

BORGER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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, 2015**

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CERTIFICATE OF BOARD

BORGER INDEPENDENT SCHOOL DISTRICT

Name of School District

HUTCHINSON

County

117-901

Co-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved ___ disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the 10th day of December, 2015.

Kend O Egan

Signature Board Secretary

Robert Bradley

Signature of Board President



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER SUPPLEMENTARY INFORMATION INCLUDING THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District (the "District") as of August 31, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Trustees
Borger Independent School District

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District as of August 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11, the budgetary comparison information on page 62, and the pension schedules and related notes on pages 63 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

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

Board of Trustees
Borger Independent School District
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 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* in considering the District's internal control over financial reporting and compliance.

Brown Graham & Company, P.C.

Amarillo, Texas
December 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

BORGER INDEPENDENT SCHOOL DISTRICT

Chance Welch ~ Superintendent

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2015

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, 2015. Please read it in conjunction with the independent auditor's report and the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the statement of net position and the statement of activities (Exhibits A-1 and 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 C-4) 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 (Exhibits E-1 and E-2) 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 non-major 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 Required TEA Schedules and Reports on Compliance, Internal Controls and Federal Awards contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The primary analysis of the District's overall financial condition and operations begins at Exhibit A-1. The purpose is to show whether the District is better off or worse off as a result of the year's activities. The statement of net position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources as of August 31, 2015, while the statement of activities on Exhibit B-1 includes all the revenues and expenses generated by the District's operations during the fiscal year ended August 31, 2015. These financial statements are prepared using the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the statement of net position and the statement of activities, the District has one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

- Governmental funds - Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation schedules following each of the fund financial statements. The financial statements for the governmental funds and the reconciliation schedules can be found on Exhibits C-1 through C-4.
- Fiduciary funds - The District uses fiduciary funds to account for the resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary funds use the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period when they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The financial statements for the fiduciary funds can be found on Exhibits E-1 and E-2.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. Net position of the District's governmental activities decreased from \$15,393,559 to \$12,845,635. Of the decrease, \$2,811,142 was attributable to new pension accounting standards the District implemented this year, which resulted in a prior period adjustment to the District's net position as discussed in more detail in the notes to the financial statements. Property values in the District saw an increase from a total assessed value of \$578,006,773 up to \$591,086,335, or an increase of \$13,079,562. The tax rate decreased from \$1.3289 to \$1.3239 per \$100 of valuation over the prior year. Overall property tax revenues increased \$53,381 from the prior year due to the higher taxable property values. The District's long-term liabilities increased \$2,244,043, which was due primarily to the \$2,481,141 pension liability now being reported on the District's financial statements because of new pension accounting standards. The District paid \$1,034,408 in bond payments during the year, and also issued refunded bonds to achieve debt service savings. Other liabilities increased \$69,899 from the prior year. These liability accounts vary from year to year due to the timing of District purchases and fluctuations in grant activity from year to year. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$3,327,041 on August 31, 2015. In fiscal year 2015, the District's revenue in all Governmental Activities exceeded expenses by a total of \$263,218.

TABLE I
NET POSITION

	Governmental Activities 2015	Governmental Activities 2014
Current and other assets	\$ 9,571,183	\$ 9,158,355
Capital assets	41,959,243	42,812,203
Total assets	<u>51,530,426</u>	<u>51,970,558</u>
Deferred outflows of resources	2,267,450	1,302,312
Other liabilities	1,368,164	1,298,265
Long-term liabilities	38,825,089	36,581,046
Total liabilities	<u>40,193,253</u>	<u>37,879,311</u>
Deferred inflows of resources	758,988	-
Net position:		
Net investment in capital assets	7,441,895	7,618,511
Restricted	2,076,699	1,950,118
Unrestricted net position	3,327,041	5,824,930
Total net position	<u>\$ 12,845,635</u>	<u>\$ 15,393,559</u>

TABLE II
CHANGES IN NET POSITION

	Governmental Activities 2015	Governmental Activities 2014
Revenues:		
Program Revenues:		
Charges for services	\$ 1,707,056	\$ 1,720,716
Operating grants and contributions	5,178,888	5,212,826
General Revenues:		
Maintenance and operation taxes	6,116,014	6,044,973
Debt service taxes	1,653,877	1,671,537
State aid - formula grants	13,066,762	13,853,033
Investment earnings	10,044	9,752
Miscellaneous	542,138	290,281
Sale of capital assets	510	3,436
Total revenues	<u>28,275,289</u>	<u>28,806,554</u>
Expenses:		
Instruction, curriculum and media services	15,160,401	15,663,155
Instructional and school leadership	1,261,308	1,092,662
Student support services	1,380,074	1,151,050
Transportation	616,242	631,263
Child nutrition	1,190,640	1,242,478
Extracurricular activities	1,111,436	1,043,898
General administration	867,584	781,150
Facilities maintenance, security, and data processing	2,467,969	2,529,845
Community services	10,127	10,299
Debt service	1,766,745	1,719,965
Capital outlay	-	128
Payments related to shared service arrangements	2,069,237	2,040,870
Other intergovernmental charges	110,308	106,672
Total Expenses	<u>28,012,071</u>	<u>28,013,435</u>
Increase in net position	<u>263,218</u>	<u>793,119</u>
Net position at beginning of year	15,393,559	14,600,440
Prior period adjustment - implementation of GASB 68	(2,811,142)	-
Net position at end of year	<u>\$ 12,845,635</u>	<u>\$ 15,393,559</u>

The cost of all governmental activities this year was \$28,012,071 compared to \$28,013,435 last year. As shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$7,769,891. Some of the costs, \$1,707,056, 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 \$5,178,888, and state equalization funding provided \$13,066,762 to be used to support the District's operations.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a combined fund balance of \$7,864,615, which is an increase of \$356,306 from last year's total fund balance of \$7,508,309. Included in this year's total change in fund balance are an increase of \$284,141 in the District's General Fund and an increase of \$72,165 in the District's non-major funds. The District's General Fund revenues were approximately \$111,001 lower than in the prior year, while expenditures increased by \$482,019 from the prior year, with most of the increase being in the instruction functional category. Property tax revenues increased by \$55,730 from the prior year, while state formula grants decreased by \$786,271.

The Board of Trustees revised the budget for the District's General Fund 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 increased the overall expenditures budgeted compared to what was estimated in the originally adopted budget by \$226,346.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had \$41,959,243 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance, net of accumulated depreciation. The District acquired capital assets in the amount of \$535,636 during the year, which included \$224,416 of prior year's construction in progress that was completed during the year.

Debt

At year-end, the District had \$33,310,810 in bonds outstanding versus \$34,620,218 last year – a decrease of \$1,309,408 or 3.78%. During the year, the District issued \$8,790,000 of Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Bonds"). The Series 2015 Bonds were used to refund a portion of the District's Unlimited Tax School Building Bonds, Series 2007 (the "Series 2007 Bonds"). Specifically, the District refunded \$9,065,000 of the Series 2007 bonds that were to have matured on February 15, 2025 through February 15, 2036. More information on the District's long-term debt can be found in the notes to the financial statements.

Pension Accounting and Reporting

The District implemented Governmental Accounting Standards Board (GASB) Statement Numbers 68 and 71 in the accompanying financial statements. These new GASB statements significantly changed how governmental entities account for and report pension activity. The notes to the financial statements have a detail discussion of the impact on the District's financial statements, including a prior period adjustment to the District's net position that decreased it by \$2,811,142.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2016 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 2014-2015 and is expected to continue for 2015-2016. The maintenance and operations tax rate remained the same at \$1.04, with the interest and sinking tax rate was decreased to \$0.2700 down from last year's rate of \$0.2839 per \$100 valuation.

These indicators were taken into account when adopting the General Fund budget for 2016. Amounts available for appropriation in the General Fund are \$21,675,412, an increase of \$1,315,418 from the final 2015 budget of \$20,359,994. Property tax, state payments, and grant revenues account for 99% 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 2016 budget. If these estimates are realized, the District's budgetary General Fund balance is expected to remain stable by the close of 2016. 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.

