

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

Brown, Graham & Company, P.C.
3232 Hobbs
Amarillo, Texas 79109
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**BORGER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011**

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
CERTIFICATE OF BOARD	1	
INDEPENDENT AUDITOR’S REPORT	2	
MANAGEMENT’S DISCUSSION AND ANALYSIS	5	
BASIC FINANCIAL STATEMENTS:		
GOVERNMENT-WIDE FINANCIAL STATEMENTS:		
Statement of Net Assets	12	A-1
Statement of Activities.....	13	B-1
FUND FINANCIAL STATEMENTS:		
Balance Sheet - Governmental Funds	15	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	17	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	18	C-4
Statement of Net Assets - Proprietary Funds	19	D-1
Statement of Revenues, Expenditures, and Changes in Fund Net Assets - Proprietary Funds	20	D-2
Statement of Cash Flows - Proprietary Funds.....	21	D-3
Statement of Fiduciary Net Assets - Fiduciary Funds.....	22	E-1
Statement of Changes in Fiduciary Fund Net Assets - Fiduciary Funds	23	E-2
NOTES TO FINANCIAL STATEMENTS	25	
REQUIRED SUPPLEMENTARY INFORMATION:		
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund.....	53	G-1
OTHER SUPPLEMENTARY INFORMATION:		
Combining Balance Sheet - Nonmajor Governmental Funds	55	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	61	H-2
Combining Statement of Net Assets – Private Purpose Trust Funds	67	H-3
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Private Purpose Trust Funds	69	H-4

**BORGER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011**

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED TEA SCHEDULES:		
Schedule of Delinquent Taxes Receivable.....	72	J-1
Schedule of Expenditures for Computations of Indirect Cost for 2012-2013 - General and Special Revenue Funds	74	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program	75	J-3
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund.....	76	J-4
 OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION:		
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78	
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	80	
Schedule of Findings, Responses, and Questioned Costs	82	
Schedule of Status of Prior Findings.....	88	
Corrective Action Plan.....	89	
Schedule of Expenditures of Federal Awards	90	K-1
Notes on Accounting Policies for Federal Awards	92	

CERTIFICATE OF BOARD

BORGER INDEPENDENT SCHOOL DISTRICT

Name of School District

HUTCHINSON

County

117901

Co-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved ___ disapproved for the twelve months ended August 31, 2011, at a meeting of the board of trustees of such school district on the 15th day of December, 2011.

David A. Brandon

Signature Board Secretary

Robert Bradley

Signature of Board President



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

3232 Hobbs • P.O. Box 9297 • 79105-9297
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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION INCLUDING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Borger Independent School District as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Trustees
Borger Independent School District
Page two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borger Independent School District's financial statements as a whole. The combining nonmajor funds financial statements and the combining private purpose trust funds financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The required Texas Education Agency ("TEA") schedules listed in the table of contents are likewise presented for purposes of additional analysis and are not a part of the basic financial statements. The combining nonmajor funds financial statements, the combining private purpose trust funds financial statements, the schedule of expenditures of federal awards, and the required TEA schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 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.

Brown, Holsam + Company, P.C.

Amarillo, Texas
December 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

BORGER INDEPENDENT SCHOOL DISTRICT

Chance Welch ~ Superintendent

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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, 2011. Please read it in conjunction with the independent auditor's report and the District's Financial Statements.

USING THIS ANNUAL REPORT

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

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

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

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

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The primary analysis of the District's overall financial condition and operations begins at Exhibit A-1. The purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities as of August 31, 2011, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the fiscal year ended August 31, 2011. These financial statements are prepared using the accrual basis of accounting which is the basis used by private sector companies.

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin at Exhibit C-1 and provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's 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 Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements. The financial statements for the governmental funds can be found on Exhibits C-1 through C-4.
- Proprietary funds – The District reports the activity for which it charges other users (other funds of the District) in a proprietary fund using the accrual basis of accounting, which is the same basis of accounting employed in the Statement of Net Assets and the Statement of Activities. The District's accounts for the activities of its self-insured workers compensation program in an internal service fund, which is a type of proprietary fund. The financial statements for the proprietary funds can be found on Exhibits D-1 through D-3.
- Fiduciary funds - The District uses fiduciary funds to account for the resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary funds use the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period when they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The financial statements for the fiduciary funds can be found on Exhibits E-1 and E-2.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities. Net assets of the District's governmental activities decreased from \$13,566,040 to \$12,568,423. This decrease in governmental net assets is primarily the result of prior period adjustments to correct various errors noted in the prior year's financial statements, as discussed in detail in the notes to the financial statements. Depreciation expense increased over the previous year in the amount of \$849,447. This increase in depreciation expense is attributable to the completion of various bond construction and renovation projects at all of the District's campuses during the year. The construction on these projects is totally complete, and the District began to depreciate these assets during the fiscal year ending August 31, 2011. The economic climate in the Texas Panhandle continues to follow the national economy and has slowed down considerably from the previous year. Property values in the District saw a increase from a total assessed value of \$540,121,400 up to \$546,173,060, or an increase of \$6,051,660. The tax rate increased from 1.32275 to 1.32707 per \$100 of valuation over the prior year. Overall property tax revenues increased \$55,747 from the prior year due to the higher tax rate and higher assessed values. The District's long term liabilities decreased \$260,016 from the prior year. Unrestricted net assets – the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$2,944,475 on August 31, 2011. In fiscal year 2011, the District's revenue in all Governmental Activities exceeded expenses by a total of \$990,830.

**TABLE I
NET ASSETS**

	Governmental Activities 2011	Governmental Activities 2010
Current and other assets	\$ 6,124,410	\$ 6,197,843
Capital assets	45,648,060	46,410,905
Total assets	<u>51,772,470</u>	<u>52,608,748</u>
Long-term liabilities	37,714,984	37,975,000
Other liabilities	1,489,063	1,067,708
Total liabilities	<u>39,204,047</u>	<u>39,042,708</u>
Net Assets:		
Invested in capital assets, net of related debt	8,606,371	8,742,944
Restricted	1,017,577	611,783
Unrestricted net assets	<u>2,944,475</u>	<u>4,211,313</u>
Total net assets	<u>\$ 12,568,423</u>	<u>\$ 13,566,040</u>

TABLE II
CHANGES IN NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
Revenues:		
Program Revenues:		
Charges for services	\$ 2,241,318	\$ 1,820,402
Operating grants and contributions	7,098,165	8,123,056
General Revenues:		
Maintenance and operation taxes	5,328,094	5,272,694
Debt service taxes	1,486,098	1,485,751
State aid - formula grants	12,153,650	11,103,157
Grants and contributions not restricted	-	1,207,182
Investment earnings	26,339	96,296
Sale of assets	2,549	-
Miscellaneous	82,333	136,680
Total revenues	<u>28,418,546</u>	<u>29,245,218</u>
Expenses:		
Instruction, curriculum and media services	15,053,691	15,343,701
Instructional and school leadership	1,010,785	1,043,730
Student support services	1,121,785	1,102,179
Transportation	655,057	732,750
Child nutrition	1,138,798	1,065,772
Extracurricular activities	1,038,752	1,116,194
General administration	693,033	764,642
Plant maintenance, security, and data processing	2,539,976	2,273,827
Community services	1,263	5,132
Debt service	1,744,164	2,246,705
Capital outlay	780	-
Payments related to shared service arrangements	2,332,352	3,291,960
Other intergovernmental charges	97,280	-
Total Expenses	<u>27,427,716</u>	<u>28,986,592</u>
Increase (decrease) in net assets	<u>990,830</u>	<u>258,626</u>
Net assets at beginning of year	13,566,040	13,339,344
Prior period adjustments	(1,988,447)	(31,930)
Net assets at end of year	<u>\$ 12,568,423</u>	<u>\$ 13,566,040</u>

The cost of all governmental activities this year was \$27,427,716 compared to \$28,986,592 last year. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$6,814,192. Some of the costs, \$2,241,318, 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 \$7,098,165, and the state equalization funding financed \$12,153,650.

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 \$3,264,409, which is a increase of \$387,778 from last year's total fund balance of \$2,876,631 as adjusted for various prior period adjustments made to correct various errors in the prior year's financial statement numbers and which are discussed in the notes to the financial statements. Outlay for capital acquisitions and construction costs for capital construction and renovation projects amounted to \$679,569 for the year. Included in this year's total change in fund balance is an increase of \$621,051 in the District's General Fund and a decrease of \$253,786 in the District's Debt Service Fund. The District's general fund revenues were approximately \$277,989 higher than in the prior year, while expenditures remained relatively the same from year to year. The General Fund had transfers in from other funds of \$73,689 this year, compared to \$360,936 of transfers out to other funds in the prior year, which is the major reason for the overall increase in the General Fund's fund balance from the prior year. The decrease in the Debt Service Fund is attributable to the District recording a \$254,776 payable for the arbitrage rebate due on the District's bonds payable, as further discussed in the notes to the financial statements.

