

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**Brown, Graham & Company, P.C.**  
**7431 Continental Parkway**  
**Amarillo, Texas 79119**  
**(806)355-8241**

**BORGER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012**

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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 twelve months ended August 31, 2012, at a meeting of the board of trustees of such school district on the 13th day of December, 2012.

David Brandon  
Signature Board Secretary

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**

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 and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District as of August 31, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, 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 read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 51, respectively, 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.

**Board of Trustees  
Borger Independent School District  
Page two**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borger Independent School District's basic financial statements as a whole. The combining nonmajor funds financial statements and the combining private purpose trust funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 part of the basic financial statements. The combining nonmajor funds financial statements, the combining private purpose trust funds financial statements, the schedule of expenditures of federal awards, and the required TEA schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

*Brown, Graham & Company, P.C.*

Amarillo, Texas  
December 13, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# BORGER INDEPENDENT SCHOOL DISTRICT

200 East Ninth, Borger, TX 79007

Chance Welch ~ Superintendent

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## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2012

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, 2012. 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 Assets 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 Assets 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 Assets includes all the District's assets and liabilities as of August 31, 2012, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the fiscal year ended August 31, 2012. 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 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 assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

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

- 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 Assets 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 Assets and the Statement of Activities. The District's 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.
- 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 Assets and Changes in Fiduciary Net Assets 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 assets (Table I) and changes in net assets (Table II) of the District's governmental activities. Net assets of the District's governmental activities increased from \$12,568,423 to \$13,607,518. This increase in governmental net assets is primarily the result of the District cutting back on expenses by \$1,540,090 compared to the prior year due to anticipated reductions in State and Federal funding. The economic climate in the Texas Panhandle continues to follow the national economy and has slowed down considerably from the previous year. Property values in the District saw a decrease from a total assessed value of \$546,173,060 down to \$540,717,180, or a decrease of \$5,455,880. The tax rate increased from \$1.32707 to \$1.3582 per \$100 of valuation over the prior year. Overall property tax revenues increased \$348,306 from the prior year due to the higher tax rate and an overall higher collection rate compared with the prior year. The District's long term liabilities decreased \$1,164,984 from the prior year. The decrease was primarily attributable to the current year's payment on bonds of \$735,000. In addition, the District is reporting its worker's compensation liability in the other liabilities section of the financial statements this year as opposed to long-term liabilities in the prior year. Unrestricted net assets – the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$3,722,630 on August 31, 2012. In fiscal year 2012, the District's revenue in all Governmental Activities exceeded expenses by a total of \$1,039,095.

**TABLE I  
NET ASSETS**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
Current and other assets	\$ 7,056,363	\$ 6,124,410
Capital assets	44,483,616	45,648,060
Total assets	<u>51,539,979</u>	<u>51,772,470</u>
Long-term liabilities	36,550,000	37,714,984
Other liabilities	1,382,461	1,489,063
Total liabilities	<u>37,932,461</u>	<u>39,204,047</u>
Net Assets:		
Invested in capital assets, net of related debt	8,169,565	8,606,371
Restricted	1,715,323	1,017,577
Unrestricted net assets	<u>3,722,630</u>	<u>2,944,475</u>
Total net assets	<u>\$ 13,607,518</u>	<u>\$ 12,568,423</u>

**TABLE II**  
**CHANGES IN NET ASSETS**

	<b>Governmental Activities 2012</b>	<b>Governmental Activities 2011</b>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,882,994	\$ 2,241,318
Operating grants and contributions	5,205,425	7,098,165
General Revenues:		
Maintenance and operation taxes	5,444,249	5,328,094
Debt service taxes	1,640,863	1,486,098
State aid - formula grants	12,573,599	12,153,650
Investment earnings	18,804	26,339
Sale of assets	-	2,549
Miscellaneous	<u>160,787</u>	<u>82,333</u>
Total revenues	<u>26,926,721</u>	<u>28,418,546</u>
Expenses:		
Instruction, curriculum and media services	14,115,245	15,053,691
Instructional and school leadership	983,687	1,010,785
Student support services	1,077,662	1,121,785
Transportation	551,463	655,057
Child nutrition	1,151,967	1,138,798
Extracurricular activities	972,231	1,038,752
General administration	635,038	693,033
Facilities maintenance, security, and data processing	2,299,419	2,539,976
Community services	357	1,263
Debt service	1,710,070	1,744,164
Capital outlay	5,512	780
Payments related to shared service arrangements	2,272,228	2,332,352
Other intergovernmental charges	<u>112,747</u>	<u>97,280</u>
Total Expenses	<u>25,887,626</u>	<u>27,427,716</u>
Increase in net assets	<u>1,039,095</u>	<u>990,830</u>
Net assets at beginning of year	<u>12,568,423</u>	<u>13,566,040</u>
Prior period adjustments	-	(1,988,447)
Net assets at end of year	<u>\$ 13,607,518</u>	<u>\$ 12,568,423</u>

The cost of all governmental activities this year was \$25,887,626 compared to \$27,427,716 last year. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$7,085,112. Some of the costs, \$1,882,994, 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 \$5,205,425, and the state equalization funding financed \$12,573,599.

## **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 \$5,095,363, which is an increase of \$1,830,954 from last year's total fund balance of \$3,264,409. Included in this year's total change in fund balance are an increase of \$1,142,265 in the District's General Fund and an increase of \$286,582 in the District's Debt Service Fund. The District's general fund revenues were approximately \$133,756 higher than in the prior year, while expenditures decreased by \$30,336 from the prior year. The General Fund had net transfers in from other funds of \$433,360 this year, compared to \$76,238 of net transfers in from other funds in the prior year, which is the major reason for the overall increase in the General Fund's fund balance from the prior year. The increase in the Debt Service Fund is attributable to higher property tax revenues of \$196,782 due to a higher property tax rate over the prior year, as well as an increase in funding from the State of \$84,907. Overall debt service expenditures decreased \$251,041. The decrease was due to the District recording a \$254,776 payable for the arbitrage rebate due on the District's bonds payable in the prior year, as further discussed in the notes to the financial statements.

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 did not change the overall expenditures budgeted compared to what was estimated in the originally adopted budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2012, the District had approximately \$44.5 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 did not acquire any capital assets during the year.

In May of 2006 the District's voters approved the issuance of \$39,814,996 in bonds, the proceeds of which were to be used for various renovation projects and construction of a new elementary campus. The bonds were sold in August 2006 and May 2007. All of the original bond proceeds had been spent prior to September 1, 2011, the majority of which was used to construct the new Crockett and Gateway Elementary Schools, to renovate the District's other campuses, and to purchase buses.

### **Debt**

At year-end, the District had \$36,550,000 in bonds outstanding versus \$37,285,000 last year – a decrease of \$735,000 or 1.97%. Final payment on the bonds will occur in fiscal year August 31, 2038. 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 2013 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 2011-2012 and is expected to continue for 2012-2013. The maintenance and operations tax rate remained the same at \$1.04, with the interest and sinking tax rate was increased to \$0.31820 up from last year's rate of \$0.287070 per \$100 valuation.

These indicators were taken into account when adopting the General Fund budget for 2013. Amounts available for appropriation in the General Fund are \$19,289,183, an increase of \$1,255,857 from the final 2012 budget of \$18,033,326. 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 2013 budget. If these estimates are realized, the District's budgetary General Fund balance is expected to remain stable by the close of 2013. 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 ASSETS**  
**AUGUST 31, 2012**

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 5,849,209
1220 Property Taxes Receivable (Delinquent)	730,510
1230 Allowance for Uncollectible Taxes	(314,120)
1240 Due from Other Governments	371,087
1300 Inventories	183,728
1420 Capitalized Bond and Other Debt Issuance Costs	235,949
Capital Assets:	
1510 Land	100,045
1520 Buildings, Net	43,605,339
1530 Furniture and Equipment, Net	249,880
1540 Vehicles, Net	528,352
1000 Total Assets	51,539,979
<b>LIABILITIES</b>	
2110 Accounts Payable	62,460
2140 Interest Payable	73,800
2150 Payroll Deductions & Withholdings	7,278
2160 Accrued Wages Payable	634,521
2165 Workers Compensation Claims Payable	399,037
2180 Due to Other Governments	7,017
2190 Due to Student Groups	5,270
2300 Deferred Revenues	42,457
2400 Payable from Restricted Assets	150,621
Noncurrent Liabilities	
2501 Due Within One Year	765,000
2502 Due in More Than One Year	35,785,000
2000 Total Liabilities	37,932,461
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	8,169,565
3820 Restricted for Federal and State Programs	1,399,680
3850 Restricted for Debt Service	299,461
3860 Restricted for Capital Projects	16,182
3900 Unrestricted Net Assets	3,722,630
3000 Total Net Assets	\$ 13,607,518