Borger Independent School District

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,790,065
1220 Property Taxes Receivable (Delinquent)	689,632
1230 Allowance for Uncollectible Taxes	(296,541)
1240 Due from Other Governments	180,551
1290 Other Receivables, net	26,185
1300 Inventories	176,897
1410 Prepayments	4,394
Capital Assets:	
1510 Land	100,045
1520 Buildings, Net	41,141,503
1530 Furniture and Equipment, Net	384,227
1540 Vehicles, Net	298,882
1580 Construction in Progress	34,586
1000 Total Assets	51,530,426
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,616,782
1705 Deferred Outflow Related to TRS	650,668
1700 Total Deferred Outflows of Resources	2,267,450
LIABILITIES	
2110 Accounts Payable	11,444
2140 Interest Payable	54,687
2160 Accrued Wages Payable	775,754
2180 Due to Other Governments	382,177
2190 Due to Student Groups	5,270
2200 Accrued Expenses	117,045
2300 Unearned Revenue	21,259
2400 Payable from Restricted Assets	528
Noncurrent Liabilities	
2501 Due Within One Year	992,128
2502 Due in More Than One Year	35,351,820
2540 Net Pension Liability (District's Share)	2,481,141
2000 Total Liabilities	40,193,253
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	758,988
2600 Total Deferred Inflows of Resources	758,988
NET POSITION	
3200 Net Investment in Capital Assets	7,441,895
3820 Restricted for Federal and State Programs	1,416,531
3850 Restricted for Debt Service	410,818
3890 Restricted for Other Purposes	249,350
3900 Unrestricted	3,327,041
3000 Total Net Position	\$ 12,845,635

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, 2015**

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 14,302,032	\$ 1,169,241	\$ 2,315,707	\$ (10,817,084)
12 Instructional Resources and Media Services	336,101	26,252	15,227	(294,622)
13 Curriculum and Staff Development	522,268	-	31,088	(491,180)
21 Instructional Leadership	106,567	-	17,697	(88,870)
23 School Leadership	1,154,741	-	86,204	(1,068,537)
31 Guidance, Counseling and Evaluation Services	1,096,230	-	54,226	(1,042,004)
32 Social Work Services	19,833	-	1,181	(18,652)
33 Health Services	264,011	-	14,858	(249,153)
34 Student (Pupil) Transportation	616,242	-	31,382	(584,860)
35 Food Services	1,190,640	420,260	759,060	(11,320)
36 Extracurricular Activities	1,111,436	83,998	55,662	(971,776)
41 General Administration	867,584	-	76,423	(791,161)
51 Facilities Maintenance and Operations	1,990,112	7,305	110,220	(1,872,587)
52 Security and Monitoring Services	7,558	-	-	(7,558)
53 Data Processing Services	470,299	-	14,376	(455,923)
61 Community Services	10,127	-	630	(9,497)
72 Debt Service - Interest on Long Term Debt	1,649,256	-	-	(1,649,256)
73 Debt Service - Bond Issuance Cost and Fees	117,489	-	-	(117,489)
93 Payments related to Shared Services Arrangements	2,069,237	-	1,594,947	(474,290)
99 Other Intergovernmental Charges	110,308	-	-	(110,308)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 28,012,071	\$ 1,707,056	\$ 5,178,888	(21,126,127)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	6,116,014
DT	Property Taxes, Levied for Debt Service	1,653,877
SF	State Aid - Formula Grants	13,066,762
IE	Investment Earnings	10,044
MI	Miscellaneous Local and Intermediate Revenue	542,138
FR	Sale of Capital Assets	510
TR	Total General Revenues & Transfers	<u>21,389,345</u>
CN	Change in Net Position	263,218
NB	Net Position - Beginning	15,393,559
PA	Prior Period Adjustment - GASB 68 Implementation	(2,811,142)
NE	Net Position--Ending	<u>\$ 12,845,635</u>

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

FUND FINANCIAL STATEMENTS

BORGER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 8,172,441	\$ 617,624	\$ 8,790,065
1220 Property Taxes - Delinquent	550,293	139,339	689,632
1230 Allowance for Uncollectible Taxes (Credit)	(236,625)	(59,916)	(296,541)
1240 Receivables from Other Governments	73,393	107,158	180,551
1260 Due from Other Funds	10,892	1,696,349	1,707,241
1290 Other Receivables	5,637	20,548	26,185
1300 Inventories	142,750	34,147	176,897
1410 Prepayments	4,394	-	4,394
1000 Total Assets	<u>\$ 8,723,175</u>	<u>\$ 2,555,249</u>	<u>\$ 11,278,424</u>
LIABILITIES			
2110 Accounts Payable	\$ 9,847	\$ 1,597	\$ 11,444
2160 Accrued Wages Payable	656,811	118,943	775,754
2170 Due to Other Funds	1,696,349	10,892	1,707,241
2180 Due to Other Governments	314,311	67,866	382,177
2190 Due to Student Groups	-	5,270	5,270
2200 Accrued Expenditures	117,045	-	117,045
2300 Unearned Revenues	4,736	16,523	21,259
2400 Payable from Restricted Assets	-	528	528
2000 Total Liabilities	<u>2,799,099</u>	<u>221,619</u>	<u>3,020,718</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	313,668	79,423	393,091
2600 Total Deferred Inflows of Resources	<u>313,668</u>	<u>79,423</u>	<u>393,091</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	142,750	34,147	176,897
3430 Prepaid Items	4,394	-	4,394
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	1,382,384	1,382,384
3480 Retirement of Long-Term Debt	-	595,900	595,900
3490 Other Restricted Fund Balance	249,350	-	249,350
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	241,776	241,776
Assigned Fund Balance:			
3550 Construction	1,100,000	-	1,100,000
3600 Unassigned Fund Balance	4,113,914	-	4,113,914
3000 Total Fund Balances	<u>5,610,408</u>	<u>2,254,207</u>	<u>7,864,615</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,723,175</u>	<u>\$ 2,555,249</u>	<u>\$ 11,278,424</u>

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

BORGER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$	7,864,615
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$57,343,445 and the accumulated depreciation was \$14,531,242. In addition, long-term liabilities, including bonds payable in the amount of \$34,620,218, accreted interest in the amount of \$85,042, unamortized premiums on bond issuances in the amount of \$1,875,786, and unamortized deferred charges on bond refundings in the amount of \$1,302,312 are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		7,533,469
2 Current year capital outlays in the amount of \$311,220 and long-term debt principal payments in the amount of \$1,034,408 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.		1,345,628
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,481,141, a Deferred Resource Inflow related to TRS in the amount of \$758,988 and a Deferred Resource Outflow related to TRS in the amount of \$650,668. This amounted to a decrease in Net Position in the amount of \$2,589,461.		(2,589,461)
4 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,164,180)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(144,436)
19 Net Position of Governmental Activities	<u>\$</u>	<u>12,845,635</u>

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, 2015

EXHIBIT C-3

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700	\$ 6,775,713	\$ 3,345,654	\$ 10,121,367
5800	13,446,585	934,673	14,381,258
5900	18,544	3,771,772	3,790,316
5020	<u>20,240,842</u>	<u>8,052,099</u>	<u>28,292,941</u>
EXPENDITURES:			
Current:			
0011	11,735,858	2,033,395	13,769,253
0012	294,884	27,590	322,474
0013	380,208	122,653	502,861
0021	92,126	10,507	102,633
0023	1,107,250	18,737	1,125,987
0031	380,371	672,834	1,053,205
0032	19,025	-	19,025
0033	253,994	-	253,994
0034	589,906	-	589,906
0035	-	1,160,918	1,160,918
0036	1,143,446	4,890	1,148,336
0041	799,866	33,153	833,019
0051	2,025,134	22,113	2,047,247
0052	7,200	-	7,200
0053	449,424	-	449,424
0061	9,755	-	9,755
Debt Service:			
0071	-	1,034,408	1,034,408
0072	-	1,281,829	1,281,829
0073	-	117,489	117,489
Capital Outlay:			
0081	39,265	-	39,265
Intergovernmental:			
0093	519,191	1,550,046	2,069,237
0099	110,308	-	110,308
6030	<u>19,957,211</u>	<u>8,090,562</u>	<u>28,047,773</u>
1100	283,631	(38,463)	245,168
OTHER FINANCING SOURCES (USES):			
7901	-	8,790,000	8,790,000
7912	510	-	510
7916	-	1,123,198	1,123,198
8940	-	(9,802,570)	(9,802,570)
7080	<u>510</u>	<u>110,628</u>	<u>111,138</u>
1200	284,141	72,165	356,306
0100	<u>5,326,267</u>	<u>2,182,042</u>	<u>7,508,309</u>
3000	<u>\$ 5,610,408</u>	<u>\$ 2,254,207</u>	<u>\$ 7,864,615</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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	356,306
Current year capital outlays in the amount of \$311,220 and long-term debt principal payments in the amount of \$1,034,408 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.		1,345,628
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,164,180)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$451,019. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$385,424 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$156,086. This caused a net decrease in the change in net position of \$229,338. The impact of all of these is to increase the change in net position by \$221,681.		221,681
During the year, the District issued the Series 2015 Unlimited Tax Refunding Bonds (the "Series 2015 Bonds") to refund a portion of the Series 2007 Unlimited Tax School Building Bonds. On the fund financial statements, the issuance of the Series 2015 bonds is reported by the District in other financing sources and uses. On the government-wide financial statements, the District report the bonds and the related accounts on the Statement of Net Position. The net effect of removing the other financing sources and the other financing uses to prepare the government-wide Statement of Activities is to decrease net position.		(110,628)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(385,589)
Change in Net Position of Governmental Activities	\$	263,218

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 8,204	\$ 108,275
Total Assets	<u>8,204</u>	<u>\$ 108,275</u>
LIABILITIES		
Due to Student Groups	-	\$ 108,275
Total Liabilities	<u>-</u>	<u>\$ 108,275</u>
NET POSITION		
Restricted for Scholarships	<u>8,204</u>	
Total Net Position	<u>\$ 8,204</u>	

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

BORGER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 3,801
Total Additions	3,801
DEDUCTIONS:	
Other Operating Costs	2,300
Total Deductions	2,300
Change in Net Position	1,501
Total Net Position - September 1 (Beginning)	6,703
Total Net Position - August 31 (Ending)	\$ 8,204

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, 2015**

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. 122* 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 financial reporting entity as defined by the GASB in its Statement No. 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement Number 14 and 34*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and complies with the requirements of these funding source entities.

