(2,580)	112,368
-	-	165,985	(7,352)	185,359	131,600	(16,182)	300,777
-	-	725,155	90,330	1,490,010	295,457	16,182	1,801,649
\$ -	\$ -	\$ 891,140	\$ 82,978	\$ 1,675,369	\$ 427,057	\$ -	\$ 2,102,426

BORGER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
AUGUST 31, 2013

	801 Barron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J&R Scott Scholarship Fund
ASSETS				
Cash and Cash Equivalents	\$ 3	\$ 140	\$ 1,798	\$ 3,459
Total Assets	<u>3</u>	<u>140</u>	<u>1,798</u>	<u>3,459</u>
NET POSITION				
Restricted for Scholarships	3	140	1,798	3,459
Total Net Position	<u>\$ 3</u>	<u>\$ 140</u>	<u>\$ 1,798</u>	<u>\$ 3,459</u>

805 Angela Tyson Scholarship Fund	Total Private Purpose Trust Funds
\$ -	\$ 5,400
-	5,400
-	5,400
<u>\$ -</u>	<u>\$ 5,400</u>

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

	801 Barron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J&R Scott Scholarship Fund
ADDITIONS:				
Local and Intermediate Sources	\$ 2,002	\$ -	\$ 1	\$ 2
Total Additions	<u>2,002</u>	<u>-</u>	<u>1</u>	<u>2</u>
DEDUCTIONS:				
Professional and Contracted Services	5,103	2,000	800	-
Total Deductions	<u>5,103</u>	<u>2,000</u>	<u>800</u>	<u>-</u>
Change in Net Position	(3,101)	(2,000)	(799)	2
Total Net Position - September 1 (Beginning)	<u>3,104</u>	<u>2,140</u>	<u>2,597</u>	<u>3,457</u>
Total Net Position - August 31 (Ending)	<u>\$ 3</u>	<u>\$ 140</u>	<u>\$ 1,798</u>	<u>\$ 3,459</u>

<u>805</u> <u>Angela Tyson</u> <u>Scholarship</u> <u>Fund</u>	<u>Total</u> <u>Private</u> <u>Purpose</u> <u>Trust Funds</u>
\$ 408	\$ 2,413
<u>408</u>	<u>2,413</u>
500	8,403
<u>500</u>	<u>8,403</u>
(92)	(5,990)
<u>92</u>	<u>11,390</u>
<u>\$ -</u>	<u>\$ 5,400</u>

REQUIRED TEA SCHEDULES

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.500000	0.000000	409,162,256
2006	1.500000	0.000000	420,183,148
2007	1.370000	0.295000	441,907,667
2008	1.040000	0.278700	466,478,515
2009	1.040000	0.281470	506,038,043
2010	1.040000	0.282750	540,121,400
2011	1.040000	0.287070	546,173,060
2012	1.040000	0.318200	540,717,180
2013 (School year under audit)	1.040000	0.293900	554,164,070
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 67,168	\$ -	\$ 9,534	\$ -	\$ (8,068)	\$ 49,566
17,612	-	3,138	-	(968)	13,506
24,453	-	3,994	-	(817)	19,642
41,677	-	3,183	732	(1,593)	36,169
43,959	-	4,438	1,278	(1,566)	36,677
70,760	-	10,670	3,020	(2,073)	54,997
104,561	-	19,283	5,390	(1,680)	78,208
145,063	-	26,406	7,289	(1,678)	109,690
215,257	-	52,404	16,033	(5,189)	141,631
-	7,473,049	5,628,460	1,590,583	(44,858)	209,148
<u>\$ 730,510</u>	<u>\$ 7,473,049</u>	<u>\$ 5,761,510</u>	<u>\$ 1,624,325</u>	<u>\$ (68,490)</u>	<u>\$ 749,234</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2013**

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 258,370	\$ 243,107	\$ -	\$ -	\$ 501,477
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	1,530	-	-	-	1,530
6212	Audit Services	-	-	-	32,500	-	-	32,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	104,462	-	-	-	-	104,462
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	640	-	-	640
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	2,550	-	-	2,550
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	3,269	2,814	-	-	6,083
6290	Miscellaneous Contr.	8,804	-	-	30,854	-	-	39,658
6320	Textbooks and Reading	-	-	757	-	-	-	757
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	2,190	14,336	-	-	16,526
6410	Travel, Subsistence, Stipends	6,759	-	3,147	1,038	-	-	10,944
6420	Ins. and Bonding Costs	-	-	-	43,522	-	-	43,522
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	14,044	-	6,192	5,529	-	-	25,765
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 29,607	\$ 104,462	\$ 275,455	\$ 376,890	\$ -	\$ -	\$ 786,414

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 24,202,783

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 223,724
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,824,426
Food (Function 35, 6341 and 6499)	(13)	472,567
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		376,890

SubTotal: 2,897,606

Net Allowed Direct Cost \$ 21,305,177

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 53,921,321
Historical Cost of Building over 50 years old	(16)	\$ 5,401,502
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,893,282
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 850,393
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$30,854 in Function 53 expenditures are included in this report on administrative costs.