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, 2012**

EXHIBIT B-1

Data Control Codes	1	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		3	4	6		
		Expenses	Charges for Services	Primary Gov. Governmental Activities		
<b>Primary Government:</b>						
<b>GOVERNMENTAL ACTIVITIES:</b>						
11 Instruction	\$ 13,289,988	\$ 1,355,562	\$ 2,294,710	\$ (9,639,716)		
12 Instructional Resources and Media Services	368,285	15,124	14,122	(339,039)		
13 Curriculum and Staff Development	456,972	-	22,153	(434,819)		
21 Instructional Leadership	35,504	-	33,019	(2,485)		
23 School Leadership	948,183	-	54,648	(893,535)		
31 Guidance, Counseling and Evaluation Services	804,960	-	30,171	(774,789)		
32 Social Work Services	19,248	-	922	(18,326)		
33 Health Services	253,454	-	12,860	(240,594)		
34 Student (Pupil) Transportation	551,463	-	18,765	(532,698)		
35 Food Services	1,151,967	431,223	750,607	29,863		
36 Extracurricular Activities	972,231	72,292	59,540	(840,399)		
41 General Administration	635,038	141	54,156	(580,741)		
51 Facilities Maintenance and Operations	1,858,896	8,652	53,224	(1,797,020)		
52 Security and Monitoring Services	6,083	-	-	(6,083)		
53 Data Processing Services	434,440	-	11,440	(423,000)		
61 Community Services	357	-	-	(357)		
72 Debt Service - Interest on Long Term Debt	1,699,348	-	-	(1,699,348)		
73 Debt Service - Bond Issuance Cost and Fees	10,722	-	-	(10,722)		
81 Capital Outlay	5,512	-	-	(5,512)		
93 Payments related to Shared Services Arrangements	2,272,228	-	1,795,088	(477,140)		
99 Other Intergovernmental Charges	112,747	-	-	(112,747)		
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 25,887,626</b>	<b>\$ 1,882,994</b>	<b>\$ 5,205,425</b>	<b>(18,799,207)</b>		
Data Control Codes						
<b>General Revenues:</b>						
Taxes:						
MT	Property Taxes, Levied for General Purposes				5,444,249	
DT	Property Taxes, Levied for Debt Service				1,640,863	
SF	State Aid - Formula Grants				12,573,599	
IE	Investment Earnings				18,804	
MI	Miscellaneous Local and Intermediate Revenue				160,787	
TR	Total General Revenues				19,838,302	
CN	Change in Net Assets				1,039,095	
NB	Net Assets--Beginning				12,568,423	
NE	Net Assets--Ending				<b>\$ 13,607,518</b>	

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, 2012**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 5,009,222	\$ 395,145	\$ 375,568	\$ 5,779,935
1220 Property Taxes - Delinquent	594,011	136,499	-	730,510
1230 Allowance for Uncollectible Taxes (Credit)	(255,425)	(58,695)	-	(314,120)
1240 Receivables from Other Governments	210,797	50,933	109,357	371,087
1260 Due from Other Funds	78,019	-	1,246,168	1,324,187
1300 Inventories	174,721	-	9,007	183,728
1000 Total Assets	<u>\$ 5,811,345</u>	<u>\$ 523,882</u>	<u>\$ 1,740,100</u>	<u>\$ 8,075,327</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 55,785	\$ -	\$ 6,675	\$ 62,460
2150 Payroll Deductions and Withholdings Payable	7,278	-	-	7,278
2160 Accrued Wages Payable	533,211	-	101,310	634,521
2170 Due to Other Funds	1,575,931	-	78,019	1,653,950
2180 Due to Other Governments	-	-	7,017	7,017
2190 Due to Student Groups	-	-	5,270	5,270
2300 Deferred Revenues	345,426	77,804	35,617	458,847
2400 Payable from Restricted Assets	-	150,621	-	150,621
2000 Total Liabilities	<u>2,517,631</u>	<u>228,425</u>	<u>233,908</u>	<u>2,979,964</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410 Inventories	174,721	-	9,007	183,728
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,390,673	1,390,673
3470 Capital Acquisition and Contractual Obligation	-	-	16,182	16,182
3480 Retirement of Long-Term Debt	-	295,457	-	295,457
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	90,330	90,330
3600 Unassigned Fund Balance	3,118,993	-	-	3,118,993
3000 Total Fund Balances	<u>3,293,714</u>	<u>295,457</u>	<u>1,506,192</u>	<u>5,095,363</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,811,345</u>	<u>\$ 523,882</u>	<u>\$ 1,740,100</u>	<u>\$ 8,075,327</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 ASSETS  
 AUGUST 31, 2012

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<b>Total Fund Balances - Governmental Funds</b>	\$ 5,095,363
<b>1</b> 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 \$58,120,620 and the accumulated depreciation was \$12,472,560. In addition, long-term liabilities, including bonds payable in the amount of \$37,285,000, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Unamortized bond issuance costs at the beginning of the year were \$243,311. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt (net of unamortized bond issuance costs) in the governmental activities is to increase net assets.	8,606,371
<b>2</b> Long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 debt principal payments is to increase net assets.	735,000
<b>3</b> The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,164,444)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	335,228
<b>19 Net Assets of Governmental Activities</b>	<hr/> <hr/> \$ 13,607,518

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, 2012**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 5,747,600	\$ 1,693,170	\$ 1,798,543	\$ 9,239,313
5800 State Program Revenues	12,231,274	1,032,409	259,583	13,523,266
5900 Federal Program Revenues	15,256	-	4,181,325	4,196,581
5020 Total Revenues	<u>17,994,130</u>	<u>2,725,579</u>	<u>6,239,451</u>	<u>26,959,160</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	10,273,638	-	2,391,881	12,665,519
0012 Instructional Resources and Media Services	334,674	-	16,030	350,704
0013 Curriculum and Instructional Staff Development	343,950	-	91,322	435,272
0021 Instructional Leadership	4,570	-	29,048	33,618
0023 School Leadership	892,860	-	11,627	904,487
0031 Guidance, Counseling and Evaluation Services	301,516	-	464,122	765,638
0032 Social Work Services	18,354	-	-	18,354
0033 Health Services	241,782	-	-	241,782
0034 Student (Pupil) Transportation	525,619	-	-	525,619
0035 Food Services	-	-	1,093,904	1,093,904
0036 Extracurricular Activities	918,758	-	5,358	924,116
0041 General Administration	593,874	-	10,862	604,736
0051 Facilities Maintenance and Operations	1,768,222	-	-	1,768,222
0052 Security and Monitoring Services	5,760	-	-	5,760
0053 Data Processing Services	413,078	-	-	413,078
0061 Community Services	338	-	-	338
Debt Service:				
0071 Principal on Long Term Debt	-	735,000	-	735,000
0072 Interest on Long Term Debt	-	1,700,637	-	1,700,637
0073 Bond Issuance Cost and Fees	-	3,360	-	3,360
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	5,512	5,512
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	535,485	-	1,736,743	2,272,228
0099 Other Intergovernmental Charges	112,747	-	-	112,747
6030 Total Expenditures	<u>17,285,225</u>	<u>2,438,997</u>	<u>5,856,409</u>	<u>25,580,631</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	708,905	286,582	383,042	1,378,529
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	454,357	-	28,105	482,462
8911 Transfers Out (Use)	(20,997)	-	(9,040)	(30,037)
7080 Total Other Financing Sources (Uses)	<u>433,360</u>	<u>-</u>	<u>19,065</u>	<u>452,425</u>
1200 Net Change in Fund Balances	1,142,265	286,582	402,107	1,830,954
0100 Fund Balance - September 1 (Beginning)	2,151,449	8,875	1,104,085	3,264,409
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,293,714</u>	<u>\$ 295,457</u>	<u>\$ 1,506,192</u>	<u>\$ 5,095,363</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, 2012**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 1,830,954
The District uses an internal service fund to charge the costs of its self-insured workers compensation program to appropriate functions in other funds. The net income of the internal service fund before transfers out is reported with governmental activities. The net effect of this consolidation is to increase net assets.	130,031
Long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 debt principal payments is to increase net assets.	735,000
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(1,164,444)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.	(492,446)
<b>Change in Net Assets of Governmental Activities</b>	<hr/> <hr/> \$ 1,039,095

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

BORGER INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 AUGUST 31,2012

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Governmental  
 Activities -

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Internal  
 Service Fund

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**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 69,274
Due from Other Funds	<u>329,763</u>
Total Assets	<u>399,037</u>

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**LIABILITIES**

Current Liabilities:

Workers Compensation Claims Payable	<u>399,037</u>
Total Liabilities	<u>399,037</u>

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**NET ASSETS**

Unrestricted Net Assets

Total Net Assets	<u>\$ -</u>
	<u><u>\$ -</u></u>

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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 ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

	Governmental Activities -	
		Internal Service Fund
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 143,100	
Total Operating Revenues	143,100	
<b>OPERATING EXPENSES:</b>		
Professional and Contracted Services	14,578	
Total Operating Expenses	14,578	
Operating Income	128,522	
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Earnings from Temporary Deposits & Investments	1,509	
Total Nonoperating Revenues (Expenses)	1,509	
Income Before Transfers	130,031	
Transfers Out	(452,425)	
Change in Net Assets	(322,394)	
Total Net Assets - September 1 (Beginning)	322,394	
Total Net Assets - 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, 2012**