B. Government-Wide and Fund Financial Statements

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

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

Interfund activities between governmental funds appear as due to/due from on the governmental fund balance sheet and as other resources and other uses on the governmental funds statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. If present, interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide statement of net position.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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.

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, deferred outflows of resources, current liabilities, deferred inflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets and current liabilities (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 unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The 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.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

I. Summary of Significant Accounting Policies (continued):

D. Fund Accounting

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

Governmental Funds:

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

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

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-2 and J-3, 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.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

I. Summary of Significant Accounting Policies (continued):

E. Budgetary Data (continued)

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.
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 G-1, the District had two negative variances in the General Fund Functions 36 and 81 compared to the final amended budget for the year. The variances were the result of adjustments made at year end to adjust items pertaining to capital expenditures and repairs and maintenance. In addition, as noted on Exhibit J-3, the District had one negative variance in Function 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 \$99,270. The explanation for the variance for this fund was due to the District not amending the budget for the issuance of the Unlimited Tax School Refunding Bonds, Series 2015 discussed in further detail below in the notes to the financial statements. The District attempts to monitor expenditures as closely as possible; however, variances can and do occur from time to time due to timing differences, accruals, etc. Management is aware of the variances and will more closely monitor the budget in the future in order to try and avoid negative budget variances. The District had no negative variances in the Child Nutrition Program budget as shown on Exhibit J-2 compared to the final actual expenditures for the year.

F. Other Accounting Policies

1. The Data Control Codes refer to the account code structure prescribed by TEA's Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a State-wide database for policy development and funding plans.
2. The amounts on the financial statements have been rounded individually; consequently, some columns may not total and some schedules may not agree because of this rounding.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

3. The District records purchases of supplies as expenditures. If a material amount of supplies is on hand at the end of the year, their total cost is recorded as inventory and reported as nonspendable fund balance for the same amount. At August 31, 2015, the amount of supplies on hand reported as inventory and nonspendable fund balance was \$176,897.
4. 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.
5. 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 2015, 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.
6. 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.
7. Capital assets, which include land, buildings, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Outlays for construction projects and improvements are capitalized and depreciated as projects are completed. Buildings, furniture, equipment and vehicles of the District are depreciated using the straight line method over the following estimated useful lives:

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

8. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

9. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. If material, bond premiums and discounts as well as gains or losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the year paid on the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as an expense in the year incurred on the fund financial statements.
10. In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reported \$650,668 of deferred outflows pertaining to its pension plan as discussed in more detail in Note II(K). In addition, the District reported \$1,616,782 of deferred outflows for deferred charges on bond refundings discussed in Note II(G). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the repayment period of the refunded or refunding debt.
11. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. The District reported \$758,988 of deferred inflows pertaining to its pension plan as discussed in more detail in Note II(K) below. In addition, the District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue from property taxes in the amount of \$393,091 is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
12. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
13. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

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

Net Investment in Capital Assets:

Land	\$	100,045
Buildings, net		41,141,503
Furniture and equipment, net		384,227
Vehicles, net		298,882
Construction in progress		34,586
Deferred charge for bond refunding		1,616,782
Bonds payable and unamortized bond premiums		<u>(36,134,130)</u>
Net Investment in Capital Assets	\$	<u><u>7,441,895</u></u>

Restricted for Debt Service:

Cash and cash equivalents	\$	617,624
Property taxes receivable, net		79,423
Due from other governments		19,745
Due to other governments		(40,941)
Accrued /accrued interest payable		(264,505)
Arbitrage payable		<u>(528)</u>
Net position restricted for debt service	\$	<u><u>410,818</u></u>

Restricted for Federal and State Programs:

Due from other funds	\$	1,421,584
Due from other governments		20,415
Other receivables		20,548
Inventories		34,147
Accrued expenses		(64,404)
Unearned revenue		<u>(15,759)</u>
Net position restricted for federal and state programs	\$	<u><u>1,416,531</u></u>

Restricted for Other Purposes:

Cash and cash equivalents	\$	<u><u>249,350</u></u>
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**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

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

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

A. Deposits and Investments (continued)

As of August 31, 2015, the District's investments in accounts other than interest bearing accounts at the District's depository bank consisted of the following:

<u>Type</u>	<u>Standard & Poor's Rating</u>	<u>Carrying Amount</u>
Fund Financial Statements:		
TexSTAR	AAAm	\$ <u>15</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.

Interfund balances at August 31, 2015, consisted of the following amounts:

Due to General Fund from:	
Nonmajor Special Revenue Funds	\$ <u>10,892</u>
Due to Nonmajor Special Revenue Funds from:	
General Fund	\$ <u>1,696,349</u>

There were no transfers between funds for the year ended August 31, 2015.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

E. Disaggregation of Receivables and Payables

Receivables in the Fund Financial Statements at August 31, 2015, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 550,293	\$ 73,393	\$ 10,892	\$ 5,637	\$ 640,215
Nonmajor Debt Service Fund	139,339	19,745	-	-	159,084
Nonmajor Special Revenue Funds	-	87,413	1,696,349	20,548	1,804,310
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total - Governmental Activities	<u>\$ 689,632</u>	<u>\$ 180,551</u>	<u>\$ 1,707,241</u>	<u>\$ 26,185</u>	<u>\$ 2,603,609</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 296,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,541</u>

Payables in the Fund Financial Statements at August 31, 2015, were as follows:

	<u>Accounts Payable and Accrued Expenses</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Due to Student Groups</u>	<u>Arbitrage Payable</u>	<u>Total Payables</u>
Governmental Activities:							
General Fund	\$ 126,892	\$ 656,811	\$ 1,696,349	\$ 314,311	\$ -	\$ -	\$ 2,794,363
Nonmajor Debt Service Fund	-	-	-	40,941	-	528	41,469
Nonmajor Special Revenue Funds	1,597	118,943	10,892	26,925	5,270	-	163,627
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total - Governmental Activities	<u>\$ 128,489</u>	<u>\$ 775,754</u>	<u>\$ 1,707,241</u>	<u>\$ 382,177</u>	<u>\$ 5,270</u>	<u>\$ 528</u>	<u>\$ 2,999,459</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

F. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	<u>Balance 09/01/14</u>	<u>Additions</u>	<u>Retirements & Reclassi- fications</u>	<u>Balance 08/31/15</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 100,045	\$ -	\$ -	\$ 100,045
Construction in Progress	259,002	-	(224,416)	34,586
Total capital assets not being depreciated	<u>359,047</u>	<u>-</u>	<u>(224,416)</u>	<u>134,631</u>
Capital assets, being depreciated				
Buildings and improvements	53,948,061	493,121	-	54,441,182
Furniture and equipment	695,949	42,515	-	738,464
Vehicles	2,340,388	-	(33,430)	2,306,958
Total capital assets being depreciated	<u>56,984,398</u>	<u>535,636</u>	<u>(33,430)</u>	<u>57,486,604</u>
Less: accumulated depreciation for:				
Buildings and improvements	12,260,049	1,039,630	-	13,299,679
Furniture and equipment	316,559	37,678	-	354,237
Vehicles	1,954,634	86,872	(33,430)	2,008,076
Total accumulated depreciation	<u>14,531,242</u>	<u>1,164,180</u>	<u>(33,430)</u>	<u>15,661,992</u>
Total capital assets, being depreciated, net	<u>42,453,156</u>	<u>(628,544)</u>	<u>-</u>	<u>41,824,612</u>
Governmental activities capital assets, net	<u>\$ 42,812,203</u>	<u>\$ (628,544)</u>	<u>\$ (224,416)</u>	<u>\$ 41,959,243</u>

Construction in progress as of August 31, 2015 includes \$34,586 paid by the District for architect fees pertaining to the possible renovation of the Bulldog Stadium Football Field. Management is currently in the process of evaluating the possible options and costs of various projects at the football stadium; however, at the date of this report, no decisions have been made. As a result management has no estimate of the costs involved or a completion date for any potential projects at the football stadium.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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	\$ 686,003
Instructional Resources and Media Services	16,066
Curriculum and Instruction Staff Development	25,053
Instructional Leadership	5,113
School Leadership	56,098
Guidance, Counseling and Evaluation Services	52,472
Social Work Services	948
Health Services	12,654
Student (Pupil) Transportation	29,390
Food Services	57,839
Extracurricular Activities	57,212
General Administration	40,099
Facilities Maintenance and Operations	101,997
Security and Monitoring Services	359
Data Processing Services	22,391
Community Services	<u>486</u>
 Total Depreciation Expense	 \$ <u><u>1,164,180</u></u>

G. Bonds Payable

At August 31, 2015, the District had bonds payable as described below:

In a previous year, the District issued \$19,465,000 of Unlimited Tax School Building Bonds, Series 2006 (the "Series 2006 Bonds"). Proceeds from the sale of the bonds were used to (1) construct, renovate, and equip school buildings and to purchase school buses, and (2) to pay the costs associated with the sale of the bonds. The bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied on all taxable property within the District. Interest on the bonds is payable semi-annually on February 15th and August 15th of each year, and range at rates from 4% to 5.05%. The first principal payment on the bonds was due February 15, 2007. The bonds' final maturity date is February 15, 2036. A portion of the Series 2006 Bonds were refunded during the prior year, and additional amounts were refunded during the current year, as discussed below. The outstanding balance of the Series 2006 Bonds as of August 31, 2015 was \$465,000.