\$104,462 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BORGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 559,432	\$ 559,432	\$ 410,353	\$ (149,079)
5800	State Program Revenues	8,100	8,100	6,555	(1,545)
5900	Federal Program Revenues	594,393	594,393	737,090	142,697
5020	Total Revenues	1,161,925	1,161,925	1,153,998	(7,927)
EXPENDITURES:					
0035	Food Services	1,161,925	1,161,925	1,152,948	8,977
6030	Total Expenditures	1,161,925	1,161,925	1,152,948	8,977
1200	Net Change in Fund Balances	-	-	1,050	1,050
0100	Fund Balance - September 1 (Beginning)	316,027	316,027	316,027	-
3000	Fund Balance - August 31 (Ending)	\$ 316,027	\$ 316,027	\$ 317,077	\$ 1,050

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,540,938	\$ 1,540,938	\$ 1,649,467	\$ 108,529
5800	State Program Revenues	895,011	895,011	901,742	6,731
5020	Total Revenues	2,435,949	2,435,949	2,551,209	115,260
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	765,000	765,000	930,656	(165,656)
0072	Interest on Long Term Debt	1,667,736	1,667,736	1,490,299	177,437
0073	Bond Issuance Cost and Fees	3,213	3,213	109,712	(106,499)
6030	Total Expenditures	2,435,949	2,435,949	2,530,667	(94,718)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	20,542	20,542
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	8,579,992	8,579,992
7916	Premium on Issuance of Bonds	-	-	1,290,791	1,290,791
8949	Other (Uses)	-	-	(9,759,725)	(9,759,725)
7080	Total Other Financing Sources (Uses)	-	-	111,058	111,058
1200	Net Change in Fund Balances	-	-	131,600	131,600
0100	Fund Balance - September 1 (Beginning)	295,457	295,457	295,457	-
3000	Fund Balance - August 31 (Ending)	\$ 295,457	\$ 295,457	\$ 427,057	\$ 131,600

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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806-355-8241 • FAX 806-355-6415

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

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Borger Independent School District
Borger, Texas**

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency that we consider to be a significant deficiency in the accompanying schedule of findings, responses and questioned costs that we have identified as Item One.

Compliance and Other Matters

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

Board of Trustees
Borger Independent School District
Page two

We noted certain other matters that we have reported to management of the District in a separate letter dated December 12, 2013.

Purpose of this Report

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

Brown Graham & Company, P.C.

Amarillo, Texas
December 12, 2013



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

**Board of Trustees
Borger Independent School District
Borger, Texas**

Report on Compliance for Each Major Federal Program

We have audited the compliance of Borger Independent School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended August 31, 2013.

Report on Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect

Board of Trustees
Borger Independent School District
Page two

on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Brown Graham & Company, P.C.

Amarillo, Texas
December 12, 2013

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

Section I: Summary of the Auditor's Results:

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Are any material weaknesses identified? _____ Yes X No

Are any significant deficiencies identified not considered
to be material weaknesses? X Yes _____ No

Is any noncompliance material to the financial statements? _____ Yes X No

Type of auditor's report issued over major programs: Unqualified

Internal control over major program compliance:

Are any material weaknesses identified? _____ Yes X No

Are any significant deficiencies identified not considered
to be material weaknesses? _____ Yes X No

Are any audit findings disclosed that are required to be
reported in accordance with U.S. Office of Management and
Budget Circular A-133, Audits of State, Local Governments
and Non-profit Organizations Section 510(a)? _____ Yes X No

Federal Awards:

Identification of major programs:

- 84.010 ESEA Title I, Part A – Improving Basic Programs
- 84.027 IDEA, Part B, Formula
- 84.027 SSA – IDEA, Part B, Formula
- 84.027 IDEA, Part B, Discretionary
- 84.173 IDEA, Part B, Preschool
- 84.173 SSA – IDEA, Part B, Preschool

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The District did not qualify as a low-risk Auditee under OMB Circular A-133.

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2013

Section II: Financial Statement Findings

Item One – Adjustments to the District’s Financial Statements:

Criteria: The District’s responsibility for internal control over financial reporting extends to the correct reporting in the annual financial statements. The District’s internal controls over financial reporting should be sufficient to assure that there is less than a remote likelihood that the District’s annual financial statements, before audit, are materially misstated.