The Board of Trustees revised the District's budget several times during the fiscal year. These amendments included minor adjustments among functions; to add to capital outlays made during the year, and to adjust local, state, and federal revenues. The amendments to the expenditures amounted to \$245,965, or 1.3% more than what was estimated in the originally adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had over \$45.6 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance, net of accumulated depreciation.

In May of 2006 the District's voters approved the issuance of \$39,814,996 in bonds, the proceeds of which were to be used for various renovation projects and construction of a new elementary construction. The bonds were sold in August 2006 and May 2007. All of the original bond proceeds have been spent as of August 31, 2011, the majority of which was used to construct the new Crockett and Gateway Elementary Schools, to renovate the District's other campuses, and to purchase buses.

Debt

At year-end, the District had \$37,285,000 in bonds outstanding versus \$37,990,000 last year – a decrease of \$705,000 or 1.9%. Final payment on the bonds will occur in fiscal year August 31, 2038. More information on the District's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2012 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 fluctuation 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 2010-2011 and is expected to continue for 2011-2012. The maintenance and operations tax rate remained the same at \$1.04, with the interest and sinking tax rate was increased to \$0.31820 up from last year's rate of \$0.287070 per \$100 valuation.

These indicators were taken into account when adopting the General Fund budget for 2012. Amounts available for appropriation in the General Fund are \$18,038,326, an increase of \$17,844 from the final 2011 budget of \$18,020,482. Property tax, state payments, and grant revenues account for 98% of the total revenue. The District will use its revenues to finance programs we currently offer. The District has not added any major new programs or initiatives to the 2012 budget. If these estimates are realized, the District's budgetary General Fund balance is expected to remain stable by the close of 2012. More importantly, however, this will have been accomplished in spite of unfunded mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,333,895
1220 Property Taxes Receivable (Delinquent)	790,067
1230 Allowance for Uncollectible Taxes	(339,729)
1240 Due from Other Governments	827,617
1290 Other Receivables, net	86,700
1300 Inventories	181,327
1410 Deferred Expenses	1,222
1420 Capitalized Bond and Other Debt Issuance Costs	243,311
Capital Assets:	
1510 Land	100,045
1520 Buildings, Net	44,625,368
1530 Furniture and Equipment, Net	278,130
1540 Vehicles, Net	644,517
1000 Total Assets	51,772,470
LIABILITIES	
2110 Accounts Payable	186,421
2140 Interest Payable	75,089
2150 Payroll Deductions & Withholdings	3,163
2160 Accrued Wages Payable	880,570
2177 Due to Fiduciary Funds	33,919
2180 Due to Other Governments	4,683
2190 Due to Student Groups	5,315
2300 Deferred Revenues	45,127
2400 Payable from Restricted Assets	254,776
Noncurrent Liabilities	
2501 Due Within One Year	735,000
2502 Due in More Than One Year	36,979,984
2000 Total Liabilities	39,204,047
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	8,606,371
3820 Restricted for Federal and State Programs	983,330
3850 Restricted for Debt Service	12,570
3860 Restricted for Capital Projects	21,677
3900 Unrestricted Net Assets	2,944,475
3000 Total Net Assets	\$ 12,568,423

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, 2011**

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	\$ 14,246,547	\$ 1,410,161	\$ 4,155,337	\$ (8,681,049)
12 Instructional Resources and Media Services	388,863	27,157	15,445	(346,261)
13 Curriculum and Staff Development	418,281	-	19,010	(399,271)
21 Instructional Leadership	53,846	-	34,298	(19,548)
23 School Leadership	956,939	-	41,927	(915,012)
31 Guidance, Counseling and Evaluation Services	841,441	-	40,893	(800,548)
32 Social Work Services	18,026	-	917	(17,109)
33 Health Services	262,318	-	13,003	(249,315)
34 Student (Pupil) Transportation	655,057	-	123,803	(531,254)
35 Food Services	1,138,798	410,949	705,160	(22,689)
36 Extracurricular Activities	1,038,752	103,262	76,498	(858,992)
41 General Administration	693,033	44,850	58,689	(589,494)
51 Facilities Maintenance and Operations	2,053,602	244,939	52,294	(1,756,369)
52 Security and Monitoring Services	6,021	-	-	(6,021)
53 Data Processing Services	480,353	-	10,407	(469,946)
61 Community Services	1,263	-	3,208	1,945
72 Debt Service - Interest on Long Term Debt	1,726,117	-	-	(1,726,117)
73 Debt Service - Bond Issuance Cost and Fees	18,047	-	-	(18,047)
81 Capital Outlay	780	-	-	(780)
93 Payments related to Shared Services Arrangements	2,332,352	-	1,747,276	(585,076)
99 Other Intergovernmental Charges	97,280	-	-	(97,280)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 27,427,716	\$ 2,241,318	\$ 7,098,165	(18,088,233)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	5,328,094
DT	Property Taxes, Levied for Debt Service	1,486,098
SF	State Aid - Formula Grants	12,153,650
IE	Investment Earnings	26,339
MI	Miscellaneous Local and Intermediate Revenue	82,333
SA	Sale of assets	2,549
TR	Total General Revenues & Transfers	19,079,063
CN	Change in Net Assets	990,830
NB	Net Assets--Beginning	13,566,040
PA	Prior Period Adjustment	(1,988,447)
NE	Net Assets--Ending	\$ 12,568,423

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, 2011

Data Control Codes	10 General Fund	Debt Service Fund	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 3,299,495	\$ 260,295	\$ 21,727	\$ 3,581,517
1220	Property Taxes - Delinquent	651,850	138,217	-	790,067
1230	Allowance for Uncollectible Taxes (Credit)	(280,296)	(59,433)	-	(339,729)
1240	Receivables from Other Governments	662,751	3,356	161,510	827,617
1260	Due from Other Funds	72,573	-	1,264,473	1,337,046
1290	Other Receivables	86,700	-	-	86,700
1300	Inventories	177,246	-	4,081	181,327
1410	Deferred Expenditures	1,180	-	42	1,222
1000	Total Assets	<u>\$ 4,671,499</u>	<u>\$ 342,435</u>	<u>\$ 1,451,833</u>	<u>\$ 6,465,767</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 127,795	\$ -	\$ 58,626	\$ 186,421
2150	Payroll Deductions and Withholdings Payable	3,163	-	-	3,163
2160	Accrued Wages Payable	750,224	-	130,346	880,570
2170	Due to Other Funds	1,267,269	-	103,696	1,370,965
2180	Due to Other Governments	-	-	4,683	4,683
2190	Due to Student Groups	45	-	5,270	5,315
2300	Deferred Revenues	371,554	78,784	45,127	495,465
2400	Payable from Restricted Assets	-	254,776	-	254,776
2000	Total Liabilities	<u>2,520,050</u>	<u>333,560</u>	<u>347,748</u>	<u>3,201,358</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	177,246	-	4,081	181,327
3430	Prepaid Items	1,180	-	42	1,222
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	979,249	979,249
3470	Capital Acquisition and Contractual Obligation	-	-	21,677	21,677
3480	Retirement of Long-Term Debt	-	8,875	-	8,875
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	99,036	99,036
3600	Unassigned Fund Balance	1,973,023	-	-	1,973,023
3000	Total Fund Balances	<u>2,151,449</u>	<u>8,875</u>	<u>1,104,085</u>	<u>3,264,409</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,671,499</u>	<u>\$ 342,435</u>	<u>\$ 1,451,833</u>	<u>\$ 6,465,767</u>

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

BORGER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$	3,264,409
1 The District uses an internal service fund to charge the costs of its self-insurance workers compensation program to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		322,394
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets as previously reported was \$57,829,362 and the accumulated depreciation was \$11,418,457. In addition, long-term liabilities, including bonds payable as previously reported in the amount of \$37,975,000, accrued interest on bonds in the amount of \$77,386, and unamortized bond issuance costs in the amount of \$303,813, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		8,662,332
3 Current year capital outlays in the amount of \$679,569 and long-term debt principal payments in the amount of \$705,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase net assets.		1,384,569
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,145,823)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		437,788
6 Prior period adjustments were needed to correct various errors noted in previously reported amounts. The details of the prior period adjustments are discussed in Note II.W in the Notes to the Financial Statements. The net effect of the prior period adjustments was to decrease net assets.		(357,246)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>12,568,423</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, 2011