	Governmental Activities -
	Internal Service Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Assessments - Other Funds	\$ 143,100
Cash Payments for Insurance Claims	(45,525)
Net Cash Provided by Operating Activities	<u>97,575</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Operating Transfer Out Advances to Other Funds	(452,425)
Net Cash Used for Non-Capital Financing Activities	<u>(329,763)</u>
	<u>(782,188)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Earned	<u>1,509</u>
Net Decrease in Cash and Cash Equivalents	(683,104)
Cash and Cash Equivalents at Beginning of Year	<u>752,378</u>
Cash and Cash Equivalents at End of Year	<u>\$ 69,274</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income:	\$ 128,522
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Insurance Claims Payable	(30,947)
Net Cash Provided by Operating Activities	<u>\$ 97,575</u>

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

**BORGER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31,2012**

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	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,390	\$ 71,526
Total Assets	<u>11,390</u>	<u>\$ 71,526</u>
<b>LIABILITIES</b>		
Due to Student Groups	- -	\$ 71,526
Total Liabilities	<u>- -</u>	<u>\$ 71,526</u>
<b>NET ASSETS</b>		
Restricted for Scholarships	<u>11,390</u>	
Total Net Assets	<u>\$ 11,390</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 ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

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	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	<u>\$ 4,526</u>
Total Additions	<u>4,526</u>
<b>DEDUCTIONS:</b>	
Professional and Contracted Services	<u>3,800</u>
Total Deductions	<u>3,800</u>
Change in Net Assets	726
Total Net Assets - September 1 (Beginning)	<u>10,664</u>
Total Net Assets - August 31 (Ending)	<u>\$ 11,390</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, 2012**

**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 Assets 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 Activities.

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012**

**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.

The District applies all GASB pronouncements as well as all applicable private-sector standards of accounting and financial reporting issued prior to December 1, 1989 to the extent that those private-sector standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

**D. Fund Accounting**

The District reports the following major governmental funds:

**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.

**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.

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 a special revenue fund. 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.

**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 is used to account for the District's self-insured workers compensation program.

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012**

**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 72, the District had two negative variances in Functions 72 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 \$2,535. The majority of the variance for this fund was due to the District recording an additional amount of \$2,375 for arbitrage payable that was not budgeted. The remainder of the variance was due to higher bond related fees than were expected. The District attempts to monitor its 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.

**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 data base 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 the fund balance is reserved for the same amount. At August 31, 2012, the amount of supplies on hand is \$183,728.
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 2012, 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, 2012**

**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 and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	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 Assets. If material, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. 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 debt service expenditures.
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, 2012**

**I. Summary of Significant Accounting Policies (continued):**

**F. Other Accounting Policies (continued)**

11. On the government-wide financial statements, the District's net assets invested in capital assets, net of related debt and restricted net assets are as follows:

Invested in Capital Assets, Net of Related Debt:

Land	\$ 100,045
Buildings, net	43,605,339
Furniture and equipment, net	249,880
Vehicles, net	528,352
Unamortized bond issuance costs	235,949
Bonds payable	(36,550,000)
Invested in capital assets, net of related debt	<u><u>\$ 8,169,565</u></u>

Restricted for Debt Service:

Cash and cash equivalents	\$ 395,145
Property taxes receivable, net	77,804
Due from other governments	50,933
Accrued interest payable	(73,800)
Arbitrage payable	(150,621)
Net assets restricted for debt service	<u><u>\$ 299,461</u></u>

Restricted for Federal and State Programs:

Cash and cash equivalents	\$ 348,216
Due from general fund	1,106,525
Due from other governments	17,130
Inventories	9,007
Accounts payable	(5,330)
Accrued expenses	(44,633)
Deferred revenue	(31,235)
Net assets restricted for federal and state programs	<u><u>\$ 1,399,680</u></u>

Restricted for Capital Projects:

Cash and cash equivalents	\$ 16,182
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**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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 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 AAA 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, 2012**

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

**A. Deposits and Investments (continued)**

As of August 31, 2012, 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 &amp; Poor's Rating</u>	<u>Carrying Amount</u>
<b>Fund Financial Statements:</b>		
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 move excess cash accumulated in the Internal Service 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 to cover excess expenditures over revenues received. Other interfund transfers were done in order to move resources between Special Revenue Funds and to close out remaining funds in various other Special Revenue Funds into the General Fund that were no longer being used by the District.

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

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

**D. Interfund Balances and Transfers (continued)**

Interfund balances at August 31, 2012, consisted of the following amounts:

**Due to General Fund from:**

Nonmajor Special Revenue Funds	\$ <u>78,019</u>
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**Due to Nonmajor Special Revenue Funds from:**

General Fund	\$ <u>1,246,168</u>
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**Due to Internal Service Fund from:**

General Fund	\$ <u>329,763</u>
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Transfers between funds for the year ended August 31, 2012 consisted of the following:

**Transfers to General Fund from:**

Nonmajor Special Revenue Funds	\$ <u>1,932</u>
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**Transfers to General Fund from:**

Internal Service Fund	\$ <u>452,425</u>
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**Transfers to Nonmajor Special Revenue Funds from:**

General Fund	\$ <u>20,997</u>
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**Transfers to Nonmajor Special Revenue Funds from:**

Nonmajor Special Revenue Funds	\$ <u>7,108</u>
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**E. Disaggregation of Receivables and Payables**

Receivables in the Fund Financial Statements at August 31, 2012, were as follows:

	<b>Property Taxes</b>	<b>Due from Other Governments</b>	<b>Due From Other Funds</b>	<b>Total Receivables</b>
<b>Governmental Activities:</b>				
General Fund	\$ 594,011	\$ 210,797	\$ 78,019	\$ 882,827
Debt Service Fund	136,499	50,933	-	187,432
Non-major Governmental Funds	<u>-</u>	<u>109,357</u>	<u>1,246,168</u>	<u>1,355,525</u>
Total - Governmental Activities	<u>\$ 730,510</u>	<u>\$ 371,087</u>	<u>\$ 1,324,187</u>	<u>\$ 2,425,784</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 314,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,120</u>

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012, were as follows:

	Accounts Payable and Accrued Expenses	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Due to Student Groups	Arbitrage Payable	Total Payables
<b>Governmental Activities:</b>							
General Fund	\$ 55,785	\$ 540,489	\$ 1,575,931	\$ -	\$ -	\$ -	\$ 2,172,205
Debt Service Fund	-	-	-	-	-	150,621	150,621
Non-major Governmental Funds	6,675	101,310	78,019	7,017	5,270	-	198,291
Total - Governmental Activities	<u>\$ 62,460</u>	<u>\$ 641,799</u>	<u>\$ 1,653,950</u>	<u>\$ 7,017</u>	<u>\$ 5,270</u>	<u>\$ 150,621</u>	<u>\$ 2,521,117</u>

**F. Capital Asset Activity**

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

	Balance 09/01/11	Additions	Retirements & Reclassifi- cations	Prior Period Adjustments	Balance 08/31/12
<b>Governmental activities</b>					
Capital assets, not being depreciated					
Land	\$ 100,045	\$ -	\$ -	\$ -	\$ 100,045
Total capital assets not being depreciated	<u>100,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,045</u>
Capital assets, being depreciated					
Buildings and improvements	54,840,477	-	(1,025,918)	-	53,814,559
Furniture and equipment	890,990	-	(382,794)	-	508,196
Vehicles	2,289,108	-	-	-	2,289,108
Total capital assets being depreciated	<u>58,020,575</u>	<u>-</u>	<u>(1,408,712)</u>	<u>-</u>	<u>56,611,863</u>
Less: accumulated depreciation for:					
Buildings and improvements	10,215,109	1,020,029	(1,025,918)	-	10,209,220
Furniture and equipment	612,860	28,250	(382,794)	-	258,316
Vehicles	1,644,591	116,165	-	-	1,760,756
Total accumulated depreciation	<u>12,472,560</u>	<u>1,164,444</u>	<u>(1,408,712)</u>	<u>-</u>	<u>12,228,292</u>
Total capital assets, being depreciated, net	<u>45,548,015</u>	<u>(1,164,444)</u>	<u>-</u>	<u>-</u>	<u>44,383,571</u>
Governmental activities capital assets, net	<u>\$ 45,648,060</u>	<u>\$ (1,164,444)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,483,616</u>

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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	\$ 710,720
Instructional Resources and Media Services	19,680
Curriculum and Instruction Staff Development	24,425
Instructional Leadership	1,886
School Leadership	50,755
Guidance, Counseling and Evaluation Services	42,964
Social Work Services	1,030
Health Services	13,568
Student (Pupil) Transportation	29,495
Food Services	61,384
Extracurricular Activities	51,857
General Administration	33,935
Facilities Maintenance and Operations	99,223
Security and Monitoring Services	323
Data Processing Services	23,180
Community Services	<u>19</u>
Total Depreciation Expense	<u>\$ 1,164,444</u>

**G. Bonds Payable**

At August 31, 2012, 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. 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. The bonds were issued at a cost to the District of \$155,000, which is being amortized over the life of the bonds using the effective interest rate method.