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

G. Bonds Payable (continued)

The Series 2007 Bonds consist of two types of bonds, \$20,010,000 of current interest bonds, and \$339,996 of capital appreciation bonds. The current interest bonds bear interest at rates from 3.82% 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 Series 2007 capital appreciation bonds had been paid in full by the District as of August 31, 2010. The outstanding balance of the Series 2007 Bonds as of August 31, 2015 was \$9,155,000.

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

The net proceeds from the issuance of the Series 2013 Bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2006 Bonds have been refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the Series 2006 Bonds redeemed have been removed from the District's government-wide financial statements. The amount of defeased bonds outstanding as of August 31, 2015 was \$8,580,000.

The Series 2013 Bonds consist of two types of bonds, \$8,035,000 of current interest bonds, and \$544,992 of capital appreciation bonds. The current interest bonds bear interest at rates from 3.00% to 4.00%, and have maturity dates from February 15, 2018 through February 15, 2036. The capital appreciation bonds have maturity dates ranging from August 15, 2013 through February 15, 2029, and unlike most bonds which pay interest semi-annually over the life of the bond, the capital appreciation bonds do not pay interest until maturity.

The Series 2013 Bonds were issued at a premium of \$1,361,285, net of an underwriter's discount of \$70,494. This net premium of \$1,290,791 is being amortized over the life of the Series 2013 bonds using the effective interest method. Current year amortization of the net premium was \$68,569.

The District follows the reporting guidance of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") for the reporting of the Series 2013 Bonds. Under GASB 65, since the Series 2013 Bonds are considered to be an in-substance defeasance of the Series 2006 Bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the District's case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the Series 2006 bonds using the effective interest method. The reacquisition price of the Series 2006 Bonds was \$9,759,725 and the net carrying value was \$8,580,000, which resulted in a deferred outflow of resources of \$1,179,725. The current year's amortization of the deferred outflow of resources was \$112,973. The outstanding balances of the Series 2013 Bonds as of August 31, 2015 were \$8,035,000 for the current interest bonds and \$215,813 for the capital appreciation bonds.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

G. Bonds Payable (continued)

On May 1, 2014, the District issued \$6,889,997 of Unlimited Tax Refunding Bonds Series 2014 (the "Series 2014 Bonds") to advance refund \$6,890,000 of the Series 2006 Bonds in order to achieve debt service savings. The Series 2006 Bond maturities that were refunded were the 2017 through 2028 maturities, with interest rates ranging from 4.25% to 5.0%.

The net proceeds from the issuance of the 2014 Bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2006 Bonds have been refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the Series 2006 Bonds redeemed have been removed from the District's government-wide financial statements. The amount of defeased bonds outstanding as of August 31, 2015 was \$6,890,000.

The Series 2014 Bonds consist of two types of bonds, \$6,655,000 of current interest bonds, and \$234,997 of capital appreciation bonds. The current interest bonds bear interest at rates from 2.00% to 3.25%, and have maturity dates from August 15, 2014 through February 15, 2028. The capital appreciation bonds have a maturity date of February 15, 2017, and unlike most bonds which pay interest semi-annually over the life of the bond, the capital appreciation bonds do not pay interest until maturity.

The Series 2014 Bonds were issued at a premium of \$730,303, net of an underwriter's discount of \$50,140. This net premium of \$680,163 is being amortized over the life of the Series 2014 bonds using the effective interest method. Current year amortization of the net premium was \$79,741.

The District follows the reporting guidance of GASB 65 for the reporting of the Series 2014 Bonds. Under GASB 65, since the Series 2014 Bonds are considered to be an in-substance defeasance of the Series 2006 Bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the District's case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the Series 2006 Bonds using the effective interest method. The reacquisition price of the Series 2006 Bonds was \$7,474,330 and the net carrying value was \$6,890,000, which resulted in a deferred outflow of resources of \$584,330. The current year's amortization of the deferred outflow of resources was \$292,165. The outstanding balances of the Series 2014 Bonds as of August 31, 2015 were \$6,485,000 for the current interest bonds and \$234,997 for the capital appreciation bonds.

On March 25, 2015, the District issued \$8,790,000 of Unlimited Tax Refunding Bonds Series 2015 (the "Series 2015 Bonds") to advance refund \$9,065,000 of the Series 2007 Bonds in order to achieve debt service savings. The 2007 Series Bond maturities that were refunded were the 2025 through 2036 maturities, with interest rates ranging from 4.50% to 4.70%. The net proceeds from the issuance of the Series 2015 Bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2007 Bonds have been refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the Series 2007 Bonds redeemed have been removed from the District's government-wide financial statements. The amount of defeased bonds outstanding are to be redeemed on February 15, 2017. The Series 2015 Bonds were issued as serial bonds maturing on August 15 in the years 2025 through 2036.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

G. Bonds Payable (continued)

The Series 2015 Bonds bear interest at rates from 3.00% to 4.00%. The Series 2015 Bonds were issued at a premium of \$1,186,455, net of an underwriter's discount of \$63,257. This net premium of \$1,123,198 is being amortized over the life of the Series 2015 Bonds using the effective interest method. Current year amortization of the net premium was \$27,354. The outstanding balance of the Series 2015 Bonds as of August 31, 2015 was \$8,720,000.

The District follows the reporting guidance of GASB 65 for the reporting of the Series 2015 Bonds. Under GASB 65, since the Series 2015 Bonds are considered to be an in-substance defeasance of the Series 2007 Bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the District's case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the Series 2007 Bonds using the effective interest method. The reacquisition price of the Series 2007 Bonds was \$9,802,570 and the net carrying value was \$9,065,000, which resulted in a deferred outflow of resources of \$737,570. The current year's amortization of the deferred outflow of resources was \$17,962.

Bond indebtedness of the District is reflected in the government-wide statement of net position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the bond indenture. The District's administrators believe that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

G. Bonds Payable (continued)

A summary of changes in bonds payable for the year ended August 31, 2015 is as follows:

<u>Bonds Payable</u>	<u>Bond Issue Date</u>	<u>Interest Rate Payable</u>	<u>Interest Paid Current Year</u>	<u>Payable/ Amounts Outstanding 09/01/14</u>	<u>Additions</u>	<u>Retired/ Refunded</u>	<u>Payable/ Amounts Outstanding 08/31/15</u>	<u>Due Within One Year</u>
Unlimited Tax School Building Bonds, Series 2006 (original amount of \$19,465,000)	August 2006	4.00% to 5.05%	\$ 29,219	\$ 910,000	\$ -	\$ 445,000	\$ 465,000	\$ 465,000
Unlimited Tax School Building Bonds, Series 2007 (original amount of \$20,349,996)	June 2007	3.82% to 4.70%	624,471	18,605,000	-	9,450,000	9,155,000	400,000
Unlimited Tax School Refunding Bonds, Series 2013 Current Interest & Term Bonds (original amount of \$8,035,000)	May 2013	3.00% to 4.00%	281,150	8,035,000	-	-	8,035,000	-
Unlimited Tax School Refunding Bonds, Series 2013 Capital Appreciation Bonds (original amount of \$544,992)	May 2013	0.62% to 3.25%	25,592	290,221	-	74,408	215,813	62,128
Unlimited Tax School Refunding Bonds, Series 2014 Current Interest & Term Bonds (original amount of \$6,655,000)	May 2014	2.00% to 3.00%	194,887	6,545,000	-	60,000	6,485,000	65,000
Unlimited Tax School Refunding Bonds, Series 2014 Capital Appreciation Bonds (original amount of \$234,997)	May 2014	0.47% to 0.90%	-	234,997	-	-	234,997	-
Unlimited Tax School Refunding Bonds, Series 2015 Current Interest & Term Bonds (original amount of \$8,790,000)	March 2015	3.00% to 4.00%	134,906	-	8,790,000	70,000	8,720,000	-
Total Bonds Payable			<u>\$ 1,290,225</u>	<u>\$ 34,620,218</u>	<u>\$ 8,790,000</u>	<u>\$ 10,099,408</u>	<u>\$ 33,310,810</u>	<u>\$ 992,128</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

G. Bonds Payable (continued)

	<u>Balance 09/01/14</u>	<u>Additions</u>	<u>Current Year Reductions/ Amortization</u>	<u>Balance 08/31/15</u>
Unamortized premium on bond issuance	\$ 1,875,786	\$ 1,123,198	\$ (175,664)	\$ 2,823,320
Unamortized deferred charge on bond issuance	\$ 1,302,312	\$ 737,570	\$ (423,100)	\$ 1,616,782
Accumulated accreted interest on capital appreciation bonds	\$ 85,042	\$ 150,368	\$ (25,592)	\$ 209,818