Data Control Codes	10 General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,963,819	\$ 1,488,750	\$ 1,834,940	\$ 9,287,509
5800 State Program Revenues	11,883,440	947,502	228,555	13,059,497
5900 Federal Program Revenues	13,115	-	6,027,139	6,040,254
5020 Total Revenues	<u>17,860,374</u>	<u>2,436,252</u>	<u>8,090,634</u>	<u>28,387,260</u>
EXPENDITURES:				
Current:				
0011 Instruction	9,515,795	-	4,104,006	13,619,801
0012 Instructional Resources and Media Services	341,205	-	30,254	371,459
0013 Curriculum and Instructional Staff Development	288,560	-	110,586	399,146
0021 Instructional Leadership	16,946	-	34,298	51,244
0023 School Leadership	915,365	-	-	915,365
0031 Guidance, Counseling and Evaluation Services	331,477	-	472,348	803,825
0032 Social Work Services	17,243	-	-	17,243
0033 Health Services	250,901	-	-	250,901
0034 Student (Pupil) Transportation	717,143	-	-	717,143
0035 Food Services	-	-	1,108,716	1,108,716
0036 Extracurricular Activities	976,075	-	21,163	997,238
0041 General Administration	641,129	-	20,835	661,964
0051 Facilities Maintenance and Operations	2,177,173	-	-	2,177,173
0052 Security and Monitoring Services	5,730	-	-	5,730
0053 Data Processing Services	464,959	-	-	464,959
0061 Community Services	1,209	-	-	1,209
Debt Service:				
0071 Principal on Long Term Debt	-	705,000	-	705,000
0072 Interest on Long Term Debt	-	1,981,838	-	1,981,838
0073 Bond Issuance Cost and Fees	-	3,200	-	3,200
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	319,245	319,245
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	557,371	-	1,774,981	2,332,352
0099 Other Intergovernmental Charges	97,280	-	-	97,280
6030 Total Expenditures	<u>17,315,561</u>	<u>2,690,038</u>	<u>7,996,432</u>	<u>28,002,031</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>544,813</u>	<u>(253,786)</u>	<u>94,202</u>	<u>385,229</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	2,549	-	-	2,549
7915 Transfers In	73,689	-	-	73,689
8911 Transfers Out (Use)	-	-	(73,689)	(73,689)
7080 Total Other Financing Sources (Uses)	<u>76,238</u>	<u>-</u>	<u>(73,689)</u>	<u>2,549</u>
1200 Net Change in Fund Balances	621,051	(253,786)	20,513	387,778
0100 Fund Balance - September 1 (Beginning)	2,671,098	262,661	1,146,171	4,079,930
1300 Prior Period Adjustments	(1,140,700)	-	(62,599)	(1,203,299)
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,151,449</u>	<u>\$ 8,875</u>	<u>\$ 1,104,085</u>	<u>\$ 3,264,409</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	387,778
The District uses an internal service fund to charge the costs of its self-insured workers compensation program to appropriate functions in other funds. The net income of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase net assets.		97,786
Current year capital outlays in the amount of \$679,569 and long-term debt principal payments in the amount of \$705,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase net assets.		1,384,569
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,145,823)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		266,520
Change in Net Assets of Governmental Activities	\$	990,830

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

BORGER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 AUGUST 31, 2011

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 752,378
Total Assets	<u>752,378</u>
LIABILITIES	
Noncurrent Liabilities:	
Other Long-Term Debt - Due in More than One Year	429,984
Total Noncurrent Liabilities	<u>429,984</u>
Total Liabilities	<u>429,984</u>
NET ASSETS	
Unrestricted Net Assets	<u>322,394</u>
Total Net Assets	<u><u>\$ 322,394</u></u>

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 152,520
Total Operating Revenues	152,520
OPERATING EXPENSES:	
Professional and Contracted Services	57,824
Total Operating Expenses	57,824
Operating Income	94,696
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	3,090
Total Nonoperating Revenues (Expenses)	3,090
Change in Net Assets	97,786
Total Net Assets - September 1 (Beginning)	652,511
Prior Period Adjustments	(427,903)
Total Net Assets - August 31 (Ending)	\$ 322,394

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 152,520
Cash Payments for Insurance Claims	(55,743)
Net Cash Provided by Operating Activities	96,777
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	3,090
Net Increase in Cash and Cash Equivalents	99,867
Cash and Cash Equivalents at Beginning of the Year:	652,511
Cash and Cash Equivalents at the End of the Year:	\$ 752,378
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income:	\$ 94,696
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Insurance Claims Payable	2,081
Net Cash Provided by Operating Activities	\$ 96,777

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

BORGER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 AUGUST 31, 2011

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 7,868	\$ 55,553
Due from Other Funds	2,796	31,123
Total Assets	10,664	\$ 86,676
LIABILITIES		
Due to Student Groups	-	\$ 86,676
Total Liabilities	-	\$ 86,676
NET ASSETS		
Restricted for Scholarships	10,664	
Total Net Assets	\$ 10,664	

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

BORGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 3,213
Total Additions	<u>3,213</u>
DEDUCTIONS:	
Other Operating Costs	<u>2,300</u>
Total Deductions	<u>2,300</u>
Change in Net Assets	913
Total Net Assets - September 1 (Beginning)	-
Prior Period Adjustments	<u>9,751</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 10,664</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

I. Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

I. Summary of Significant Accounting Policies (continued):

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

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

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

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

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

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

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

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

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

I. Summary of Significant Accounting Policies (continued):

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

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

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

Governmental Funds:

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

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

Proprietary Funds:

The Internal Service Fund – Revenues and expenses related to services provided to other funds within the District on a cost reimbursement basis are accounted for in Internal Service Fund. The District's Internal Service Fund is used to account for the District's self-insured workers compensation program.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

I. Summary of Significant Accounting Policies (continued):

D. Fund Accounting (continued)

Fiduciary Funds:

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

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

E. Budgetary Data

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

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

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

I. Summary of Significant Accounting Policies (continued):

E. Budgetary Data (continued)

5. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
6. As noted on Exhibit G-1 on page 53, the District had one negative variance in Function 99 compared to the final amended budget for the year. This variance was due to the fact that the District reclassified tax appraisal costs out of Function 41 and into Function 99 in accordance with TEA's Resource Guide; however, the District had not amended its budget to reflect the reclassification of the tax appraisal costs to the correct functional category. Overall, the District's expenditures did not exceed the amended budget. As noted on Exhibit J-4 on page 76, the District had two negative variances when compared to the budget, and the total actual expenditures exceeded the total overall budget for this fund. The majority of the variance is due to the arbitrage liability that was recorded during the year, as discussed further in Note II. R below. The remainder of the variance was due to higher bond related fees than were expected. The District attempts to monitor its expenditures as closely as possible; however, variances can and do occur from time to time due to timing differences, accruals, etc. Management is aware of the variances and will more closely monitor the budget in the future in order to try and avoid negative budget variances.

F. Other Accounting Policies

1. The Data Control Codes refer to the account code structure prescribed by TEA's Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a State-wide data base for policy development and funding plans.
2. The District records purchases of supplies as expenditures. If a material amount of supplies is on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount. At August 31, 2011, the amount of supplies on hand is \$181,327.
3. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
4. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
5. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

6. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Outlays for construction projects and improvements are capitalized and depreciated as projects are completed.

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

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

7. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. If material, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.
8. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenditures of the District as a whole.
9. For purposes of the statement of cash flows for the internal service fund, the District considers highly liquid investments to be cash and cash equivalents if they have a maturity of three months or less when purchased.
10. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating revenues of the District are charges to other funds for workers compensation. Operating expenses are workers compensation claims and fees. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

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

Invested in Capital Assets, Net of Related Debt:

Land	\$ 100,045
Buildings, net	44,625,368
Furniture and equipment, net	278,130
Vehicles, net	644,517
Unamortized bond issuance costs	243,311
Bonds payable	(37,285,000)
Invested in capital assets, net of related debt	<u>\$ 8,606,371</u>

Restricted for Debt Service:

Cash and cash equivalents	\$ 260,295
Property taxes receivable, net	78,784
Due from other governments	3,356
Accrued interest payable	(75,089)
Arbitrage payable	(254,776)
Net assets restricted for debt service	<u>\$ 12,570</u>

Restricted for Federal and State Programs:

Cash and cash equivalents	\$ 50
Due from general fund	1,107,343
Due from other governments	28,316
Inventories	4,081
Accounts payable	(56,258)
Accrued expenses	(70,674)
Deferred revenue	(29,528)
Net assets restricted for federal and state programs	<u>\$ 983,330</u>

Restricted for Capital Projects:

Cash and cash equivalents	<u>\$ 21,677</u>
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**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

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

- a. **Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and pledged securities.
- b. **Interest-rate Risk - Interest rate risk** arises from investments in debt instruments and is defined as “the risk that changes in interest rates will adversely affect the fair value of an investment.” The District has a policy of investing in investment pools and certificates of deposit and, consequently, has no substantial interest-rate risk.
- c. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investments include interest bearing accounts that are covered by depository insurance and pledged securities. Investments in the TexSTAR investment pool are on demand investments with 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, 2011**