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

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

**G. Bonds Payable (continued)**

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.

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. The Series 2007 Bonds were issued at a cost to the District of \$163,393, which is being amortized over the life of the bonds using the effective interest rate method.

Bond indebtedness of the District is reflected in the government-wide Statement of Net Assets, 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, 2012. A summary of changes in bonds payable for the year ended August 31, 2012 is as follows:

<b>Bonds Payable</b>	<b>Bond Issue Date</b>	<b>Interest Rate Payable</b>	<b>Interest Paid Current Year</b>	<b>Payable/Amounts Outstanding 09/01/11</b>	<b>Additions</b>	<b>Retired/Amortized</b>	<b>Payable/Amounts Outstanding 08/31/12</b>
Unlimited Tax School Building Bonds, Series 2006 (original amount of \$19,465,000)	8/17/2006	4.00% to 5.00%	\$ 820,763	\$ 17,605,000	\$ -	\$ 390,000	\$ 17,215,000
Unlimited Tax School Building Bonds, Series 2007 (original amount of \$20,349,996)	6/5/2007	4.00% to 4.70%	\$ 877,499	\$ 19,680,000	\$ -	\$ 345,000	\$ 19,335,000
Total Bonds Payable			\$ <u>1,698,262</u>	\$ <u>37,285,000</u>	\$ <u>-</u>	\$ <u>735,000</u>	\$ <u>36,550,000</u>
				<b>Balance 09/01/11</b>	<b>Additions</b>	<b>Current Year Amortization</b>	<b>Balance 08/31/12</b>
Net unamortized bond issuance costs			\$ <u>243,311</u>	\$ <u>-</u>	\$ <u>(7,362)</u>	\$ <u>235,949</u>	

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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:

<b>Year Ended August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2013	\$ 765,000	\$ 1,667,749	\$ 2,432,749
2014	800,000	1,635,405	2,435,405
2015	830,000	1,601,718	2,431,718
2016	865,000	1,566,680	2,431,680
2017	905,000	1,530,093	2,435,093
2018-2022	5,135,000	7,030,866	12,165,866
2023-2027	6,415,000	5,753,763	12,168,763
2028-2032	8,120,000	4,055,232	12,175,232
2033-2037	10,335,000	1,831,248	12,166,248
2038	2,380,000	55,037	2,435,037
<b>Total</b>	<b>\$ 36,550,000</b>	<b>\$ 26,727,791</b>	<b>\$ 63,277,791</b>

**H. Operating Leases**

The District leases copy machines under various non-cancelable operating leases. Total costs for such leases were \$151,255 for the year ended August 31, 2012. The future minimum lease payments for these leases are as follows:

<b>Year ending August 31,</b>	<b>Amount</b>
2013	\$ 138,884
2014	101,466
	<b>\$ 240,350</b>

**I. Deferred Revenues**

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

	<b>General Fund</b>	<b>Debt Service</b>	<b>Nonmajor Funds</b>	<b>Total</b>
Property taxes	\$ 338,586	\$ 77,804	-	\$ 416,390
Season football tickets	6,840	-	-	6,840
National school lunch & breakfast program	-	-	31,235	31,235
Instructional Facilities Allotment	-	-	4,382	4,382
<b>Totals</b>	<b>\$ 345,426</b>	<b>\$ 77,804</b>	<b>\$ 35,617</b>	<b>\$ 458,847</b>

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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 Trustee's 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 be 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, 2012**

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

**J. Fund Balance (continued)**

The District's governmental funds as of August 31, 2012 are reported as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
Nonspendable:				
Inventories	\$ 174,721	\$ -	\$ 9,007	\$ 183,728
Prepaid expenses	-	-	-	-
Restricted:				
Federal & State grant restrictions:				
National school breakfast & lunch program	-	-	308,876	308,876
Summer feeding program	-	-	39,067	39,067
School health & related services program	-	-	209,972	209,972
SSA - School health & related services program	-	-	107,603	107,603
SSA - Special education	-	-	725,155	725,155
Capital acquisition & contractual obligations	-	-	16,182	16,182
Retirement of long-term debt	-	295,457	-	295,457
Committed:				
Campus activity funds	-	-	90,330	90,330
Assigned:				
None	-	-	-	-
Unassigned	3,118,993	-	-	3,118,993
Total fund balances	<u>\$ 3,293,714</u>	<u>\$ 295,457</u>	<u>\$ 1,506,192</u>	<u>\$ 5,095,363</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](http://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, 2012**

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

**K. Defined Benefit Pension Plan (continued)**

Contribution rates and contributions for fiscal years 2012-2010 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:

<b>Contribution Rates and Amounts</b>						<b>Statutory Minimum Amount</b>
<b>Fiscal Year</b>	<b>Member</b>		<b>State</b>			
	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Amount</b>	
2012	6.4%	\$ 930,780	6.000%	\$ 729,569	\$	85,141
2011	6.4%	991,688	6.644%	780,977		105,516
2010	6.4%	1,003,409	6.644%	783,648		143,209

**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](http://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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011, and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$145,438, \$154,956, and \$155,524, respectively; the active member contributions were \$94,535, \$100,717, and \$101,091, respectively; and the District's contributions were \$79,991, \$85,226, and \$85,538, respectively, which equaled the required contributions each year.

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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, 2012, 2011, and 2010 were \$36,805, \$40,075, and \$40,173, respectively.

**N. Cafeteria Plan**

During the year ended August 31, 2012, 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, 2012, revenues from local and intermediate sources in the Governmental Fund Financial Statements consisted of the following:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
Property taxes	\$ 5,457,970	\$ 1,661,090	\$ -	\$ 7,119,060
Penalties, interest	123,962	29,657	-	153,619
Tuition and fees	18,237	-	-	18,237
Investment income	14,595	2,423	278	17,296
Food sales	-	-	431,223	431,223
Gifts and bequests	53,764	-	5,413	59,177
Extracurricular student activities	67,251	-	-	67,251
Shared service arrangements	-	-	1,189,439	1,189,439
Campus fund activities	-	-	168,052	168,052
Other	11,821	-	4,138	15,959
<b>Totals</b>	<b>\$ 5,747,600</b>	<b>\$ 1,693,170</b>	<b>\$ 1,798,543</b>	<b>\$ 9,239,313</b>

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

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

**P. Litigation and Contingencies**

At August 31, 2012, 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, 2012 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	\$ 525,040
Sanford-Fritch Independent School District	205,603
Panhandle Independent School District	145,184
Claude Independent School District	78,733
White Deer Independent School District	92,077
Groom Independent School District	44,867
Plemons-Stinnett-Phillips Independent School District	140,118
Pringle Morse Independent School District	19,918
Spring Creek Independent School District	17,075
	<hr/>
	\$ 1,268,615

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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	\$ 13,678
Sanford-Fritch Independent School District	8,053
Panhandle Independent School District	8,469
Claude Independent School District	5,440
Groom Independent School District	50
Plemons-Stinnett-Phillips Independent School District	5,078
Pringle Morse Independent School District	531
Spring Creek Independent School District	35
	\$ 41,334

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	\$ 175,422
Sanford-Fritch Independent School District	112,153
Panhandle Independent School District	59,584
Plemons-Stinnett-Phillips Independent School District	79,635
	\$ 426,794

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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	\$ 535,485
Sanford-Fritch Independent School District	199,707
Panhandle Independent School District	114,900
Claude Independent School District	70,653
White Deer Independent School District	68,869
Groom Independent School District	26,524
Plemons-Stinnett-Phillips Independent School District	130,838
Pringle Morse Independent School District	24,740
Spring Creek Independent School District	17,723
	\$ 1,189,439

**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, 2012, the remaining estimated District bond arbitrage liability was as follows:

**Total Rebatable Arbitrage:**

Unlimited Tax School Building Bonds, Series, 2006	\$ 11,085
Unlimited Tax School Building Bonds, Series, 2007	139,536
Total estimated arbitrage rebate payable	\$ 150,621

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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 2013.