Condition: During the audit, misstatements were noted in various accounts on the District’s general ledger, some of which were material to the District’s financial statements. As a result, several adjusting entries were recommended by the independent auditor to the District so that the accounting records could be corrected and which were necessary in order for the District’s financial statements to be materially correct in accordance with generally accepted accounting principles. Not all of the adjustments identified and recommended by the outside auditor to the District’s management were material to the District’s financial statements and therefore did not rise to the level of a material weakness; however, we believe they were significant enough to the District’s financial statements that we believe they should be considered to be a significant deficiency.

Cause: The District did not have sufficient internal controls in place to ensure the accurate preparation of financial statements in accordance with generally accepted accounting principles, which would include adequate training of the District’s financial reporting personnel. The current business manager has been maintaining the District’s general ledger based upon the training she has received, which did not always involve the correct application of generally accepted accounting principles required for Texas school districts.

Effect or potential effect: Several adjustments were identified during the audit which were material to the District’s financial statements and which were necessary for the District’s financial statements to be materially correct in accordance with generally accepted accounting principles.

Questioned costs: None

Recommendation: We recommend that the District determine the training necessary for District personnel to be able to prepare the financial statements in accordance with the most current generally accepted accounting principles and provide that training to the District personnel. In addition, we recommend that the nature of the adjusting entries recommended by us be reviewed so that these types of general ledger items may be corrected in the future prior to the outside audit being started.

District’s response:

In the fiscal year ending August 31, 2012, Borger ISD implemented additional training for District personnel. District personnel attended and will continue to seek professional development from the Texas Society of CPA’s annual conference as well as additional training offered by TASBO. The District will consult with Region XVI Service Center in Amarillo. The District has purchased auditing software from EDMIS- Audit LEA which is specific to Texas School District’s. The software will beneficially aid district personnel in analyzing data and ensure accurate preparation of the District’s financial statements in accordance with generally accepted accounting principles.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013**

Item One – Material Adjustments to the District’s Financial Statements:

Condition: During the audit, a significant number of adjusting entries to the District’s accounting records were necessary in order for the financial statements to be materially correct in accordance with generally accepted accounting principles.

Current Status: For the year ended August 31, 2013, adjustments were recommended by the outside auditor to correct various misstatements, some of which were material to the District’s financial statements. The District’s Business Manager has attended training from the Texas Society of Certified Public Accountants specific to Texas School Districts, and is further investigating obtaining additional training. The District has obtained software developed especially for Texas School District accounting and auditing that will further enable them to analyze data and make adjustments when necessary.

Item Two – Athletic Gate Receipts – (This finding was reported during the District’s audit for the year ended August 31, 2011. It was reported again during the 2012 audit, as the issue was still occurring during the first several months of the District’s fiscal year ending August 31, 2012):

Condition: During the audit of the District’s fiscal year ended August 31, 2011, we conducted surprise cash counts at various locations throughout the District, including the Athletic Directors’ office. We also made inquiries of various District personnel, and inspected various documents such as athletic gate receipt reports, and observed various types of athletic tickets used by the athletic department office. We noted the following items of concern and overall weaknesses in internal control over financial reporting as follows:

- The entire cash receipts process from start to finish for a majority of the District’s athletic events were essentially handled by one individual, the athletic department secretary.
- Athletic gate receipt reports were often prepared after the fact, were not reviewed and approved by an appropriate level of management, and had multiple errors on them.
- Athletic tickets were not been accounted for sequentially, and there were multiple series of ticket numbers being used on a random basis.
- Cash was being counted often by the same individual who also prepares the ticket reports, makes the deposits, and physically controls access to the cash.
- Cash was kept in multiple locations, including the athletic department secretary’s desk drawer.
- Cash deposits were not being made on a timely basis.
- Discrepancies were noted on cash counted versus amounts reported on athletic gate receipt reports.
- Inquires made of one of the District’s employees on multiple occasions resulted in conflicting answers.
- Because of the issues noted above, it appeared to be probable that errors or other irregularities are able to occur and in fact appeared to have occurred and not be detected by the District’s employees on a timely basis while in the normal course of performing their assigned duties.

Current Status: The District implemented various policies and procedures to ensure that more than one individual is involved in the process for the collection of and accounting for athletic gate receipts. The individual responsible in the past for these duties is no longer involved in the process. The District’s business office is now assigned with the task of accounting for and handling of these funds. In addition, pre-numbered tickets are being use and accounted for during the process.

Item Three – Subrecipient Monitoring:

Condition: During the audit, it was noted that the District did not appear to be fully monitoring Subrecipient activity as required by Federal regulations. Specifically, the District did not appear to be monitoring how Subrecipients were using funds passed through by the District, did not follow up to ensure Single Audits were performed if required, and did not determine if there were any audit findings that needed to be addressed by the Subrecipients.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2013**

Item Three – Subrecipient Monitoring (continued):

Current Status: For the year ended August 31, 2013, the District implemented various policies and procedures to ensure that Subrecipients were being monitored sufficiently. Specifically, the District is doing the following:

- Requiring each Subrecipient to provide their DUNS number.
- Communicating more frequently with Subrecipients throughout the grant period.
- Obtaining the annual audit reports from all Subrecipients and reading through them to look for any noncompliance issues noted by their auditors.
- Obtaining quarterly general ledger printouts and final budgets from all Subrecipients.
- Conducting quarterly meetings with Subrecipients to discuss budgets and grant requirements.
- Communicating as needed with Subrecipients pertaining to audit findings and relevant correspondence with the TEA.