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

A. Deposits and Investments (continued)

As of August 31, 2011, the District's investments in accounts other than interest bearing accounts at the District's depository bank consisted of the following:

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

B. Property Taxes

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

C. Delinquent Taxes Receivable

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

D. Interfund Balances and Transfers

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

Transfers were used to move revenues from the Technology Allotment Fund, which is a Special Revenue Fund, to the General Fund. This was done because in the prior year the General Fund was used to fund technology related expenditures prior to the District's receipt of funds from the State to finance their purchase, and in the current year when the funds were received from the State, they were used to reimburse the General Fund for these purchases.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

D. Interfund Balances and Transfers (continued)

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

Due to General Fund from:		
Nonmajor Special Revenue Funds	\$	72,573
Due to Nonmajor Special Revenue Funds from:		
General Fund	\$	1,264,473
Due to Private Purpose Trust Funds from:		
General Fund	\$	2,796
Due to Agency Fund from:		
Nonmajor Special Revenue Funds	\$	31,123

Transfers between funds for the year ended August 31, 2011 consisted of the following:

Transfers to General Fund from:		
Nonmajor Special Revenue Funds	\$	73,689

E. Disaggregation of Receivables and Payables

Receivables in the Fund Financial Statements at August 31, 2011, were as follows:

	Property Taxes	Due from Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 651,850	\$ 662,751	\$ 72,573	\$ 86,700	\$ 1,473,874
Debt Service Fund	138,217	3,356	-	-	141,573
Non-major Governmental Funds	-	161,510	1,264,473	-	1,425,983
Total - Governmental Activities	\$ 790,067	\$ 827,617	\$ 1,337,046	\$ 86,700	\$ 3,041,430
Amounts not scheduled for collection during the subsequent year	\$ 339,729	\$ -	\$ -	\$ -	\$ 339,729

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

E. Disaggregation of Receivables and Payables (continued)

Payables in the Fund Financial Statements at August 31, 2011, 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	\$ 127,795	\$ 753,387	\$ 1,267,269	\$ -	\$ 45	\$ -	\$ 2,148,496
Debt Service Fund	-	-	-	-	-	254,776	254,776
Non-major Governmental Funds	<u>58,626</u>	<u>130,346</u>	<u>103,696</u>	<u>4,683</u>	<u>5,270</u>	<u>-</u>	<u>302,621</u>
Total - Governmental Activities	<u>\$ 186,421</u>	<u>\$ 883,733</u>	<u>\$ 1,370,965</u>	<u>\$ 4,683</u>	<u>\$ 5,315</u>	<u>\$ 254,776</u>	<u>\$ 2,705,893</u>

F. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2011, was as follows:

	<u>Balance 09/01/10</u>	<u>Additions</u>	<u>Retirements & Reclassi- fications</u>	<u>Prior Period Adjustments</u>	<u>Balance 08/31/11</u>
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 100,045	\$ -	\$ -	\$ -	\$ 100,045
Construction in Progress	<u>4,721,203</u>	<u>318,465</u>	<u>(5,039,668)</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,821,248</u>	<u>318,465</u>	<u>(5,039,668)</u>	<u>-</u>	<u>100,045</u>
Capital assets, being depreciated					
Buildings and improvements	49,170,121	234,600	5,011,301	424,455	54,840,477
Furniture and equipment	1,567,797	30,872	28,367	(736,046)	890,990
Vehicles	<u>2,270,196</u>	<u>95,632</u>	<u>(76,720)</u>	<u>-</u>	<u>2,289,108</u>
Total capital assets being depreciated	<u>53,008,114</u>	<u>361,104</u>	<u>4,962,948</u>	<u>(311,591)</u>	<u>58,020,575</u>
Less: accumulated depreciation for:					
Buildings and improvements	9,210,269	1,004,840	-	-	10,215,109
Furniture and equipment	601,358	26,502	-	(15,000)	612,860
Vehicles	<u>1,606,830</u>	<u>114,481</u>	<u>(76,720)</u>	<u>-</u>	<u>1,644,591</u>
Total accumulated depreciation	<u>11,418,457</u>	<u>1,145,823</u>	<u>(76,720)</u>	<u>(15,000)</u>	<u>12,472,560</u>
Total capital assts, being depreciated, net	<u>41,589,657</u>	<u>(784,719)</u>	<u>5,039,668</u>	<u>(296,591)</u>	<u>45,548,015</u>
Governmental activities capital assets, net	<u>\$ 46,410,905</u>	<u>\$ (466,254)</u>	<u>\$ -</u>	<u>\$ (296,591)</u>	<u>\$ 45,648,060</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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	\$ 691,655
Instructional Resources and Media Services	18,864
Curriculum and Instruction Staff Development	20,270
Instructional Leadership	2,602
School Leadership	46,485
Guidance, Counseling and Evaluation Services	40,821
Social Work Services	876
Health Services	12,742
Student (Pupil) Transportation	36,419
Food Services	56,304
Extracurricular Activities	50,643
General Administration	33,617
Facilities Maintenance and Operations	110,563
Security and Monitoring Services	291
Data Processing Services	23,612
Community Services	<u>59</u>
Total Depreciation Expense	<u><u>\$ 1,145,823</u></u>

G. Bonds Payable

At August 31, 2011, the District had bonds payable as described below:

In a previous year, the District issued \$19,465,000 of Unlimited Tax School Building Bonds, Series 2006. Proceeds from the sale of the bonds were used to (1) construct, renovate, and equip school buildings and to purchase school buses, and (2) to pay the costs associated with the sale of the bonds. The bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied on all taxable property within the District. Interest on the bonds is payable semi-annually on February 15th and August 15th of each year, and range at rates from 4% to 5%. The first principal payment on the bonds was due February 15, 2007. The bonds' final maturity date is February 15, 2036. The bonds were issued at a cost to the District of \$155,000, which is being amortized over the life of the bonds using the effective interest rate method.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

G. Bonds Payable (continued)

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

The Series 2007 Bonds consist of two types of bonds, \$20,010,000 of current interest bonds, and \$339,996 of capital appreciation bonds. The current interest bonds bear interest at rates from 4.00% to 4.70%, and have maturity dates from February 15, 2011 through February 15, 2038. The capital appreciation bonds had maturity dates of August 15, 2008 through August 15, 2010, and unlike most bonds which pay interest semi-annually over the life of the bond, the capital appreciation bonds do not pay interest until maturity. All capital appreciation bonds had been paid in full by the District as of August 31, 2010. The Series 2007 Bonds were issued at a cost to the District of \$163,393, which is being amortized over the life of the bonds using the effective interest rate method.

Bond indebtedness of the District is reflected in the government-wide Statement of Net Assets, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the bond indenture. The District's administrators believe that the District is in compliance with all significant limitations and restrictions at August 31, 2011.

A summary of changes in bonds payable for the year ended August 31, 2011 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 09/01/10</u>	<u>Additions</u>	<u>Retired/ Amortized</u>	<u>Payable/ Amounts Outstanding 08/31/11</u>
Unlimited Tax School Building Bonds, Series 2006 (original amount of \$19,465,000)	8/17/2006	4.00% to 5.00%	\$ 836,062	\$ 17,980,000	\$ -	\$ 375,000	\$ 17,605,000
Unlimited Tax School Building Bonds, Series 2007 (original amount of \$20,349,996)	6/5/2007	4.00% to 4.70%	<u>890,999</u>	<u>20,010,000</u>	<u>-</u>	<u>330,000</u>	<u>19,680,000</u>
Total Bonds Payable			<u>\$ 1,727,061</u>	<u>\$ 37,990,000</u>	<u>\$ -</u>	<u>\$ 705,000</u>	<u>\$ 37,285,000</u>
			<u>Balance 09/01/10</u>	<u>Additions</u>	<u>Prior Period Adjustment</u>	<u>Current Year Amortization</u>	<u>Balance 08/31/11</u>
Net unamortized bond issuance costs			<u>\$ 303,813</u>	<u>\$ -</u>	<u>\$ (45,655)</u>	<u>\$ (14,847)</u>	<u>\$ 243,311</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

G. Bonds Payable (continued)

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

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 735,000	\$ 1,698,261	\$ 2,433,261
2013	765,000	1,667,749	2,432,749
2014	800,000	1,635,405	2,435,405
2015	830,000	1,601,718	2,431,718
2016	865,000	1,566,680	2,431,680
2017-2021	4,920,000	7,245,726	12,165,726
2022-2026	6,135,000	6,037,765	12,172,765
2027-2031	7,735,000	4,435,758	12,170,758
2032-2036	9,850,000	2,319,385	12,169,385
2037-2038	4,650,000	217,605	4,867,605
Total	\$ 37,285,000	\$ 28,426,052	\$ 65,711,052