**S. Unemployment Compensation Pool**

During the year ended August 31, 2012, 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, 2011, 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, 2012, the District participated in the TASB Risk Management Fund's (the "Fund") Liability Program with coverage in: Auto Liability; General Liability; Sexual Misconduct Endorsement; and SP 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, 2012, 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, 2011, 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, 2012**

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

**U. Self-Insured Workers' Compensation Program**

During the year ended August 31, 2012, the District 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 is 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 is 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 Fund's audited financial statements as of August 31, 2011, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The District has 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 are based on estimates of the ultimate cost of reported claims and an estimate for probable claims incurred but not reported. Estimated claims payable is 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, 2012**

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

#### **U. Self-Insured Workers' Compensation Fund (continued)**

The following is a summary of the changes in the workers' compensation benefit obligation for the years listed below, which represents unpaid claims reported and estimated incurred but not reported claims:

<b>Fiscal Year Ended</b>	<b>Beginning of fiscal year liability</b>	<b>Current year claims and claims incurred but not reported</b>	<b>Changes in estimated claims liability from the claims administrator</b>	<b>Claims payments during fiscal year</b>	<b>End of fiscal year liability</b>
8/31/1992	\$ 1,671	\$ -	\$ (2)	\$ -	\$ 1,669
8/31/1993	6,537	-	23	-	6,560
8/31/1994	1,117	-	(1)	-	1,116
8/31/1995	2,769	-	7	-	2,776
8/31/1996	2,829	-	5	-	2,834
8/31/1997	1,670	-	3	-	1,673
8/31/1998	1,980	-	8	-	1,988
8/31/1999	8,042	-	4	-	8,046
8/31/2000	6,745	-	(979)	-	5,766
8/31/2001	16,250	-	(2)	-	16,248
8/31/2002	39,393	-	(9,733)	(170)	29,490
8/31/2003	65,118	-	(4,429)	(4,155)	56,534
8/31/2004	23,789	-	9,853	(2,359)	31,283
8/31/2005	13,728	-	(4,833)	(117)	8,778
8/31/2006	19,419	-	51	(1,286)	18,184
8/31/2007	17,131	-	63	-	17,194
8/31/2008	40,180	-	(23,899)	-	16,281
8/31/2009	51,416	-	686	(173)	51,929
8/31/2010	49,671	-	(22,281)	-	27,390
8/31/2011	60,529	-	(19,764)	(9,505)	31,260
8/31/2012	-	66,386	-	(4,348)	62,038
<b>Totals</b>	<b>\$ 429,984</b>	<b>\$ 66,386</b>	<b>\$ (75,220)</b>	<b>\$ (22,113)</b>	<b>\$ 399,037</b>

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

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

**V. Property Program**

During the year ended August 31, 2012, the District participated in the TASB Risk Management Fund's (the "Fund's") Property Program with coverage in: Auto Physical Damage; 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, 2012, 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, 2011, 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. 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, 2012, were approximately \$18,604.

**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, 2012**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 5,970,883	\$ 5,970,883	\$ 5,747,600	\$ (223,283)
5800 State Program Revenues	12,047,443	12,047,443	12,231,274	183,831
5900 Federal Program Revenues	15,000	15,000	15,256	256
5020 Total Revenues	18,033,326	18,033,326	17,994,130	(39,196)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	10,755,484	10,702,889	10,273,638	429,251
0012 Instructional Resources and Media Services	348,017	348,017	334,674	13,343
0013 Curriculum and Instructional Staff Development	308,121	360,716	343,950	16,766
0021 Instructional Leadership	11,500	11,500	4,570	6,930
0023 School Leadership	934,786	934,786	892,860	41,926
0031 Guidance, Counseling and Evaluation Services	310,746	310,746	301,516	9,230
0032 Social Work Services	17,580	18,355	18,354	1
0033 Health Services	251,079	251,079	241,782	9,297
0034 Student (Pupil) Transportation	539,463	564,463	525,619	38,844
0036 Extracurricular Activities	991,121	991,121	918,758	72,363
0041 General Administration	740,893	628,762	593,874	34,888
0051 Facilities Maintenance and Operations	1,996,010	1,969,618	1,768,222	201,396
0052 Security and Monitoring Services	5,760	5,760	5,760	-
0053 Data Processing Services	478,485	478,485	413,078	65,407
0061 Community Services	4,755	4,755	338	4,417
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	535,485	535,485	535,485	-
0099 Other Intergovernmental Charges	-	112,748	112,747	1
6030 Total Expenditures	18,229,285	18,229,285	17,285,225	944,060
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(195,959)	(195,959)	708,905	904,864
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	5,000	5,000	-	(5,000)
7915 Transfers In	-	-	454,357	454,357
8911 Transfers Out (Use)	-	-	(20,997)	(20,997)
7080 Total Other Financing Sources (Uses)	5,000	5,000	433,360	428,360
1200 Net Change in Fund Balances	(190,959)	(190,959)	1,142,265	1,333,224
0100 Fund Balance - September 1 (Beginning)	2,151,449	2,151,449	2,151,449	-
3000 Fund Balance - August 31 (Ending)	\$ 1,960,490	\$ 1,960,490	\$ 3,293,714	\$ 1,333,224

## **OTHER SUPPLEMENTARY INFORMATION**

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2012**

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 6,026	\$ -	\$ -
1240 Receivables from Other Governments	7,521	48,751	29,093
1260 Due from Other Funds	-	-	-
1300 Inventories	-	-	-
1000 Total Assets	\$ 13,547	\$ 48,751	\$ 29,093
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	7,292	19,568	29,093
2170 Due to Other Funds	-	29,183	-
2180 Due to Other Governments	6,255	-	-
2190 Due to Student Groups	-	-	-
2300 Deferred Revenues	-	-	-
2000 Total Liabilities	13,547	48,751	29,093
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	-	-	-
4000 Total Liabilities and Fund Balances	\$ 13,547	\$ 48,751	\$ 29,093

225 IDEA - Part B Preschool	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	283 IDEA, Pt. B ARRA Formula	287 Education Jobs Fund
\$ -	\$ 42,251	\$ 4,789	\$ -	\$ -	\$ -	\$ -	\$ 762
724	17,130	-	210	2,778	3,150	-	-
-	288,773	34,278	-	-	-	-	-
-	7,151	1,856	-	-	-	-	-
<b>\$ 724</b>	<b>\$ 355,305</b>	<b>\$ 40,923</b>	<b>\$ 210</b>	<b>\$ 2,778</b>	<b>\$ 3,150</b>	<b>\$ -</b>	<b>\$ 762</b>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
724	8,043	-	-	-	-	-	-
-	-	-	210	2,778	3,150	-	-
-	-	-	-	-	-	-	762
-	-	-	-	-	-	-	-
-	31,235	-	-	-	-	-	-
<b>724</b>	<b>39,278</b>	<b>-</b>	<b>210</b>	<b>2,778</b>	<b>3,150</b>	<b>-</b>	<b>762</b>
<b>-</b>	<b>7,151</b>	<b>1,856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>308,876</b>	<b>39,067</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>-</b>	<b>316,027</b>	<b>40,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>\$ 724</b>	<b>\$ 355,305</b>	<b>\$ 40,923</b>	<b>\$ 210</b>	<b>\$ 2,778</b>	<b>\$ 3,150</b>	<b>\$ -</b>	<b>\$ 762</b>

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2012**

Data Control Codes	289	313	314	379
	Other Federal	SSA	SSA	Other Federal
	Special	IDEA, Part B	IDEA, Part B	SSA Special
	Revenue Funds	Formula	Preschool	Revenue Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 21,119	\$ -	\$ -	\$ 63,961
1240 Receivables from Other Governments	-	-	-	-
1260 Due from Other Funds	188,853	-	-	43,969
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 209,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,930</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	327
2170 Due to Other Funds	-	-	-	-
2180 Due to Other Governments	-	-	-	-
2190 Due to Student Groups	-	-	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>327</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	209,972	-	-	107,603
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>209,972</u>	<u>-</u>	<u>-</u>	<u>107,603</u>
4000 Total Liabilities and Fund Balances	<u>\$ 209,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,930</u>

397 Advanced Placement Incentives	410 Instructional Materials Allotment	425 Teacher Induction and Mentoring	427 Tobacco Grant	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ 4,382	\$ -	\$ -	\$ -	\$ 216,096	\$ -	\$ 359,386
-	-	-	-	-	-	-	109,357
-	-	-	-	-	550,652	139,643	1,246,168
-	-	-	-	-	-	-	9,007
<b>\$ -</b>	<b>\$ 4,382</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 766,748</b>	<b>\$ 139,643</b>	<b>\$ 1,723,918</b>
<hr/>							
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,330	\$ 1,345	\$ 6,675
-	-	-	-	-	36,263	-	101,310
-	-	-	-	-	-	42,698	78,019
-	-	-	-	-	-	-	7,017
-	-	-	-	-	-	5,270	5,270
-	4,382	-	-	-	-	-	35,617
<b>-</b>	<b>4,382</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,593</b>	<b>49,313</b>	<b>233,908</b>
<hr/>							
-	-	-	-	-	-	-	9,007
-	-	-	-	-	725,155	-	1,390,673
-	-	-	-	-	-	-	-
-	-	-	-	-	-	90,330	90,330
-	-	-	-	-	725,155	90,330	1,490,010
<b>\$ -</b>	<b>\$ 4,382</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 766,748</b>	<b>\$ 139,643</b>	<b>\$ 1,723,918</b>