**BORGER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013**

Item One – Adjustments to the District’s Financial Statements:

In the fiscal year ending August 31, 2012, Borger ISD implemented additional training for District personnel. District personnel attended and will continue to seek professional development from the Texas Society of CPA’s annual conference as well as additional training offered by TASBO. The District will consult with Region XVI Service Center in Amarillo. The District has purchased auditing software from EDMIS- Audit LEA which is specific to Texas School Districts. The software will beneficially aid District personnel in analyzing data and ensure accurate preparation of the District’s financial statements in accordance with generally accepted accounting principles.

District personnel responsible for the corrective action: Faye Hooper, Business Manager

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	75-6000466	\$ 16,713
Total Direct Programs			\$ 16,713
<u>Passed Through Texas Women's University</u>			
Reading Recovery Grant	84.396A	75-6002618	\$ 5,131
Total Passed Through Texas Women's University			\$ 5,131
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13 - 610101117901	\$ 487,600
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14 - 610101117901	20,550
Total CFDA Number 84.010A			508,150
Total Title I, Part A Cluster			508,150
*IDEA - Part B, Formula	84.027	13 - 660001117901600	499,705
*IDEA - Part B, Formula	84.027	14 - 660001117901600	24,035
*SSA - IDEA - Part B, Formula	84.027	13 - 660001117901600	1,251,298
*IDEA - Part B, Discretionary	84.027	13 - 660006117901600	43,206
Total CFDA Number 84.027			1,818,244
*IDEA - Part B, Preschool	84.173	13 - 661001117901600	12,964
*IDEA - Part B, Preschool	84.173	14 - 661001117901600	817
*SSA - IDEA - Part B, Preschool	84.173	13 - 661001117901600	46,295
Total CFDA Number 84.173			60,076
Total Special Education Cluster (IDEA)			1,878,320
Career and Technical - Basic Grant	84.048	13 - 420006117901	32,039
Career and Technical - Basic Grant	84.048	14 - 420006117901	210
Total CFDA Number 84.048			32,249
Title III, Part A - English Language Acquisition	84.365A	13 - 671001117901	21,841
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13 - 694501117901	133,181
Total Passed Through State Department of Education			\$ 2,573,741
TOTAL DEPARTMENT OF EDUCATION			\$ 2,595,585
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	13 - 06CH021922	\$ 76,074
Head Start	93.600	14 - 06CH021922	3,776
Total CFDA Number 93.600			79,850
Total Passed Through State Department of Education			\$ 79,850
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 79,850
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401301	\$ 164,216
*National School Lunch Program - Cash Assistance	10.555	71301301	507,526
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301301	65,348
Total CFDA Number 10.555			572,874

BORGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
*Summer Feeding Program - Cash Assistance	10.559	TX - 1171003SR	<u>29,647</u>
Total Child Nutrition Cluster			<u>766,737</u>
Total Passed Through the State Department of Agriculture			\$ 766,737
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 766,737</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,442,172</u></u>

*Clustered Programs

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013**

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

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
4. According to the Resource Guide, funds received from the School Health and Related Services (SHARS) program represent reimbursements to the District for school health based services which are not already provided to special education students enrolled in the Medicaid Program, and, consequently, these revenues in the amount of \$615,659 are not to be considered federal financial assistance for inclusion in the SEFA. These revenues are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds in the Nonmajor Funds column. \$206,251 of the amount is reported in fund 289 and \$409,408 is reported in fund 379.
5. Borger ISD is the fiscal agent for funds received under various Shared Service Arrangements (SSA's). The federal funds received under the SSA's involve the IDEA Part B, Formula and IDEA Part B, Preschool grants. In accordance with the accounting requirements under TEA's Resource Guide, the District accounts for these grant funds in fund numbers 313 and 314, respectively. The total funds received for all member districts of the SSA's are shown as federal revenue and expenditures in these funds. In addition, in accordance with TEA's Resource Guide, the District also accounts for its proportionate share of these grant funds in fund numbers 224 and 225 respectively. For purposes of the determination of Single Audit requirements under Office of Management and Budget's Circular A-133, the amounts reported in funds 224 and 225, along with the SHARS revenues in Note 4 above are excluded in the calculation. If amounts accounted for in funds 224 and 225 were included in the calculation of federal expenditures for purposes of OMB Circular A-133, they would be counted twice.