H. Operating Leases

The District leases copy machines under various non-cancelable operating leases. Total costs for such leases were \$132,159 for the year ended August 31, 2011. The future minimum lease payments for these leases are as follows:

<u>Year ending August 31,</u>	<u>Amount</u>
2012	\$ 138,884
2013	138,884
2014	101,466
	<u>\$ 379,234</u>

I. Deferred Revenues

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 371,554	\$ 78,784	\$ -	\$ 450,338
National school lunch & breakfast program	-	-	29,528	29,528
SSA - IDEA Part B, Formula	-	-	15,599	15,599
Totals	<u>\$ 371,554</u>	<u>\$ 78,784</u>	<u>\$ 45,127</u>	<u>\$ 495,465</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

J. Fund Balance

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

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

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

J. Fund Balance (continued)

The District's governmental funds as of August 31, 2011 are reported as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
Nonspendable:				
Inventories	\$ 177,246	\$ -	\$ 4,081	\$ 181,327
Prepaid expenses	1,180	-	42	1,222
Restricted:				
Federal & State grant restrictions:				
National school breakfast & lunch program	-	-	228,516	228,516
Summer feeding program	-	-	34,278	34,278
School health & related services program	-	-	182,926	182,926
SSA - School health & related services program	-	-	43,969	43,969
SSA - Special education	-	-	488,742	488,742
Other State funded programs	-	-	818	818
Capital acquisition & contractual obligations	-	-	21,677	21,677
Retirement of long-term debt	-	8,875	-	8,875
Committed:				
Campus activity funds	-	-	99,036	99,036
Assigned:				
None	-	-	-	-
Unassigned	1,973,023	-	-	1,973,023
Total fund balances	<u>\$ 2,151,449</u>	<u>\$ 8,875</u>	<u>\$ 1,104,085</u>	<u>\$ 3,264,409</u>

K. Defined Benefit Pension Plan

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

K. Defined Benefit Pension Plan (continued)

Funding Policy – Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2010 and 2009 were \$780,977, \$783,648, and \$977,838, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010 and 2009 in the amount of \$105,516, \$143,209, and \$135,017, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$154,956, \$155,524, and \$152,268, respectively; the active member contributions were \$100,717, \$101,091, and \$98,974, respectively; and the District's contributions were \$85,226, \$85,538, and \$83,747, respectively, which equaled the required contributions each year.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

M. Medicare Part D – On-Behalf Payments

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended August 31, 2011, 2010, and 2009 were \$40,075, \$40,173, and \$36,603, respectively.

N. Cafeteria Plan

During the year ended August 31, 2011, the District offered a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code to all full-time employees. Under the cafeteria plan participants designate a portion of their salary to be contributed to the cafeteria plan to pay for selected unreimbursed expenses. Eligible unreimbursed expenses include medical expenses, child and dependent care costs, term life insurance costs, health insurance costs, cancer insurance cost and dental expenses. By contributing to the cafeteria plan, employees can receive certain income tax benefits.

O. Revenues from Local and Intermediate Sources

During the year ended August 31, 2011, revenues from local and intermediate sources in the Governmental Fund Financial Statements consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 5,306,446	\$ 1,464,308	\$ -	\$ 6,770,754
Penalties, interest	79,746	20,378	-	100,124
Tuition and fees	25,310	-	-	25,310
Investment income	18,049	4,064	-	22,113
Food sales	-	-	409,449	409,449
Gifts and bequests	152,064	-	-	152,064
Extracurricular student activities	91,964	-	-	91,964
Insurance recovery	239,922	-	-	239,922
Shared service arrangements	-	-	1,189,439	1,189,439
Campus fund activities	-	-	226,307	226,307
Other	50,318	-	9,745	60,063
Totals	<u>\$ 5,963,819</u>	<u>\$ 1,488,750</u>	<u>\$ 1,834,940</u>	<u>\$ 9,287,509</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2011**

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

P. Litigation and Contingencies

At August 31, 2011, 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, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Q. Joint Venture - Shared Service Arrangements

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

Borger Independent School District	\$ 537,814
Sanford-Fritch Independent School District	209,805
Panhandle Independent School District	145,481
Claude Independent School District	76,184
White Deer Independent School District	93,024
Groom Independent School District	30,911
Plemons-Stinnett-Phillips Independent School District	141,562
Pringle Morse Independent School District	18,827
Spring Creek Independent School District	20,296
	<u>\$ 1,273,904</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

Q. Joint Venture - Shared Service Arrangements (continued)

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

Borger Independent School District	\$ 13,705
Sanford-Fritch Independent School District	8,062
Panhandle Independent School District	8,463
Claude Independent School District	5,428
White Deer Independent School District	4,977
Groom Independent School District	55
Plemons-Stinnett-Phillips Independent School District	5,077
Pringle Morse Independent School District	527
Spring Creek Independent School District	45
	<u>\$ 46,339</u>

The District is the fiscal agent for an SSA which provides school-based health services which are provided to special education students enrolled in the Medicaid Program. In addition to the District, the other participating members are Sanford-Fritch ISD, Panhandle ISD, Claude ISD, White Deer 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	\$ 200,917
Sanford-Fritch Independent School District	89,924
Panhandle Independent School District	82,361
Claude Independent School District	13,649
White Deer Independent School District	14,675
Plemons-Stinnett-Phillips Independent School District	53,212
	<u>\$ 454,738</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

Q. Joint Venture - Shared Service Arrangements (continued)

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

Borger Independent School District	\$ 557,371
Sanford-Fritch Independent School District	181,746
Panhandle Independent School District	109,071
Claude Independent School District	71,010
White Deer Independent School District	69,225
Groom Independent School District	24,265
Plemons-Stinnett-Phillips Independent School District	142,019
Pringle Morse Independent School District	17,366
Spring Creek Independent School District	17,366
	<u>\$ 1,189,439</u>

R. Claims and Judgments - Arbitrage

As discussed in Note II G, the District issued the Unlimited Tax School Building Bonds, Series 2006 and Series 2007 during previous years to renovate various facilities within the District, to construct new elementary schools, and to purchase school buses. The bond proceeds were invested to earn interest until the capital expenditures could be made. Under the current federal United States Tax Code, earnings on these invested funds are subject to the arbitrage provisions. Essentially, the arbitrage provisions stipulate that earnings received on temporarily invested proceeds from tax-exempt debt in excess of the interest rates on the bonds must be rebated to the United States Government. Federal law requires that the arbitrage must be calculated and rebated at the end of each five year period that the tax-exempt debt is outstanding. This provision would end when all of the proceeds from the tax-exempt debt have been spent and are no longer invested in higher yielding investments. The District's financial advisor for the bonds, First Southwest Company, has calculated the amount of arbitrage due on the bond issuances. As of August 31, 2011, the District bond arbitrage liability was as follows:

Total Rebatable Arbitrage:	
Unlimited Tax School Building Bonds, Series, 2006	\$ 118,367
Unlimited Tax School Building Bonds, Series, 2007	136,409
Total estimated arbitrage rebate payable	<u>\$ 254,776</u>

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

R. Claims and Judgments – Arbitrage (continued)

The District remitted its first payment on the arbitrage payable to the United State Treasury in November 2011 in the amount of \$106,531. The District is anticipating that the balance due on the arbitrage payable will be made in fiscal year 2013.

S. Unemployment Compensation Pool

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Board's (TASB) Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

T. Liability Program

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

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

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Liability Program. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2011, 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, 2010, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

U. Self-Insured Workers' Compensation Program

During the year ended August 31, 2011, the District met its statutory worker's compensation obligations through participation in the TASB Risk Management Fund. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory worker's compensation benefits to its members and their injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2010, the Fund carries a discounted reserve of \$73,157,884 for future development on reported claims and claims that have been incurred but not reported. For the year ended August 31, 2010, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles. The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin

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

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

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

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

Fiscal Year Ended	Beginning of fiscal year liability	Current year claims and claims incurred but not reported	Changes in estimated claims liability from the claims administrator	Claims payments during fiscal year	End of fiscal year liability
8/31/1992	\$ 1,672	\$ -	\$ (1)	\$ -	\$ 1,671
8/31/1993	6,540	-	(3)	-	6,537
8/31/1994	1,113	-	4	-	1,117
8/31/1995	2,761	-	8	-	2,769
8/31/1996	3,812	-	(983)	-	2,829
8/31/1997	2,646	-	(976)	-	1,670
8/31/1998	2,962	-	(982)	-	1,980
8/31/1999	9,962	-	52	(1,972)	8,042
8/31/2000	7,718	-	(973)	-	6,745
8/31/2001	16,207	-	43	-	16,250
8/31/2002	45,817	-	(4,613)	(1,811)	39,393
8/31/2003	49,052	-	19,658	(3,592)	65,118
8/31/2004	25,870	-	115	(2,196)	23,789
8/31/2005	18,526	-	(4,798)	-	13,728
8/31/2006	20,363	-	185	(1,129)	19,419
8/31/2007	41,095	-	(23,964)	-	17,131
8/31/2008	39,868	-	312	-	40,180
8/31/2009	59,329	-	2,570	(10,483)	51,416
8/31/2010	72,590	-	(19,924)	(2,995)	49,671
8/31/2011	-	67,208	-	(6,679)	60,529
Totals	\$ 427,903	\$ 67,208	\$ (34,270)	\$ (30,857)	\$ 429,984