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2012**

Data Control Codes	699	Total	
	Capital Projects Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 16,182	\$ 375,568	
1240 Receivables from Other Governments	-	109,357	
1260 Due from Other Funds	-	1,246,168	
1300 Inventories	-	9,007	
1000 Total Assets	\$ 16,182	\$ 1,740,100	
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ -	\$ 6,675	
2160 Accrued Wages Payable	-	101,310	
2170 Due to Other Funds	-	78,019	
2180 Due to Other Governments	-	7,017	
2190 Due to Student Groups	-	5,270	
2300 Deferred Revenues	-	35,617	
2000 Total Liabilities	-	233,908	
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	-	9,007	
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	1,390,673	
3470 Capital Acquisition and Contractual Obligation	16,182	16,182	
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	90,330	
3000 Total Fund Balances	16,182	1,506,192	
4000 Total Liabilities and Fund Balances	\$ 16,182	\$ 1,740,100	

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes		205	211	224
		Head Start	ESEA I, A Improving Basic Program	IDEA - Part B Formula
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	83,708	605,176	522,060
5020	Total Revenues	<u>83,708</u>	<u>605,176</u>	<u>522,060</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	83,708	626,173	529,168
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030	Total Expenditures	<u>83,708</u>	<u>626,173</u>	<u>529,168</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(20,997)	(7,108)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	-	20,997	7,108
8911	Transfers Out (Use)	-	-	-
7080	Total Other Financing Sources (Uses)	-	20,997	7,108
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	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	283 IDEA, Pt. B ARRA Formula	287 Education Jobs Fund
\$ -	\$ 433,372 6,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,402	715,296	28,439	26,895	123,257	29,703	4,683	9,953
<u>14,402</u>	<u>1,155,540</u>	<u>28,439</u>	<u>26,895</u>	<u>123,257</u>	<u>29,703</u>	<u>4,683</u>	<u>9,953</u>
14,402	-	-	26,895	123,257	29,703	4,683	9,953
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,071,173	22,731	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>14,402</u>	<u>1,071,173</u>	<u>22,731</u>	<u>26,895</u>	<u>123,257</u>	<u>29,703</u>	<u>4,683</u>	<u>9,953</u>
-	84,367	5,708	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	84,367	5,708	-	-	-	-	-
-	231,660	35,215	-	-	-	-	-
<u>\$ -</u>	<u>\$ 316,027</u>	<u>\$ 40,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	289	313	314	379
	Other Federal	SSA	SSA	Other Federal
	Special Revenue Funds	IDEA, Part B Formula	IDEA, Part B Preschool	SSA Special Revenue Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	3,656	-	-	338
5900 Federal Program Revenues	176,532	1,268,615	46,310	526,296
5020 Total Revenues	180,188	1,268,615	46,310	526,634
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	121,177	-	4,976	7,158
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	29,048
0023 School Leadership	11,627	-	-	-
0031 Guidance, Counseling and Evaluation Services	2,368	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	10,862	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	1,268,615	41,334	426,794
6030 Total Expenditures	146,034	1,268,615	46,310	463,000
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	34,154	-	-	63,634
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	(7,108)	-	-	-
7080 Total Other Financing Sources (Uses)	(7,108)	-	-	-
1200 Net Change in Fund Balance	27,046	-	-	63,634
0100 Fund Balance - September 1 (Beginning)	182,926	-	-	43,969
3000 Fund Balance - August 31 (Ending)	\$ 209,972	\$ -	\$ -	\$ 107,603

397 Advanced Placement Incentives	410 Instructional Materials Allotment	425 Teacher Induction and Mentoring	427 Tobacco Grant	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ - 1,125	\$ - 210,200	\$ - 1,114	\$ - -	\$ - 1,191,689 36,278	\$ - 173,465	\$ - -	\$ 1,798,526 259,583 4,181,325
<u>1,125</u>	<u>210,200</u>	<u>1,114</u>	<u>-</u>	<u>-</u>	<u>1,227,967</u>	<u>173,465</u>	<u>6,239,434</u>
1,125	210,200	-	-	438,198	161,105	2,391,881	
-	-	-	-	-	16,030	16,030	
-	-	-	-	91,322	-	91,322	
-	-	-	-	-	-	29,048	
-	-	-	-	-	-	11,627	
-	-	-	-	461,754	-	464,122	
-	-	-	-	-	-	1,093,904	
-	-	-	-	280	5,078	5,358	
-	-	-	-	-	-	10,862	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	1,736,743
<u>1,125</u>	<u>210,200</u>	<u>-</u>	<u>-</u>	<u>991,554</u>	<u>182,213</u>	<u>5,850,897</u>	
-	-	1,114	-	-	236,413	(8,748)	388,537
-	-	-	-	-	-	-	28,105
-	-	(1,114)	(3)	(815)	-	-	(9,040)
-	-	(1,114)	(3)	(815)	-	-	19,065
-	-	-	(3)	(815)	236,413	(8,748)	407,602
-	-	-	3	815	488,742	99,078	1,082,408
\$ -	\$ -	\$ -	\$ -	\$ - 725,155	\$ - 90,330	\$ -	\$ 1,490,010
<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	699	Total
	Capital Projects Fund	Nonmajor Governmental Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 17	\$ 1,798,543
5800 State Program Revenues	-	259,583
5900 Federal Program Revenues	-	4,181,325
5020 Total Revenues	17	6,239,451
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	-	2,391,881
0012 Instructional Resources and Media Services	-	16,030
0013 Curriculum and Instructional Staff Development	-	91,322
0021 Instructional Leadership	-	29,048
0023 School Leadership	-	11,627
0031 Guidance, Counseling and Evaluation Services	-	464,122
0035 Food Services	-	1,093,904
0036 Extracurricular Activities	-	5,358
0041 General Administration	-	10,862
Capital Outlay:		
0081 Facilities Acquisition and Construction	5,512	5,512
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	1,736,743
6030 Total Expenditures	5,512	5,856,409
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,495)	383,042
<b>OTHER FINANCING SOURCES (USES):</b>		
7915 Transfers In	-	28,105
8911 Transfers Out (Use)	-	(9,040)
7080 Total Other Financing Sources (Uses)	-	19,065
1200 Net Change in Fund Balance	(5,495)	402,107
0100 Fund Balance - September 1 (Beginning)	21,677	1,104,085
3000 Fund Balance - August 31 (Ending)	\$ 16,182	\$ 1,506,192

**BORGER INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
PRIVATE PURPOSE TRUST FUNDS  
AUGUST 31, 2012**

	801 Barron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J & R Scott Scholarship Fund
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,104	\$ 2,140	\$ 2,597	\$ 3,457
Total Assets	<u>3,104</u>	<u>2,140</u>	<u>2,597</u>	<u>3,457</u>
<b>NET ASSETS</b>				
Restricted for Scholarships	<u>3,104</u>	<u>2,140</u>	<u>2,597</u>	<u>3,457</u>
Total Net Assets	<u>\$ 3,104</u>	<u>\$ 2,140</u>	<u>\$ 2,597</u>	<u>\$ 3,457</u>

805 Angela Tyson Scholarship Fund	Total Private Purpose Trust Funds
\$ 92	\$ 11,390
92	11,390
92	11,390
\$ 92	\$ 11,390

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	801 Barron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J & R Scott Scholarship Fund
<b>ADDITIONS:</b>				
Local and Intermediate Sources	\$ 2,601	\$ 1,923	\$ 1	\$ 1
Total Additions	<u>2,601</u>	<u>1,923</u>	<u>1</u>	<u>1</u>
<b>DEDUCTIONS:</b>				
Professional and Contracted Services	2,600	-	200	500
Total Deductions	<u>2,600</u>	<u>-</u>	<u>200</u>	<u>500</u>
Change in Net Assets	1	1,923	(199)	(499)
Total Net Assets - September 1 (Beginning)	<u>3,103</u>	<u>217</u>	<u>2,796</u>	<u>3,956</u>
Total Net Assets - August 31 (Ending)	<u>\$ 3,104</u>	<u>\$ 2,140</u>	<u>\$ 2,597</u>	<u>\$ 3,457</u>

	Total
Angela Tyson	Private
Scholarship Fund	Purpose
	Trust Funds
\$ -	\$ 4,526
-	4,526
500	3,800
500	3,800
(500)	726
592	10,664
\$ 92	\$ 11,390

## **REQUIRED TEA SCHEDULES**

**BORGER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2012**

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.500000	0.000000	402,053,263
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 (School year under audit)	1.040000	0.318200	540,717,180
1000 <b>TOTALS</b>			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 72,452	\$ -	\$ 2,941	\$ -	\$ (16,977)	\$ 52,534
16,657	-	952	-	(1,071)	14,634
23,836	-	4,499	-	(1,725)	17,612
27,968	-	1,601	-	(1,914)	24,453
48,343	-	3,592	774	(2,300)	41,677
57,342	-	8,829	2,366	(2,188)	43,959
93,756	-	16,327	4,476	(2,193)	70,760
154,953	-	38,020	10,389	(1,983)	104,561
294,760	-	112,188	30,967	(6,542)	145,063
-	7,112,067	5,269,021	1,612,118	(15,671)	215,257
<hr/> <u>\$ 790,067</u>	<hr/> <u>\$ 7,112,067</u>	<hr/> <u>\$ 5,457,970</u>	<hr/> <u>\$ 1,661,090</u>	<hr/> <u>\$ (52,564)</u>	<hr/> <u>\$ 730,510</u>