Debt service requirements for bonds payable are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 992,128	\$ 1,266,884	\$ 2,259,012
2017	706,871	1,555,210	2,262,081
2018	1,065,000	1,175,314	2,240,314
2019	1,100,000	1,137,887	2,237,887
2020	1,145,000	1,098,684	2,243,684
2021-2025	6,365,000	4,849,450	11,214,450
2026-2030	6,121,811	5,207,296	11,329,107
2031-2035	9,130,000	2,349,187	11,479,187
2036-2038	6,685,000	473,369	7,158,369
Total	<u>\$ 33,310,810</u>	<u>\$ 19,113,281</u>	<u>\$ 52,424,091</u>

H. Operating Leases

The District leases copy machines under various non-cancelable operating leases. Total costs for such leases were \$175,377 for the year ended August 31, 2015. The future minimum lease payments for these leases are as follows:

<u>Year ending August 31,</u>	<u>Amount</u>
2016	\$ 173,095
2017	173,095
2018	28,849
	<u>\$ 375,039</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

I. Unearned Revenues

Unearned revenues as of August 31, 2015 in the Fund Financial Statements consisted of the following:

	General Fund	Nonmajor Special Revenue Funds	Total
Season football tickets	\$ 4,736	\$ -	\$ 4,736
ESEA, Title I, Part C Migratory Children	-	123	123
National school lunch & breakfast program	-	15,759	15,759
Reading recovery program	-	641	641
Totals	\$ 4,736	\$ 16,523	\$ 21,259

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.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

J. Fund Balance (continued)

4. Assigned – The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by majority vote in a publicly scheduled meeting. The Board of Trustees has delegated the authority to make assignments of fund balance amounts to the District's Superintendent or his designee.

5. Unassigned – The unassigned fund balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

The District's governmental funds as of August 31, 2015 are reported as follows:

	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total</u>
Nonspendable:				
Inventories	\$ 142,750	\$ 34,147	\$ -	\$ 176,897
Prepaid expenses	4,394	-	-	4,394
Restricted:				
Federal & State grant restrictions:				
National school breakfast & lunch program	-	293,698	-	293,698
Summer feeding program	-	18,297	-	18,297
SSA - School health & related services program	-	157,961	-	157,961
SSA - Special education	-	912,428	-	912,428
SEP Bus purchase program	249,350	-	-	249,350
Retirement of long-term debt	-	-	595,900	595,900
Committed:				
Campus activity funds	-	91,520	-	91,520
SHARS Special Education	-	150,256	-	150,256
Assigned:				
Construction	1,100,000	-	-	1,100,000
Unassigned	4,113,914	-	-	4,113,914
Total fund balances	<u>\$ 5,610,408</u>	<u>\$ 1,658,307</u>	<u>\$ 595,900</u>	<u>\$ 7,864,615</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

K. Defined Benefit Pension Plan

Plan Description - The District participates in a cost sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. The Texas Legislature established benefits and contributions within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code Title 8 Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position - Detailed information about the TRS's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014:

Net Pension Liability	
Total pension liability	\$ 159,496,075,886
Less: Plan fiduciary net position	(132,779,243,085)
Net pension liability	\$ 26,716,832,801
Net position as a percentage of total pension liability	83.25%

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

K. Defined Benefit Pension Plan (continued)

Contributions - Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates and Amounts

	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Borger ISD 2014 Employer Contributions	\$	235,494
Borger ISD 2014 Member Contributions	\$	992,085
Borger ISD 2014 NECE On-behalf Contributions	\$	827,123

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

K. Defined Benefit Pension Plan (continued)

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions - The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2014
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5 year market value
Discount rate	8.00%
Long term expected investment rate of return*	8.00%
Salary increases*	4.25 to 7.25%
Weighted average at valuation date	5.55%
Payroll growth rate	3.50%

* Includes inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

K. Defined Benefit Pension Plan (continued)

Discount Rate - The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.00%	1.40%
Non-U.S. Developed	13%	7.30%	1.10%
Emerging Markets	9%	8.10%	0.90%
Directional Hedge Funds	4%	5.40%	0.20%
Private Equity	13%	9.20%	1.40%
Stable Value			
U.S. Treasuries	11%	2.90%	0.30%
Absolute Return	0%	4.00%	0.00%
Stable Value Hedge Funds	4%	5.20%	0.20%
Cash	1%	2.00%	0.00%
Real Return			
Global Inflation Linked Bonds	3%	3.10%	0.00%
Real Assets	16%	7.30%	1.50%
Energy and Natural Resources	3%	8.80%	0.30%
Commodities	0%	3.40%	0.00%
Risk Parity			
Risk Parity	5%	8.90%	0.40%
Alpha			1.00%
Total	100%		8.70%

* Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

K. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 4,433,648	\$ 2,481,141	\$ 1,021,030
	\$ 4,433,648	\$ 2,481,141	\$ 1,021,030

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of resources Related to Pensions - At August 31, 2014, the District reported a liability of \$2,481,141 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,481,141
State's proportionate share that is associated with the District	8,733,062
Total	\$ 11,214,203

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0092887%. Since this is the first year of implementation the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

K. Defined Benefit Pension Plan (continued)

For the year ended August 31, 2014, the District recognized pension expense of \$807,355 and revenue of \$807,355 for support provided by the State.

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 38,372	\$ -
Changes in actuarial assumptions	161,277	-
Difference between projected and actual investment earnings	-	758,338
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	650
Contributions paid to TRS subsequent to the measurement date	-	-
Total	<u>\$ 199,649</u>	<u>\$ 758,988</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2015	\$ (156,014)
2016	(156,014)
2017	(156,014)
2018	(156,014)
2019	33,571
Thereafter	31,146
	<u>\$ (559,339)</u>

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$ 199,649	\$ 758,988
Contributions made subsequent to the Measurement Date	451,019	-
Reported by the District as of August 31, 2015	<u>\$ 650,668</u>	<u>\$ 758,988</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

L. Retiree Health Plan

Plan Description – The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the TRS. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the TRS at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013:

Contribution Rates and Amounts						
Fiscal Year	Active Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 102,727	1.00%	\$ 158,041	0.55%	\$ 86,922
2014	0.65%	100,758	1.00%	155,015	0.55%	85,258
2013	0.65%	98,188	0.50%	78,256	0.55%	83,082

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, 2015, 2014, and 2013 were \$46,065, \$40,135, and \$39,940, respectively.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

N. Cafeteria Plan

During the year ended August 31, 2015, 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, 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, 2015, revenues from local and intermediate sources in the Governmental Fund Financial Statements consisted of the following:

	<u>General Fund</u>	<u>Nonmajor Debt Service Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total</u>
Property taxes	\$ 6,118,365	\$ 1,669,688	\$ -	\$ 7,788,053
Penalties, interest	128,415	30,502	-	158,917
Tuition and fees	13,000	-	-	13,000
Investment income	8,707	1,329	8	10,044
Food sales	-	-	420,260	420,260
Gifts and bequests	47,022	-	27,054	74,076
Extracurricular student activities	74,412	-	5,060	79,472
Shared service arrangements	-	-	1,096,496	1,096,496
Campus fund activities	-	-	90,523	90,523
Other	385,792	1,319	3,415	390,526
Totals	<u>\$ 6,775,713</u>	<u>\$ 1,702,838</u>	<u>\$ 1,642,816</u>	<u>\$ 10,121,367</u>

P. Litigation and Contingencies

At August 31, 2015, 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, 2015 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.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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. The SSA is commonly known as the Hutchinson, Armstrong and Carson (“HAC”) Special Education SSA.

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	\$ 517,362
Sanford-Fritch Independent School District	200,342
Panhandle Independent School District	137,363
Claude Independent School District	79,130
White Deer Independent School District	89,536
Groom Independent School District	29,525
Plemons-Stinnett-Phillips Independent School District	137,993
Pringle Morse Independent School District	19,286
Spring Creek Independent School District	18,870
	<u>\$ 1,229,407</u>

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	\$ 11,689
Sanford-Fritch Independent School District	7,193
Panhandle Independent School District	7,644
Claude Independent School District	4,943
White Deer Independent School District	4,498
Plemons-Stinnett-Phillips Independent School District	4,498
Pringle Morse Independent School District	448
	<u>\$ 40,913</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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 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	\$ 142,706
Sanford-Fritch Independent School District	69,145
Panhandle Independent School District	27,592
Plemons-Stinnett-Phillips Independent School District	40,283
	<u>\$ 279,726</u>

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	\$ 519,191
Sanford-Fritch Independent School District	186,952
Panhandle Independent School District	105,264
Claude Independent School District	76,207
White Deer Independent School District	38,158
Groom Independent School District	21,820
Plemons-Stinnett-Phillips Independent School District	121,601
Pringle Morse Independent School District	21,820
Spring Creek Independent School District	5,483
	<u>\$ 1,096,496</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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, 2015, the remaining estimated District bond arbitrage liability related to the Unlimited Tax School Building Bonds, Series 2006 in the amount of \$528.