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

V. 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, 2011, were approximately \$16,027.

W. Prior Period Adjustments

During the conduct of the financial audit for the fiscal year ending August 31, 2011, it was noted that various financial statement amounts from previous years had been incorrectly reported. Specifically, the following errors were noted on the fund financial statements for the period ending August 31, 2010:

- The receivable from the TEA for State Foundation revenue, as well as the related revenue account were overstated by \$619,472.
- Accounts payable as of August 31, 2010, and the related expenditure accounts were understated by \$256,742.
- Accrued wages payable as of August 31, 2010, and the related expenditure accounts for salaries were understated by \$423,619.
- Various receivables for various grant funds as of August 31, 2010, and the related revenue accounts were understated by \$75,053.
- The receivable and related revenue account for the National School Lunch and Breakfast program for meals served in August 2010, but not reimbursed by the State until September 2010, had not been recorded. These accounts were understated by \$24,577.
- The special revenue fund for the District’s technology allotment from the State was affected by the accounts payable adjustment above, which created a fund deficit that would have required a transfer from the District’s General Fund in the amount of \$73,689.
- The workers compensation liability in the amount of \$427,903 as of August 31, 2010, had not been reported by the District in its Internal Service Fund.
- The District has various private purpose trust funds in the amount of \$9,751 that are used to account for monies restricted for scholarship purposes. These funds were incorrectly reported as campus activity funds or as student groups in the District’s Agency Fund.

In addition to the prior period adjustments above, errors were also noted in the government-wide financial statements for the period ending August 31, 2010 as follows:

- Capital assets in the amount of \$736,045 had been reported as furniture and equipment. These assets did not meet the District’s capitalization criteria of \$5,000 per item, and should not have been capitalized. Of this total, \$356,859 was funds transferred from the Food Service Fund and were not capital assets at all.

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

W. Prior Period Adjustments (continued)

In addition to the prior period adjustments above, errors were also noted in the government-wide financial statements for the period ending August 31, 2010 as follows (continued):

- Building and improvements were understated by \$424,455 pertaining to the bond construction projects that were ongoing last year.
- Accumulated depreciation was overstated by \$15,000 pertaining to furniture and equipment.
- Bonds payable as of August 31, 2010 was understated by \$15,000.
- Unamortized bond issuance costs were overstated by \$45,655.

A summary of the prior period adjustments by opinion unit is as follows:

	Amount Previously Reported as of 8/31/10	Prior Period Adjustment	Amount Restated as of 8/31/10
General Fund:			
Receivables from other governments	\$ 1,221,265	\$ (619,472)	\$ 601,793
Accounts payable	122,680	111,837	234,517
Accrued wages payable	335,702	335,702	671,404
Due to other funds	826	73,689	74,515
Unreserved and undesignated fund balance	2,495,059	(1,140,700)	1,354,359
Nonmajor Special Revenue Funds:			
Cash and cash equivalents	1,005,002	(3,096)	1,001,906
Receivables from other governments	67,759	99,630	167,389
Due from other funds	826	73,689	74,515
Accounts payable	4,339	144,905	149,244
Accrued wages payable	99,989	87,917	187,906
Reserved fund balance	261,825	(11,656)	250,169
Unreserved and undesignated fund balance	538,256	(50,943)	487,313
Internal Service Fund:			
Noncurrent liabilities	-	427,903	427,903
Unrestricted net assets	652,511	(427,903)	224,608
Private Purpose Trust Funds:			
Cash and cash equivalents	-	9,751	9,751
Restricted net assets	-	9,751	9,751
Agency Funds:			
Cash and cash equivalents	93,009	(6,655)	86,354
Due to student groups	91,757	(6,655)	85,102

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

W. Prior Period Adjustments (continued)

A summary of the prior period adjustments by opinion unit is as follows (continued):

	Amount Previously Reported as of 8/31/10	Prior Period Adjustment	Amount Restated as of 8/31/10
Governmental Activities:			
Cash and cash equivalents	\$ 3,821,434	\$ (3,096)	\$ 3,818,338
Due from other governments	1,289,024	(519,842)	769,182
Capitalized bond & other debt issue costs	303,813	(45,655)	258,158
Buildings and improvements, net	39,959,852	424,455	40,384,307
Furniture and equipment, net	1,629,805	(721,045)	908,760
Accounts payable	127,019	256,742	383,761
Accrued wages payable	435,691	423,619	859,310
Noncurrent liabilities (bonds payable)	37,975,000	15,000	37,990,000
Noncurrent liabilities (workers compensation claims payable)	-	427,903	427,903
Invested in capital assets, net of related debt	8,742,944	(357,245)	8,385,699
Restricted net assts - Federal and State programs	261,825	(11,656)	250,169
Unrestricted net assets	4,211,313	(1,619,546)	2,591,767

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, 2011

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	\$ 5,687,715	\$ 5,687,715	\$ 5,963,819	\$ 276,104
5800	State Program Revenues	12,312,767	12,312,767	11,883,440	(429,327)
5900	Federal Program Revenues	10,000	10,000	13,115	3,115
5020	Total Revenues	18,010,482	18,010,482	17,860,374	(150,108)
EXPENDITURES:					
Current:					
0011	Instruction	10,341,701	10,328,626	9,515,795	812,831
0012	Instructional Resources and Media Services	356,879	356,879	341,205	15,674
0013	Curriculum and Instructional Staff Development	288,611	288,611	288,560	51
0021	Instructional Leadership	23,280	23,280	16,946	6,334
0023	School Leadership	970,680	970,680	915,365	55,315
0031	Guidance, Counseling and Evaluation Services	373,244	373,245	331,477	41,768
0032	Social Work Services	18,166	18,166	17,243	923
0033	Health Services	252,600	252,600	250,901	1,699
0034	Student (Pupil) Transportation	625,237	736,189	717,143	19,046
0036	Extracurricular Activities	1,010,173	1,010,173	976,075	34,098
0041	General Administration	740,854	740,854	641,129	99,725
0051	Facilities Maintenance and Operations	2,490,588	2,638,675	2,177,173	461,502
0052	Security and Monitoring Services	5,760	5,760	5,730	30
0053	Data Processing Services	510,320	510,320	464,959	45,361
0061	Community Services	5,308	5,308	1,209	4,099
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	557,371	557,371	557,371	-
0099	Other Intergovernmental Charges	-	-	97,280	(97,280)
6030	Total Expenditures	18,570,772	18,816,737	17,315,561	1,501,176
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(560,290)	(806,255)	544,813	1,351,068
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	10,000	10,000	2,549	(7,451)
7915	Transfers In	-	-	73,689	73,689
7080	Total Other Financing Sources (Uses)	10,000	10,000	76,238	66,238
1200	Net Change in Fund Balances	(550,290)	(796,255)	621,051	1,417,306
0100	Fund Balance - September 1 (Beginning)	2,671,098	2,671,098	2,671,098	-
1300	Prior Period Adjustments	(1,140,700)	(1,140,700)	(1,140,700)	-
3000	Fund Balance - August 31 (Ending)	\$ 980,108	\$ 734,143	\$ 2,151,449	\$ 1,417,306

OTHER SUPPLEMENTARY INFORMATION

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Receivables from Other Governments	15,284	77,425	32,073
1260 Due from Other Funds	-	-	-
1300 Inventories	-	-	-
1410 Deferred Expenditures	-	-	-
1000 Total Assets	<u>\$ 15,284</u>	<u>\$ 77,425</u>	<u>\$ 32,073</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ -	\$ 175	\$ -
2160 Accrued Wages Payable	5,541	22,058	32,073
2170 Due to Other Funds	9,743	55,192	-
2180 Due to Other Governments	-	-	-
2190 Due to Student Groups	-	-	-
2300 Deferred Revenues	-	-	-
2000 Total Liabilities	<u>15,284</u>	<u>77,425</u>	<u>32,073</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 15,284</u>	<u>\$ 77,425</u>	<u>\$ 32,073</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	28,316	-	2,934	-	774	-	-
-	288,773	34,278	-	-	-	-	4,683
-	3,144	937	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 320,233</u>	<u>\$ 35,215</u>	<u>\$ 2,934</u>	<u>\$ -</u>	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ 4,683</u>
\$ -	\$ 45,245	\$ -	\$ -	\$ -	\$ 774	\$ -	\$ -
-	13,800	-	-	-	-	-	-
-	-	-	2,934	-	-	-	-
-	-	-	-	-	-	-	4,683
-	-	-	-	-	-	-	-
-	29,528	-	-	-	-	-	-
-	88,573	-	2,934	-	774	-	4,683
-	3,144	937	-	-	-	-	-
-	-	-	-	-	-	-	-
-	228,516	34,278	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	231,660	35,215	-	-	-	-	-
<u>\$ -</u>	<u>\$ 320,233</u>	<u>\$ 35,215</u>	<u>\$ 2,934</u>	<u>\$ -</u>	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ 4,683</u>