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**AUGUST 31, 2012**

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

Account Number	Account Name	1 (702)	2 (703)	3 (701)	4 (750)	5 (720)	6 (other)	7
		School Board	Tax Collections	Supt's Office	Indirect Cost	Direct Cost	Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 243,201	\$ 232,363	\$ -	\$ -	\$ 475,564
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	15,016	-	-	-	15,016
6212	Audit Services	-	-	-	30,000	-	-	30,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	112,747	-	-	-	-	112,747
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	1,600	-	-	1,600
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	900	-	-	900
6240	Contr. Maint. and Repair	-	-	-	574	-	-	574
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,900	7,133	-	-	10,033
6290	Miscellaneous Contr.	8,686	-	43	31,200	-	-	39,929
6320	Textbooks and Reading	-	-	583	-	-	-	583
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	2,274	11,812	-	-	14,086
6410	Travel, Subsistence, Stipends	5,135	-	2,424	2,065	-	-	9,624
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	8,649	-	-	-	-	-	8,649
6490	Miscellaneous Operating	11,523	-	6,661	332	-	-	18,516
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 33,993</b>	<b>\$ 112,747</b>	<b>\$ 273,102</b>	<b>\$ 317,979</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 737,821</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 23,136,120

LESS: Deductions of Unallowable Costs

**FISCAL YEAR**

Total Capital Outlay (6600)	(10)	\$ -
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,768,222
Food (Function 35, 6341 and 6499)	(13)	447,926
Stipends (6413)	(14)	-

Column 4 (above) - Total Indirect Cost 317,979

SubTotal: 2,534,127

Net Allowed Direct Cost \$ 20,601,993

**CUMULATIVE**

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 53,814,559
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)	\$ 2,797,304
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 686,762
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$31,200 in Function 53 expenditures are included in this report on administrative costs.

\$112,747 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, 2012**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 540,453	\$ 540,453	\$ 433,372	\$ (107,081)
5800 State Program Revenues	8,100	8,100	6,872	(1,228)
5900 Federal Program Revenues	594,393	594,393	715,296	120,903
5020 Total Revenues	1,142,946	1,142,946	1,155,540	12,594
<b>EXPENDITURES:</b>				
0035 Food Services	1,142,946	1,142,946	1,071,173	71,773
6030 Total Expenditures	1,142,946	1,142,946	1,071,173	71,773
1200 Net Change in Fund Balances	-	-	84,367	84,367
0100 Fund Balance - September 1 (Beginning)	231,660	231,660	231,660	-
3000 Fund Balance - August 31 (Ending)	\$ 231,660	\$ 231,660	\$ 316,027	\$ 84,367

**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, 2012**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)		Variance With Final Budget Positive or (Negative)
	Original	Final			
<b>REVENUES:</b>					
5700 Total Local and Intermediate Sources	\$ 895,378	\$ 1,541,084	\$ 1,693,170	\$ 152,086	
5800 State Program Revenues	-	895,378	1,032,409	137,031	
5020 Total Revenues	<u>895,378</u>	<u>2,436,462</u>	<u>2,725,579</u>	<u>289,117</u>	
<b>EXPENDITURES:</b>					
Debt Service:					
0071 Principal on Long Term Debt	735,000	735,000	735,000	-	
0072 Interest on Long Term Debt	1,698,262	1,698,262	1,700,637	(2,375)	
0073 Bond Issuance Cost and Fees	3,200	3,200	3,360	(160)	
6030 Total Expenditures	<u>2,436,462</u>	<u>2,436,462</u>	<u>2,438,997</u>	<u>(2,535)</u>	
1200 Net Change in Fund Balances	(1,541,084)	-	286,582	286,582	
0100 Fund Balance - September 1 (Beginning)	8,875	8,875	8,875	-	
3000 Fund Balance - August 31 (Ending)	<u>\$ (1,532,209)</u>	<u>\$ 8,875</u>	<u>\$ 295,457</u>	<u>\$ 286,582</u>	

## **OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION**



## BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the basic financial statements of the Borger Independent School District (the "District") as of and for the year ended August 31, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, responses and questioned costs as items One, Two, and Three that we consider to be significant deficiencies in internal control over financial reporting. 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.

#### **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings, responses, and questioned costs as Item Three.

**Board of Trustees  
Borger Independent School District  
Page two**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings, responses, and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we have reported to management of the District in a separate letter dated December 13, 2012.

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

*Brown, Graham & Company, P.C.*

Amarillo, Texas  
December 13, 2012



## 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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### 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**

#### **Compliance**

We have audited Borger Independent School District's (the "District") compliance with the types of compliance requirements described in the United States Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended August 31, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, which is described in the accompanying schedule of findings, responses, and questioned costs as Item Three.

#### **Internal Control Over Compliance**

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

**Board of Trustees  
Borger Independent School District  
Page two**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying scheduling of findings, responses, and questioned costs as Item Three. A significant deficiency in internal control over compliance is a deficiency, or a 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.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings, responses, and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

*Brown, Graham & Company, P.C.*

Amarillo, Texas  
December 13, 2012

**BORGER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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  No

Are any significant deficiencies identified not considered to be material weaknesses?  Yes \_\_\_\_\_ No

Is any noncompliance material to the financial statements? \_\_\_\_\_ Yes  No

Internal control over major program compliance:

Are any material weaknesses identified? \_\_\_\_\_ Yes  No

Are any significant deficiencies identified not considered to be material weaknesses?  Yes \_\_\_\_\_ 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 \_\_\_\_\_ No

Federal Awards:

Identification of major programs:

- 10.553 School Breakfast Program
- 10.555 National School Lunch Program – Cash Assistance
- 10.555 National School Lunch Program – Noncash Assistance
- 84.027 Special Education – IDEA, Part B, Formula
- 84.027 SSA – Special Education – IDEA, Part B, Formula
- 84.173 Special Education – IDEA, Part B, Preschool
- 84.173 SSA – Special Education – IDEA, Part B, Preschool
- 84.391 Special Education – IDEA, Part B, Formula - ARRA

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  
FOR THE YEAR ENDED AUGUST 31, 2012 (Continued)**

**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. The nature of why the material misstatements occurred pertains to miscommunications between District personnel and outside parties. Although the misstatements were material, there were only a few material adjustments in the adjustments recommended by the outside auditor. These did not rise to the level of a material weakness, but did appear to indicate 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, a few of which were material, were required during the audit for the 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 aide 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 FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012 (Continued)**

**Section II: Financial Statement Findings (continued)**

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

Criteria: Internal controls over financial reporting, including cash receipts, should have adequate segregation of duties in order for errors, misstatements, fraud, or other items to be detected by employees in the normal course of performing their assigned duties.

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.

Cause: The District had inadequate internal control over financial reporting in the athletic department, and did not have an adequate segregation of duties in place.

Effect or potential effect: Errors or other irregularities appeared to have occurred pertaining to athletic gate receipts.

Questioned Costs: None.

Recommendation: We recommend that changes be made immediately in the policies and procedures that are being used over the accounting for and handling of athletic gate receipts. This would include having adequate segregation of duties, and review and approval by an appropriate level of management. We communicated our concerns pertaining to these issues during our fieldwork with the District's management, and we understand that the entire process has been evaluated and that drastic changes were made in this area.

**BORGER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012 (Continued)**

**Section II: Financial Statement Findings (continued)**

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

District's response:

Athletic Events:

The Borger ISD business office issues all tickets and seed money for all athletic events. A BISD currency and coin reconciliation form accounting for actual cash and a BISD Ticket sales form accounting for beginning and ending ticket numbers issued for the event are processed in the business office the day of the event and delivered in locked bank bags to the athletic office. The Athletic Director/or designee verifies the cash and tickets with his/her signature on the form. At the completion of the event, the completed and reconciled forms are locked with the cash in the bank bags and dropped at Happy State Bank in the night depository or in the secured school vault. The following business day the locked bags are picked up by the Business Manager which is unlocked in front of a witness in the business office. The cash is counted and verified by the business office secretary, and the accounts payable clerk counts and records the receipt of the cash and prepares the deposit slip. The deposit is taken that day to the bank.

Reserved and General Admission Football Season tickets:

All reserved season Football and general admission are purchased in the BISD business office. The seed money is recorded on the BISD currency and coin reconciliation form and verified and witnessed by two employees. All reserved seats sold are recorded on a diagram in the office and general admission ticket sales are recorded on the BISD ticket sale form. A cash count and reconciliation is performed daily by at least two employees. All ticket sales are counted, receipted and deposited on a daily and weekly basis for all tickets sold.