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, if any, will be made by the end of fiscal year 2016.

S. Unemployment Compensation Pool

During the year ended August 31, 2015, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Board's 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. For the year ended August 31, 2015, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contribution.

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, 2014, which is the most current report provided to the public, are available on the TASB Risk Management Fund website 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, 2015**

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

T. Auto, Liability, and Property Programs

During the year ended August 31, 2015, the District participated in the TASB Risk Management Fund (the "Fund") programs: Auto Liability, Auto Physical Damage, General Liability, Legal Liability, 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 its Auto, Liability and Property Programs. 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, 2015, 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, 2014, which is the most current report provided to the public, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

U. Workers Compensation Aggregate Deductible

During the year ended August 31, 2015, the District met its statutory worker's compensation obligations through participation in 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. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory worker's compensation benefits to its members' injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not reported. For the Fund's year ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

U. Workers Compensation Aggregate Deductible (continued)

The following is a summary of the District's aggregate deductible amount and the estimated outstanding loss and allocated loss adjustment expense (ALAE) as of August 31, 2015:

Fiscal Year Ended	District's aggregate deductible	Estimated total paid loss & ALAE at 8/31/15	Selected ultimate loss & ALAE	District net retained outstanding loss & ALAE at 8/31/15
8/31/2013	\$ 59,731	\$ 7,281	\$ 13,031	\$ 5,750
8/31/2014	48,247	6,669	13,838	7,169
8/31/2015	46,075	30,839	46,075	15,236
Totals		\$ 44,789	\$ 72,944	\$ 28,155

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, which is the most current report provided to the public, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

V. Self-Insured Workers' Compensation Program

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

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Funds audited financial statements as of August 31, 2014, are available on the TASB Risk Management Fund website 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, 2015**

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

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

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

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

Fiscal Year Ended	Beginning of fiscal year liability	Current year claims and claims incurred but not reported	Changes in estimated claims liability from the claims administrator	Claims payments during fiscal year	End of fiscal year liability
8/31/1993	\$ -	\$ -	\$ 2,483	\$ (729)	\$ 1,754
8/31/1999	-	-	2,059	-	2,059
8/31/2002	-	-	7,394	-	7,394
8/31/2003	37,157	-	(27,339)	-	9,818
8/31/2004	26,855	-	16,566	(1,967)	41,454
8/31/2005	3,826	-	(911)	-	2,915
8/31/2006	7,282	-	(2,954)	-	4,328
8/31/2007	17,258	-	(17,258)	-	-
8/31/2008	16,287	-	(15,308)	-	979
8/31/2009	13,314	-	(3,009)	-	10,305
8/31/2010	27,758	-	(24,816)	-	2,942
8/31/2011	32,603	-	(29,832)	-	2,771
8/31/2012	39,153	-	(36,982)	-	2,171
Totals	\$ 221,493	\$ -	\$ (129,907)	\$ (2,696)	\$ 88,890

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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, 2015, were approximately \$20,763.

X. Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement 27* (“GASB 68”). GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB 68 became effective for the District’s fiscal year ended August 31, 2015. The most significant impact GASB 68 had on the District’s financial statements was to restate beginning net position by decreasing it \$2,811,142 to record the District’s proportionate share of the net pension liability associated with the District’s participation in the Teachers Retirement System (TRS) of Texas. TRS is a cost sharing plan, therefore, the District is required to recognize their proportionate share of collective balances in the calculation of the net pension liability, pension expense, the deferred outflow of resources, and the deferred inflow of resources.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (“GASB 71”). The objective of GASB 71 is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. GASB 71 will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68 in the accrual basis financial statement of employers and non-employer contributing entities. GASB 71 became effective for the District’s fiscal year ended August 31, 2015. GASB 71 requires that the District adjust the restatement of the beginning net position and the associated deferred inflows and outflows for payments made to TRS after the measurement date.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

X. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application* (GASB 72). This statement addresses accounting and financial reporting issues related to fair value measurement and provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability an inter-period equity and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of these statements on the District's financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

X. Impact of Recently Issued Accounting Pronouncements (continued)

Recently Issued Accounting Pronouncements (continued)

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

Y. HAC Special Education SSA Risk Management

Workers' Compensation Pool

During the year ended August 31, 2014, the SSA met its statutory workers' compensation obligations through participation in 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. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code.

All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2014, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and/or Property Programs

During the year ended August 31, 2015, the SSA participated in the following TASB Risk Management Fund (the Fund) programs: General Liability and Legal Liability.

The Fund was created and is operated under the provision 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.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

Y. HAC Special Education SSA Risk Management (continued)

Auto, Liability, and/or Property Programs (continued)

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. 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, 2015, the Fund anticipates that HAC Special Ed SSA has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2013, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Z. Prior Period Adjustment

During fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Reporting for Pensions* (GASB 68). With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment was a decrease to the beginning of year net position in the amount of \$2,811,142. The restated beginning net position for governmental activities is \$12,582,417.

AA. Subsequent Events

Management has evaluated subsequent events through December 10, 2015, which is the date on which the financial statements were issued. The following items occurred subsequent to the year ended August 31, 2015 that the District's management believes is significant enough to warrant disclosure in the notes to the financial statements:

- In September 2015 the District purchased two 77 passenger school buses for a total cost of \$205,178. Funds used for the purchase were reported in the other restricted fund balance category for the General Fund on the governmental funds balance sheet as of August 31, 2015.
- In October 2015 the District purchased land and an existing building for a total amount of \$478,231 including closing costs that the District has the intention of remodeling to be used to house District administrative and other offices in the future. The District is currently in the process of estimating the projected cost and completion date of this project, but at the time the financial statements were available to be issued this had yet to be completed.
- In November 2015, the District entered into a commitment to purchase an activity bus in the amount of \$173,211. The activity bus is anticipated to be delivered to the District in either July or August of 2016.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

BB. Excess Fund Balance in the District’s Food Service Program

The District accounts for the activities of its food service programs in fund 240 for the National School Breakfast and Lunch Program and in fund 242 for the Summer Feeding Program. These funds reported a combined fund balance of \$327,845 as of August 31, 2015 as reported on the governmental funds balance sheet. The District’s management identified this fund balance as being excessive as discussed below.

The food service program is regulated by the Texas Department of Agriculture (“TDA”). The TDA publishes various guidelines regarding the administration of the program. Section 14, of the TDA’s *Financial Information Concerning School Nutrition Funds* states that a fund balance that exceeds three months of operating expenses is considered to be excessive. In part, this policy was developed to maintain the nonprofit status required for the food service programs. If an excessive balance occurs, the contracting entity must immediately take steps to reduce the balance or have an acceptable plan for using surplus revenues. Since program funds must be used only for program purposes, an excess balance must be reduced by improving the quality of food served or purchasing needed supplies, services, or equipment. The plan must be submitted to the Texas Department of Agriculture for approval and must provide the following descriptions:

- An explanation of how the entity will reduce the fund balance to an allowable level, including specific details that fully account for spending down the excess.
- An explanation that the required reduction in fund balance will be accomplished within a school year.
- An explanation of how the entity will ensure that an excess fund balance will not re-occur.

The District submitted the required plan for reducing excessive operating food service fund balance to the TDA. The TDA approved the District’s plan on May 27, 2015. Among other items, the District submitted the following expenditure plan to spend the excess fund balance during the end of fiscal year 2015 or by the end of fiscal year 2016, which the TDA approved. The District will also attempt to more closely monitor the food service activities in the future to try to keep from accumulating excessive funds. The following are estimated costs to complete the corrective action plan approved by the TDA:

Small wares for all campuses	Summer, 2015	\$	2,000
Combination oven for Borger Middle School	Summer, 2015		22,000
Reach-in freezer for Borger High School	FYE 2016		5,000
Serving line for the Paul Belton Campus	FYE 2016		40,000
		\$	69,000

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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,555,235	\$ 6,781,581	\$ 6,775,713	\$ (5,868)
5800	State Program Revenues	13,560,413	13,560,413	13,446,585	(113,828)
5900	Federal Program Revenues	18,000	18,000	18,544	544
5020	Total Revenues	20,133,648	20,359,994	20,240,842	(119,152)
EXPENDITURES:					
Current:					
0011	Instruction	11,724,331	11,754,331	11,735,858	18,473
0012	Instructional Resources and Media Services	362,471	332,471	294,884	37,587
0013	Curriculum and Instructional Staff Development	395,031	395,031	380,208	14,823
0021	Instructional Leadership	98,837	98,837	92,126	6,711
0023	School Leadership	1,136,871	1,136,871	1,107,250	29,621
0031	Guidance, Counseling and Evaluation Services	406,989	406,989	380,371	26,618
0032	Social Work Services	19,103	19,103	19,025	78
0033	Health Services	254,357	254,357	253,994	363
0034	Student (Pupil) Transportation	640,366	866,712	589,906	276,806
0036	Extracurricular Activities	1,129,427	1,076,903	1,143,446	(66,543)
0041	General Administration	844,775	844,775	799,866	44,909
0051	Facilities Maintenance and Operations	2,031,794	2,031,794	2,025,134	6,660
0052	Security and Monitoring Services	8,352	8,352	7,200	1,152
0053	Data Processing Services	493,468	493,468	449,424	44,044
0061	Community Services	9,940	9,940	9,755	185
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	39,265	(39,265)
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	466,667	519,191	519,191	-
0099	Other Intergovernmental Charges	110,869	110,869	110,308	561
6030	Total Expenditures	20,133,648	20,359,994	19,957,211	402,783
1100	Excess of Revenues Over Expenditures	-	-	283,631	283,631
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	510	510
1200	Net Change in Fund Balances	-	-	284,141	284,141
0100	Fund Balance - September 1 (Beginning)	5,326,267	5,326,267	5,326,267	-
3000	Fund Balance - August 31 (Ending)	\$ 5,326,267	\$ 5,326,267	\$ 5,610,408	\$ 284,141