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

Data Control Codes	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	289 SHARS Funding	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	188,853
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,853</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 5,927
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2190	Due to Student Groups	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,927</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	182,926
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,926</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,853</u>

313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	379 SSA SHARS Funding	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	425 Teacher Induction and Mentoring	427 State Funded Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	3,590	-	1,114	-
15,599	-	43,969	-	-	-	-	3
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 15,599</u>	<u>\$ -</u>	<u>\$ 43,969</u>	<u>\$ -</u>	<u>\$ 3,590</u>	<u>\$ -</u>	<u>\$ 1,114</u>	<u>\$ 3</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	3,590	-	1,114	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,599	-	-	-	-	-	-	-
<u>15,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,590</u>	<u>-</u>	<u>1,114</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	43,969	-	-	-	-	3
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>43,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
<u>\$ 15,599</u>	<u>\$ -</u>	<u>\$ 43,969</u>	<u>\$ -</u>	<u>\$ 3,590</u>	<u>\$ -</u>	<u>\$ 1,114</u>	<u>\$ 3</u>

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

Data Control Codes	429 Advanced Placement Initiatives	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 50	\$ -	\$ 50
1240	Receivables from Other Governments	-	-	-	161,510
1260	Due from Other Funds	815	550,652	136,848	1,264,473
1300	Inventories	-	-	-	4,081
1410	Deferred Expenditures	-	-	42	42
1000	Total Assets	<u>\$ 815</u>	<u>\$ 550,702</u>	<u>\$ 136,890</u>	<u>\$ 1,430,156</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 5,086	\$ 1,419	\$ 58,626
2160	Accrued Wages Payable	-	56,874	-	130,346
2170	Due to Other Funds	-	-	31,123	103,696
2180	Due to Other Governments	-	-	-	4,683
2190	Due to Student Groups	-	-	5,270	5,270
2300	Deferred Revenues	-	-	-	45,127
2000	Total Liabilities	<u>-</u>	<u>61,960</u>	<u>37,812</u>	<u>347,748</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	4,081
3430	Prepaid Items	-	-	42	42
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	815	488,742	-	979,249
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	99,036	99,036
3000	Total Fund Balances	<u>815</u>	<u>488,742</u>	<u>99,078</u>	<u>1,082,408</u>
4000	Total Liabilities and Fund Balances	<u>\$ 815</u>	<u>\$ 550,702</u>	<u>\$ 136,890</u>	<u>\$ 1,430,156</u>

699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 21,677	\$ 21,727
-	161,510
-	1,264,473
-	4,081
-	42
\$ 21,677	\$ 1,451,833
\$ -	\$ 58,626
-	130,346
-	103,696
-	4,683
-	5,270
-	45,127
-	347,748
-	4,081
-	42
-	979,249
21,677	21,677
-	99,036
21,677	1,104,085
\$ 21,677	\$ 1,451,833

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	81,304	559,141	528,467
5020 Total Revenues	<u>81,304</u>	<u>559,141</u>	<u>528,467</u>
EXPENDITURES:			
Current:			
0011 Instruction	81,304	559,141	528,467
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-
0021 Instructional Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0041 General Administration	-	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030 Total Expenditures	<u>81,304</u>	<u>559,141</u>	<u>528,467</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
1300 Prior Period Adjustments	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula
\$ -	\$ 414,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	6,791	-	-	-	-	65,357	-
12,776	670,236	28,133	30,327	136,755	23,181	1,365,207	135,277
12,776	1,091,920	28,133	30,327	136,755	23,181	1,430,564	135,277
12,776	-	-	30,327	136,755	23,181	1,430,564	135,277
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,081,961	26,755	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,776	1,081,961	26,755	30,327	136,755	23,181	1,430,564	135,277
-	9,959	1,378	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	9,959	1,378	-	-	-	-	-
-	233,357	33,837	-	-	-	-	-
-	(11,656)	-	-	-	-	-	-
\$ -	\$ 231,660	\$ 35,215	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	289 SHARS Funding
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	628	4,389	461,784	200,917
5020 Total Revenues	<u>628</u>	<u>4,389</u>	<u>461,784</u>	<u>200,917</u>
EXPENDITURES:				
Current:				
0011 Instruction	628	4,389	438,236	20,851
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	9,608	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	13,940	-
0041 General Administration	-	-	-	20,835
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>628</u>	<u>4,389</u>	<u>461,784</u>	<u>41,686</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,231</u>
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	159,231
0100 Fund Balance - September 1 (Beginning)	-	-	-	24,035
1300 Prior Period Adjustments	-	-	-	(340)
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,926</u>

313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	379 SSA SHARS Funding	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	425 Teacher Induction and Mentoring	427 State Funded Special Revenue Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	900	26,952	73,689	11,138	1,500
1,273,904	46,339	468,374	-	-	-	-	-
1,273,904	46,339	468,374	900	26,952	73,689	11,138	1,500
-	-	7,043	900	26,952	-	11,138	1,497
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	34,298	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,273,904	46,339	454,738	-	-	-	-	-
1,273,904	46,339	496,079	900	26,952	-	11,138	1,497
-	-	(27,705)	-	-	73,689	-	3
-	-	-	-	-	(73,689)	-	-
-	-	-	-	-	(73,689)	-	-
-	-	(27,705)	-	-	-	-	3
-	-	72,164	-	-	-	-	-
-	-	(490)	-	-	-	-	-
\$ -	\$ -	\$ 43,969	\$ -	\$ -	\$ -	\$ -	\$ 3

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

Data Control Codes	429 Advanced Placement Initiatives	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 1,193,539	\$ 226,307	\$ 1,834,739
5800 State Program Revenues	-	42,228	-	228,555
5900 Federal Program Revenues	-	-	-	6,027,139
5020 Total Revenues	<u>-</u>	<u>1,235,767</u>	<u>226,307</u>	<u>8,090,433</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	444,847	209,733	4,104,006
0012 Instructional Resources and Media Services	-	-	30,254	30,254
0013 Curriculum and Instructional Staff Development	-	110,586	-	110,586
0021 Instructional Leadership	-	-	-	34,298
0031 Guidance, Counseling and Evaluation Services	-	462,740	-	472,348
0035 Food Services	-	-	-	1,108,716
0036 Extracurricular Activities	-	406	6,817	21,163
0041 General Administration	-	-	-	20,835
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	1,774,981
6030 Total Expenditures	<u>-</u>	<u>1,018,579</u>	<u>246,804</u>	<u>7,677,187</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>217,188</u>	<u>(20,497)</u>	<u>413,246</u>
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	(73,689)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73,689)</u>
1200 Net Change in Fund Balance	-	217,188	(20,497)	339,557
0100 Fund Balance - September 1 (Beginning)	815	318,571	122,671	805,450
1300 Prior Period Adjustments	-	(47,017)	(3,096)	(62,599)
3000 Fund Balance - August 31 (Ending)	<u>\$ 815</u>	<u>\$ 488,742</u>	<u>\$ 99,078</u>	<u>\$ 1,082,408</u>

699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 201	\$ 1,834,940
-	228,555
-	6,027,139
201	8,090,634
-	4,104,006
-	30,254
-	110,586
-	34,298
-	472,348
-	1,108,716
-	21,163
-	20,835
319,245	319,245
-	1,774,981
319,245	7,996,432
(319,044)	94,202
-	(73,689)
-	(73,689)
(319,044)	20,513
340,721	1,146,171
-	(62,599)
\$ 21,677	\$ 1,104,085

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2011

	801 Barron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J & R Scott Scholarship Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,103	\$ 217	\$ -	\$ 3,956
Due from Other Funds	-	-	2,796	-
Total Assets	<u>3,103</u>	<u>217</u>	<u>2,796</u>	<u>3,956</u>
NET ASSETS				
Restricted for Scholarships	<u>3,103</u>	<u>217</u>	<u>2,796</u>	<u>3,956</u>
Total Net Assets	<u>\$ 3,103</u>	<u>\$ 217</u>	<u>\$ 2,796</u>	<u>\$ 3,956</u>