**Section III: Federal Award Findings**

**Item Three – Subrecipient Monitoring:**

Federal programs and award numbers affected (programs tested during the audit and in which the finding was noted) were:

- 84.027 Special Education – IDEA, Part B, Formula - #12-6600011179016000
- 84.027 SSA – Special Education – IDEA, Part B, Formula - #12-6600011179016000
- 84.173 Special Education – IDEA, Part B, Preschool - #12-6610011179016000
- 84.173 SSA – Special Education – IDEA, Part B, Preschool - #12-6610011179016000
- 84.391 Special Education – IDEA, Part B, Formula - #11-554001117901

Pass-through entity: Texas Education Agency (All programs listed above)

Compliance Requirements: Sub-recipient Monitoring (All programs listed above)

**BORGER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012 (Continued)**

**Section III: Federal Award Findings (continued)**

**Item Three – Subrecipient Monitoring (continued):**

Type of Finding: Significant Deficiency (All programs listed above)

Criteria: Federal regulations, including Circular A-133, require Subrecipient monitoring in instances in which a portion of grant funds have been passed through to another entity. The Subrecipient monitoring includes but is not limited to:

- Determining Subrecipient Eligibility (Obtaining a Dun and Bradstreet Data Universal Numbering System “DUNS” number as a part of the sub-award application)
- Award Identification (Identifying to the Subrecipient the Federal award information, including the Catalog of Domestic Assistance “CFDA” number)
- During-the-Award Monitoring (Monitoring the Subrecipient’s use of Federal awards)
- Subrecipient Audits (Ensuring Subrecipient’s expending over \$500,000 in Federal awards during the Subrecipient’s fiscal year have an audit done in accordance with Circular A-133)
- Pass-Through Entity Impact (Evaluating the impact of Subrecipient activities on the Pass-Through Entity’s ability to comply with applicable Federal regulations)

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.

Cause: The District did not have the policies and procedures in place to ensure that Subrecipients are adequately monitored for the grant period.

Effect: Because Subrecipients were not fully monitored, the potential exists for noncompliance to have occurred which could have a direct and material effect on the District Special Education programs listed above.

Questioned Cost: None

Recommendation: We recommend that the District implement additional policies and procedures to ensure that all Subrecipients of Federal funds are adequately monitored in accordance with Federal Regulations.

District’s Response:

All IDEA, Part B funds received by Borger ISD and passed through to HAC SSA districts will be monitored for compliance. HAC SSA Director will monitor sub-recipients use of funds during the grant period at least quarterly. Email documentation will be collected to ensure that funds are adequately monitored. Copies of final grant period audits will be collected and reviewed to ensure audit findings are addressed.

**BORGER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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. In addition, it was noted that the prior year’s financial statements were materially misstated and consequently, prior period adjustments had to be made to correct these errors.

Current Status: For the year ended August 31, 2012, 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 – Documentation of Salary Costs Charged to Federal Programs:**

Condition: For the fiscal year ended August 31, 2011, the District had various employee salaries charged to various federal programs. The documentation to support the allocation of salaries to the programs was supported by records such as occasional semi-annual certifications, employee schedules, payroll distribution journals, job descriptions, journal entries, and various other information; however, the District did not consistently document employee salary costs charged to federal programs as required by federal guidelines.

Current Status: The District implemented policies and procedures that require the documentation of salaries charged to Federal programs that comply with the requirements of OMB Circular A-87. During the 2012 audit, one isolated instance was noted in which a teacher charged to the Special Education program did not have a semi-annual certification. The teacher was certified to work with the blind, so there were no questioned costs.

**Item Three – Reporting FTE’s under ARRA Grants**

Condition: While reviewing the quarterly Section 1512 reports required by the United States Office of Management and Budget, it was noted that the number of FTE’s reported for ARRA grants tested did not appear to be correct. Specifically, for the State Fiscal Stabilization Fund (“SFSF”) grant, the number of FTE’s reported was 24 and the number of FTE’s for the Education Jobs Fund was 13. The actual number of FTE’s could not be determined for the SFSF grant due to the lack of time and effort documentation discussed in Item Two above. The actual number of employees working under the Education Jobs Fund appeared to be 14.

Current Status: The incorrect report was corrected by the District. The District also implemented procedures to ensure future grant reporting meets all applicable Federal requirements. There were no significant ARRA funds for the fiscal year ended August 31, 2012.

**BORGER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS (continued)  
FOR THE YEAR ENDED AUGUST 31, 2012**

**Item Four – Athletic Gate Receipts:**

Condition: During the audit, 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.

**BORGER INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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 aide 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

**Item Two – Athletic Gate Receipts:**

Athletic Events:

The Borger ISD business office issues all tickets and seed money for all athletic events. A BISD currency and coin reconciliation form accounting for actual cash and a BISD Ticket sales form accounting for beginning and ending ticket numbers issued for the event are processed in the business office the day of the event and delivered in locked bank bags to the athletic office. The Athletic Director/or designee verifies the cash and tickets with his/her signature on the form. At the completion of the event, the completed and reconciled forms are locked with the cash in the bank bags and dropped at Happy State Bank in the night depository or in the secured school vault. The following business day the locked bags are picked up by the Business Manager which is unlocked in front of a witness in the business office. The cash is counted and verified by the business office secretary, and the accounts payable clerk counts and records the receipt of the cash and prepares the deposit slip. The deposit is taken that day to the bank.

Reserved and General Admission Football Season tickets:

All reserved season Football and general admission are purchased in the BISD business office. The seed money is recorded on the BISD currency and coin reconciliation form and verified and witnessed by two employees. All reserved seats sold are recorded on a diagram in the office and general admission ticket sales are recorded on the BISD ticket sale form. A cash count and reconciliation is performed daily by at least two employees. All ticket sales are counted, receipted and deposited on a daily and weekly basis for all tickets sold.

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

**Item Three – Subrecipient Monitoring**

All IDEA, Part B funds received by Borger ISD and passed through to HAC SSA districts will be monitored for compliance. HAC SSA Director will monitor sub-recipients use of funds during the grant period at least quarterly. Email documentation will be collected to ensure that funds are adequately monitored. Copies of final grant period audits will be collected and reviewed to ensure audit findings are addressed.

District personnel responsible for the corrective action: Patti Brown, Director of Special Education

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	75-6000466	\$ 15,256
Total Direct Programs			\$ 15,256
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12 - 610101117901	\$ 425,274
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13 - 610101117901	19,568
*ESEA, Title I, Part A - School Improvement Prog.	84.010A	12 - 610110117901100	149,655
*ESEA, Title I, Part A - School Improvement Prog.	84.010A	12 - 610104117901100	10,679
Total CFDA Number 84.010A			605,176
Total Title I, Part A Cluster			605,176
*IDEA - Part B, Formula	84.027	12 - 660001117901600	492,967
*IDEA - Part B, Formula	84.027	13 - 660001117901600	29,093
*SSA - IDEA - Part B, Formula	84.027	12 - 660001117901600	1,268,615
Total CFDA Number 84.027			1,790,675
*IDEA - Part B, Preschool	84.173	12 - 661001117901600	13,678
*IDEA - Part B, Preschool	84.173	13 - 661001117901600	724
*SSA - IDEA - Part B, Preschool	84.173	12 - 661001117901600	46,310
Total CFDA Number 84.173			60,712
*IDEA, Part B, Formula - ARRA	84.391	11 - 554001117901	4,683
Total Special Education Cluster (IDEA)			1,856,070
Career and Technical - Basic Grant	84.048	12 - 420006117901	26,685
Career and Technical - Basic Grant	84.048	13 - 420006117901	210
Total CFDA Number 84.048			26,895
Title III, Part A - English Language Acquisition	84.365A	12 - 671001117901	29,703
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12 - 694501117901	123,257
Education Jobs Fund- ARRA	84.410	11 - 550101117901	9,953
Total Passed Through State Department of Education			\$ 2,651,054
<b>TOTAL DEPARTMENT OF EDUCATION</b>			
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	12 - 06CH021922	\$ 76,416
Head Start	93.600	13 - 06CH021922	7,292
Total CFDA Number 93.600			83,708
Total Passed Through State Department of Education			\$ 83,708
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 145,145
*National School Lunch Program - Cash Assistance	10.555	71301201	509,209
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301201	60,942
Total CFDA Number 10.555			570,151
*Summer Feeding Program - Cash Assistance	10.559	TX-1171003SR	28,439

**BORGER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

(1) <b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE</b>	(2) <b>Federal CFDA Number</b>	(3) <b>Pass-Through Entity Identifying Number</b>	(4) <b>Federal Expenditures</b>
Total Child Nutrition Cluster			743,735
Total Passed Through the State Department of Agriculture			\$ 743,735
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			\$ 743,735
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 3,493,753</u></u>

\*Clustered Programs

**BORGER INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012**

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 - Provisional 6/97.
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 \$702,828 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. \$176,532 of the amount is reported in fund 289 and \$526,296 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.