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0092887%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,481,141
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,733,062
Total	\$ 11,214,203
District's Covered-Employee Payroll	\$ 15,501,327
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	16.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BORGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2015

EXHIBIT G-3

	2015
Contractually Required Contribution	\$ 451,019
Contribution in Relation to the Contractually Required Contribution	(451,019)
	\$ -0-
Contribution Deficiency (Excess)	\$ -0-
District's Covered-Employee Payroll	\$ 15,804,061
Contributions as a Percentage of Covered-Employee Payroll	2.85%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015**

Changes of Benefit Terms:

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions:

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

OTHER SUPPLEMENTARY INFORMATION

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110	\$ -	\$ -	\$ -	\$ -
1220	-	-	-	-
1230	-	-	-	-
1240	29,010	-	25,764	-
1260	-	123	26,925	-
1290	-	-	-	-
1300	-	-	-	-
1000	<u>\$ 29,010</u>	<u>\$ 123</u>	<u>\$ 52,689</u>	<u>\$ -</u>
LIABILITIES				
2110	\$ -	\$ -	\$ 29	\$ -
2160	29,010	-	25,735	-
2170	-	-	-	-
2180	-	-	26,925	-
2190	-	-	-	-
2300	-	123	-	-
2400	-	-	-	-
2000	<u>29,010</u>	<u>123</u>	<u>52,689</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601	-	-	-	-
2600	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
3480	-	-	-	-
Committed Fund Balance:				
3545	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 29,010</u>	<u>\$ 123</u>	<u>\$ 52,689</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	288 Reading Recovery Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	20,415	-	-	-	-	-	-
-	299,353	18,297	-	-	-	-	641
-	-	-	-	-	-	-	-
-	34,147	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 353,915</u>	<u>\$ 18,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	10,311	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	15,759	-	-	-	-	-	641
-	-	-	-	-	-	-	-
-	26,070	-	-	-	-	-	641
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	34,147	-	-	-	-	-	-
-	293,698	18,297	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>327,845</u>	<u>18,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 353,915</u>	<u>\$ 18,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641</u>

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	289 SHARS Special Education	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	379 SSA SHARS Medicaid
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Receivables from Other Governments	-	-	-
1260	Due from Other Funds	150,256	-	137,413
1290	Other Receivables	-	-	20,548
1300	Inventories	-	-	-
1000	Total Assets	<u>\$ 150,256</u>	<u>\$ -</u>	<u>\$ 157,961</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	-	-	-
2180	Due to Other Governments	-	-	-
2190	Due to Student Groups	-	-	-
2300	Unearned Revenues	-	-	-
2400	Payable from Restricted Assets	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	157,961
3480	Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	150,256	-	-
3000	Total Fund Balances	<u>150,256</u>	<u>-</u>	<u>157,961</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 150,256</u>	<u>\$ -</u>	<u>\$ 157,961</u>

410 Instructional Materials Allotment	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 617,624	\$ 617,624
-	-	-	-	139,339	139,339
-	-	-	-	(59,916)	(59,916)
12,224	-	-	87,413	19,745	107,158
-	966,521	96,820	1,696,349	-	1,696,349
-	-	-	20,548	-	20,548
-	-	-	34,147	-	34,147
<u>\$ 12,224</u>	<u>\$ 966,521</u>	<u>\$ 96,820</u>	<u>\$ 1,838,457</u>	<u>\$ 716,792</u>	<u>\$ 2,555,249</u>
\$ 1,332	\$ 206	\$ 30	\$ 1,597	\$ -	\$ 1,597
-	53,887	-	118,943	-	118,943
10,892	-	-	10,892	-	10,892
-	-	-	26,925	40,941	67,866
-	-	5,270	5,270	-	5,270
-	-	-	16,523	-	16,523
-	-	-	-	528	528
<u>12,224</u>	<u>54,093</u>	<u>5,300</u>	<u>180,150</u>	<u>41,469</u>	<u>221,619</u>
-	-	-	-	79,423	79,423
-	-	-	-	79,423	79,423
-	-	-	34,147	-	34,147
-	912,428	-	1,382,384	-	1,382,384
-	-	-	-	595,900	595,900
-	-	91,520	241,776	-	241,776
-	912,428	91,520	1,658,307	595,900	2,254,207
<u>\$ 12,224</u>	<u>\$ 966,521</u>	<u>\$ 96,820</u>	<u>\$ 1,838,457</u>	<u>\$ 716,792</u>	<u>\$ 2,555,249</u>

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	481,713	349	517,182	10,795
5020 Total Revenues	<u>481,713</u>	<u>349</u>	<u>517,182</u>	<u>10,795</u>
EXPENDITURES:				
Current:				
0011 Instruction	481,713	349	517,182	10,795
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	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>481,713</u>	<u>349</u>	<u>517,182</u>	<u>10,795</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	288 Reading Recovery Grant
\$ -	\$ 422,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	6,348	-	-	-	-	-	-
26,433	721,563	31,149	29,801	120,561	22,851	52,238	6,184
26,433	1,150,097	31,149	29,801	120,561	22,851	52,238	6,184
26,433	-	-	29,801	120,561	22,851	52,238	6,184
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,135,086	25,832	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
26,433	1,135,086	25,832	29,801	120,561	22,851	52,238	6,184
-	15,011	5,317	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	15,011	5,317	-	-	-	-	-
-	312,834	12,980	-	-	-	-	-
\$ -	\$ 327,845	\$ 18,297	\$ -	\$ -	\$ -	\$ -	\$ -

BORGER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	289 SHARS Special Education	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	379 SSA SHARS Medicaid
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	3,941	-	-	-
5900 Federal Program Revenues	143,813	1,229,407	40,913	336,820
5020 Total Revenues	<u>147,754</u>	<u>1,229,407</u>	<u>40,913</u>	<u>336,820</u>
EXPENDITURES:				
Current:				
0011 Instruction	118,190	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	10,507
0023 School Leadership	18,737	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	24,184	-	-	-
0051 Facilities Maintenance and Operations	18,513	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	1,229,407	40,913	279,726
6030 Total Expenditures	<u>179,624</u>	<u>1,229,407</u>	<u>40,913</u>	<u>290,233</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,870)</u>	<u>-</u>	<u>-</u>	<u>46,587</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(31,870)	-	-	46,587
0100 Fund Balance - September 1 (Beginning)	<u>182,126</u>	<u>-</u>	<u>-</u>	<u>111,374</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 150,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,961</u>

410 Instructional Materials Allotment	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,097,983	\$ 122,647	\$ 1,642,816	\$ 1,702,838	\$ 3,345,654
237,111	47,726	-	295,126	639,547	934,673
-	-	-	3,771,772	-	3,771,772
<u>237,111</u>	<u>1,145,709</u>	<u>122,647</u>	<u>5,709,714</u>	<u>2,342,385</u>	<u>8,052,099</u>
237,111	347,877	62,110	2,033,395	-	2,033,395
-	-	27,590	27,590	-	27,590
-	122,653	-	122,653	-	122,653
-	-	-	10,507	-	10,507
-	-	-	18,737	-	18,737
-	672,834	-	672,834	-	672,834
-	-	-	1,160,918	-	1,160,918
-	-	4,890	4,890	-	4,890
-	8,969	-	33,153	-	33,153
-	3,600	-	22,113	-	22,113
-	-	-	-	1,034,408	1,034,408
-	-	-	-	1,281,829	1,281,829
-	-	-	-	117,489	117,489
-	-	-	1,550,046	-	1,550,046
<u>237,111</u>	<u>1,155,933</u>	<u>94,590</u>	<u>5,656,836</u>	<u>2,433,726</u>	<u>8,090,562</u>
-	(10,224)	28,057	52,878	(91,341)	(38,463)
-	-	-	-	8,790,000	8,790,000
-	-	-	-	1,123,198	1,123,198
-	-	-	-	(9,802,570)	(9,802,570)
-	-	-	-	110,628	110,628
-	(10,224)	28,057	52,878	19,287	72,165
-	922,652	63,463	1,605,429	576,613	2,182,042
<u>\$ -</u>	<u>\$ 912,428</u>	<u>\$ 91,520</u>	<u>\$ 1,658,307</u>	<u>\$ 595,900</u>	<u>\$ 2,254,207</u>

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2015

	801 Baron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J&R Scott Scholarship Fund
ASSETS				
Cash and Cash Equivalents	\$ 3	\$ 1,140	\$ 1,399	\$ 3,662
Total Assets	<u>3</u>	<u>1,140</u>	<u>1,399</u>	<u>3,662</u>
NET POSITION				
Restricted for Scholarships	<u>3</u>	<u>1,140</u>	<u>1,399</u>	<u>3,662</u>
Total Net Position	<u>\$ 3</u>	<u>\$ 1,140</u>	<u>\$ 1,399</u>	<u>\$ 3,662</u>

805 Angela Tyson Scholarship	807 Dr. Argovitz Scholarship Fund	Total Private Purpose Trust Funds
\$ 500	\$ 1,500	\$ 8,204
<u>500</u>	<u>1,500</u>	<u>8,204</u>
500	1,500	8,204
<u>\$ 500</u>	<u>\$ 1,500</u>	<u>\$ 8,204</u>

BORGER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	801 Baron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J&R Scott Scholarship Fund
ADDITIONS:				
Local and Intermediate Sources	\$ 2,300	\$ 1,000	\$ -	\$ 1
Total Additions	<u>2,300</u>	<u>1,000</u>	<u>-</u>	<u>1</u>
DEDUCTIONS:				
Other Operating Costs	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	1,000	-	1
Total Net Position - September 1 (Beginning)	<u>3</u>	<u>140</u>	<u>1,399</u>	<u>3,661</u>
Total Net Position - August 31 (Ending)	<u>\$ 3</u>	<u>\$ 1,140</u>	<u>\$ 1,399</u>	<u>\$ 3,662</u>

805 Angela Tyson Scholarship	807 Dr. Argovitz Scholarship Fund	Total Private Purpose Trust Funds
\$ 500	\$ -	\$ 3,801
<u>500</u>	<u>-</u>	<u>3,801</u>
-	-	2,300
<u>-</u>	<u>-</u>	<u>2,300</u>
500	-	1,501
<u>-</u>	<u>1,500</u>	<u>6,703</u>
<u>\$ 500</u>	<u>\$ 1,500</u>	<u>\$ 8,204</u>

REQUIRED TEA SCHEDULES

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.370000	0.295000	441,907,667
2008	1.040000	0.278700	466,478,515
2009	1.040000	0.281470	506,038,043
2010	1.040000	0.282750	540,121,400
2011	1.040000	0.287070	546,173,060
2012	1.040000	0.318200	540,717,180
2013	1.040000	0.293900	554,164,070
2014	1.040000	0.288900	578,006,773
2015 (School year under audit)	1.040000	0.283900	591,086,335
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 63,694	\$ -	\$ 6,197	\$ -	\$ (10,690)	\$ 46,807
26,317	-	1,703	367	(1,484)	22,763
29,666	-	3,983	1,109	(2,217)	22,357
42,370	-	7,188	2,013	(2,648)	30,521
57,320	-	10,604	2,884	(4,000)	39,832
79,142	-	15,243	4,207	(6,236)	53,456
98,109	-	19,997	6,118	(4,113)	67,881
122,658	-	22,082	6,240	(3,415)	90,921
202,219	-	62,631	17,398	(7,739)	114,451
-	7,817,649	5,968,737	1,629,352	(18,917)	200,643
<u>\$ 721,495</u>	<u>\$ 7,817,649</u>	<u>\$ 6,118,365</u>	<u>\$ 1,669,688</u>	<u>\$ (61,459)</u>	<u>\$ 689,632</u>

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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 636,902	\$ 636,902	\$ 422,186	\$ (214,716)
5800	State Program Revenues	8,100	8,100	6,348	(1,752)
5900	Federal Program Revenues	599,487	599,487	721,563	122,076
5020	Total Revenues	1,244,489	1,244,489	1,150,097	(94,392)
EXPENDITURES:					
0035	Food Services	1,244,489	1,244,489	1,135,086	109,403
6030	Total Expenditures	1,244,489	1,244,489	1,135,086	109,403
1200	Net Change in Fund Balances	-	-	15,011	15,011
0100	Fund Balance - September 1 (Beginning)	312,834	312,834	312,834	-
3000	Fund Balance - August 31 (Ending)	\$ 312,834	\$ 312,834	\$ 327,845	\$ 15,011

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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,697,526	\$ 1,697,526	\$ 1,702,838	\$ 5,312
5800	State Program Revenues	636,930	636,930	639,547	2,617
5020	Total Revenues	2,334,456	2,334,456	2,342,385	7,929
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,034,408	1,034,408	1,034,408	-
0072	Interest on Long Term Debt	1,294,548	1,293,186	1,281,829	11,357
0073	Bond Issuance Cost and Fees	5,500	6,862	117,489	(110,627)
6030	Total Expenditures	2,334,456	2,334,456	2,433,726	(99,270)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(91,341)	(91,341)
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	8,790,000	8,790,000
7916	Premium or Discount on Issuance of Bonds	-	-	1,123,198	1,123,198
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(9,802,570)	(9,802,570)
7080	Total Other Financing Sources (Uses)	-	-	110,628	110,628
1200	Net Change in Fund Balances	-	-	19,287	19,287
0100	Fund Balance - September 1 (Beginning)	576,613	576,613	576,613	-
3000	Fund Balance - August 31 (Ending)	\$ 576,613	\$ 576,613	\$ 595,900	\$ 19,287

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



BROWN, GRAHAM & COMPANY
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CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District (the "District") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Board of Trustees
Borger Independent School District
Page two

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the District in a separate letter dated December 10, 2015.

Purpose of this Report

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

Brown Graham & Company, P.C.

Amarillo, Texas
December 10, 2015



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Borger Independent School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended August 31, 2015.

Report on Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Brown Graham & Company, P.C.

Amarillo, Texas
December 10, 2015

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015**

Section I: Summary of the Auditor's Results:

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified? _____ Yes X No

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

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

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

Internal control over major program compliance:

Are any material weaknesses identified? _____ Yes X No

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

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

Federal Awards:

Identification of major programs:

- 10.553 School Breakfast Program
- 10.555 National School Lunch Program – Cash Assistance
- 10.555 National School Lunch Program – Non-cash Assistance
- 10.559 Summer Feeding Program – Cash Assistance

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

The District did qualify as a low-risk Auditee under OMB Circular A-133.

See Note 5 on the Notes on Accounting Policies for Federal Awards pertaining to major program determination.

Section II: Financial Statement Findings

There were no material weaknesses, significant deficiencies, or instances of noncompliance required to be reported for the year ended August 31, 2015 for the District.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015**

There were no deficiencies, significant deficiencies, material weaknesses, findings or questioned costs reported in the prior year; consequently, there is nothing to report on this schedule.

**BORGER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015**

There were no deficiencies, significant deficiencies, material weaknesses, findings or questioned costs reported in the current year; consequently, no corrective action plan is required.

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
PASSED THROUGH TEXAS WOMEN'S UNIVERSITY			
<u>Direct Programs</u>			
TWU Reading Recovery Grant	84.396A	75-60002618	\$ 6,184
Total Direct Programs			\$ 6,184
TOTAL PASSED THROUGH TEXAS WOMEN'S UNIVERSITY			\$ 6,184
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	75-6000466	\$ 18,544
Total Direct Programs			\$ 18,544
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15-61010117901	\$ 452,703
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16-61010117901	29,010
Total CFDA Number 84.010A			481,713
ESEA, Title I, Part C - Migratory Children	84.011	15-615001188950	349
*IDEA - Part B, Formula	84.027	15-660001117901600	491,447
*IDEA - Part B, Formula	84.027	16-660001117901600	25,735
*SSA - IDEA - Part B, Formula	84.027	15-660001117901600	1,229,407
*IDEA - Part B, Discretionary	84.027	15-660006117901600	26,433
Total CFDA Number 84.027			1,773,022
*IDEA - Part B, Preschool	84.173	115-661001117901600	10,795
*SSA - IDEA - Part B, Preschool	84.173	15-661001117901600	40,913
Total CFDA Number 84.173			51,708
Total Special Education Cluster (IDEA)			1,824,730
Career and Technical - Basic Grant	84.048	15-420006117901	29,801
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	15-696001117901	52,238
Title III, Part A - English Language Acquisition	84.365A	15-671001117901	22,851
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15-694501117901	120,561
Total Passed Through State Department of Education			\$ 2,532,243
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,550,787
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	7141501	\$ 137,889
*National School Lunch Program - Cash Assistance	10.555	7131501	523,051
*National School Lunch Prog. - Non-Cash Assistance	10.555	7131501	60,623
Total CFDA Number 10.555			583,674
*Summer Feeding Program - Cash Assistance	10.559	TX - 1171003SR	31,149
Total Child Nutrition Cluster			752,712
Total Passed Through the State Department of Agriculture			\$ 752,712
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 752,712
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,309,683

*Clustered Programs

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015**

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
4. According to the Resource Guide, funds received from the School Health and Related Services (SHARS) program represent reimbursements to the District for school health based services which are not already provided to special education students enrolled in the Medicaid Program, and, consequently, these revenues in the amount of \$480,633 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. \$143,813 of the amount is reported in fund 289 and \$336,820 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.