805 Angela Tyson Scholarship Fund	Total Private Purpose Trust Funds
\$ 592	\$ 7,868
-	2,796
<u>592</u>	<u>10,664</u>
<u>592</u>	<u>10,664</u>
<u>\$ 592</u>	<u>\$ 10,664</u>

BORGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	801 Barron Scholarship Fund	802 Class of 1961 Scholarship Fund	803 L. Herbert Scholarship Fund	804 J & R Scott Scholarship Fund
ADDITIONS:				
Local and Intermediate Sources	\$ 3,103	\$ 105	\$ -	\$ 4
Total Additions	<u>3,103</u>	<u>105</u>	<u>-</u>	<u>4</u>
DEDUCTIONS:				
Other Operating Costs	<u>-</u>	<u>1,000</u>	<u>300</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>1,000</u>	<u>300</u>	<u>-</u>
Change in Net Assets	3,103	(895)	(300)	4
Total Net Assets - September 1 (Beginning)	-	-	-	-
Prior Period Adjustments	<u>-</u>	<u>1,112</u>	<u>3,096</u>	<u>3,952</u>
Total Net Assets - August 31 (Ending)	<u>\$ 3,103</u>	<u>\$ 217</u>	<u>\$ 2,796</u>	<u>\$ 3,956</u>

<u>805 Angela Tyson Scholarship Fund</u>	<u>Total Private Purpose Trust Funds</u>
\$ 1	\$ 3,213
<u>1</u>	<u>3,213</u>
1,000	2,300
<u>1,000</u>	<u>2,300</u>
(999)	913
-	-
<u>1,591</u>	<u>9,751</u>
<u>\$ 592</u>	<u>\$ 10,664</u>

REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.500000	0.000000	402,667,718
2004	1.500000	0.000000	402,053,263
2005	1.500000	0.000000	409,162,256
2006	1.500000	0.000000	420,183,148
2007	1.370000	0.295000	441,907,667
2008	1.040000	0.278700	466,478,515
2009	1.040000	0.281470	506,038,043
2010	1.040000	0.282750	540,121,400
2011 (School year under audit)	1.040000	0.287070	546,173,060
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 209,265	\$ -	\$ 613	\$ -	\$ (154,511)	\$ 54,141
19,957	-	546	-	(1,100)	18,311
18,037	-	680	-	(700)	16,657
26,072	-	2,102	-	(134)	23,836
30,990	-	2,702	-	(320)	27,968
55,561	-	5,955	1,305	42	48,343
67,043	-	7,659	2,059	17	57,342
114,854	-	18,051	5,023	1,976	93,756
216,724	-	50,357	14,030	2,616	154,953
-	6,932,823	5,233,002	1,444,461	39,400	294,760
<u>\$ 758,503</u>	<u>\$ 6,932,823</u>	<u>\$ 5,321,667</u>	<u>\$ 1,466,878</u>	<u>\$ (112,714)</u>	<u>\$ 790,067</u>

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

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 242,291	\$ 238,663	\$ -	\$ -	\$ 480,954
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	13,016	-	-	-	13,016
6212	Audit Services	-	-	-	18,410	-	-	18,410
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	108,631	-	-	-	-	108,631
621X	Other Professional Services	-	-	750	13,454	-	-	14,204
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	3,059	7,858	-	-	10,917
6290	Miscellaneous Contr.	8,285	-	408	31,443	-	-	40,136
6320	Textbooks and Reading	-	-	915	-	-	-	915
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	3,720	12,495	-	-	16,215
6410	Travel, Subsistence, Stipends	8,500	-	(1,859)	1,864	-	-	8,505
6420	Ins. and Bonding Costs	-	-	-	134	-	-	134
6430	Election Costs	8,283	-	-	-	-	-	8,283
6490	Miscellaneous Operating	13,614	-	7,301	28,619	-	-	49,534
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 38,682	\$ 108,631	\$ 269,601	\$ 352,940	\$ -	\$ -	\$ 769,854

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 24,992,754

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 391,341
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,922,625
Food (Function 35, 6341 and 6499)	(13)	442,702
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		352,940

SubTotal: 3,109,608

Net Allowed Direct Cost \$ 21,883,145

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 54,840,477
Historical Cost of Building over 50 years old	(16)	\$ 5,401,502
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 3,180,099
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 698,184
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$31,443 in Function 53 expenditures are included in this report on administrative costs.
\$97,280 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 485,408	\$ 485,408	\$ 414,893	\$ (70,515)
5800	State Program Revenues	8,100	8,100	6,791	(1,309)
5900	Federal Program Revenues	594,393	594,393	670,236	75,843
5020	Total Revenues	1,087,901	1,087,901	1,091,920	4,019
EXPENDITURES:					
0035	Food Services	1,087,901	1,108,301	1,081,961	26,340
6030	Total Expenditures	1,087,901	1,108,301	1,081,961	26,340
1200	Net Change in Fund Balances	-	(20,400)	9,959	30,359
0100	Fund Balance - September 1 (Beginning)	233,357	233,357	233,357	-
1300	Prior Period Adjustments	(11,656)	(11,656)	(11,656)	-
3000	Fund Balance - August 31 (Ending)	\$ 221,701	\$ 201,301	\$ 231,660	\$ 30,359

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, 2011

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	\$ 1,523,313	\$ 1,523,313	\$ 1,488,750	\$ (34,563)
5800	State Program Revenues	909,549	909,549	947,502	37,953
5020	Total Revenues	2,432,862	2,432,862	2,436,252	3,390
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	705,000	705,000	705,000	-
0072	Interest on Long Term Debt	1,727,062	1,727,062	1,981,838	(254,776)
0073	Bond Issuance Cost and Fees	800	800	3,200	(2,400)
6030	Total Expenditures	2,432,862	2,432,862	2,690,038	(257,176)
1200	Net Change in Fund Balances	-	-	(253,786)	(253,786)
0100	Fund Balance - September 1 (Beginning)	262,661	262,661	262,661	-
3000	Fund Balance - August 31 (Ending)	\$ 262,661	\$ 262,661	\$ 8,875	\$ (253,786)

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

3232 Hobbs • P.O. Box 9297 • 79105-9297
Amarillo, Texas 79105 • 806-355-8241 • FAX 806-355-6415

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

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

We have audited the 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, responses, and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

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. We consider the deficiencies described in the accompany schedule of findings, responses, and questioned costs as Items Two, Three, and Four to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, responses, and questioned costs as Items Two and Three.

Board of Trustees
Borger Independent School District
Page two

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

We noted certain other matters that we have reported to management of the District in a separate letter dated December 15, 2011.

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

Brown, Abraham + Company, P.C.

Amarillo, Texas
December 15, 2011



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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Amarillo, Texas 79105 • 806-355-8241 • FAX 806-355-6415

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

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

Compliance

We have audited Borger Independent School District's (the "District") compliance with the types of compliance requirements described in the United States Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses, and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, which are described in the accompanying schedule of findings, responses, and questioned costs as Items Two and Three.

Internal Control Over Compliance

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

Board of Trustees
Borger Independent School District
Page two

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying scheduling of findings, responses, and questioned costs as Items Two and Three. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Brown, Sheehan + Company, P.C.

Amarillo, Texas
December 15, 2011

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011**

Section I: Summary of the Auditor's Results:

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Are any material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Are any significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No
Is any noncompliance material to the financial statements?	<u> </u> Yes	<u> X </u> No

Federal Awards:

Internal control over major program compliance:

Are any material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Are any significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> 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)?	<u> X </u> Yes	<u> </u> No

Identification of major programs:

- 84.394 ARRA of 2009 Title XIV, State Fiscal Stabilization Funds
- 84.410A Education Jobs Fund

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

The auditee qualified as a low-risk auditee.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011 (Continued)**

Section II: Financial Statement Findings

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

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

Condition: During the audit, a significant number of adjusting entries to the District’s accounting records were necessary in order for the financial statements to be materially correct in accordance with generally accepted accounting principles. In addition, it was noted that the prior year’s financial statements were materially misstated and consequently, prior period adjustments had to be made to correct these errors.

Cause: The District did not have sufficient internal controls in place to ensure the accurate preparation of financial statements in accordance with generally accepted accounting principles, which would include adequate training of the District’s financial reporting personnel. The current business manager had been preparing the District’s financial statements similar to how the previous business manager had trained her, which did not always correctly apply generally accepted accounting principles required for Texas school districts.

Effect or potential effect: Material adjustments were required during the audit to for the financial statements to be materially correct in accordance with generally accepted accounting principles.

Questioned costs: None

Recommendation: We recommend that the District determine the training necessary for District personnel to be able to prepare the financial statements in accordance with the most current generally accepted accounting principles and provide that training to the District personnel.

District’s response:

Borger Independent School District will explore immediate additional training for District personnel provided by TASSO and the Texas Society of CPAs. The District will also consult with Region XVI Service Center in Amarillo. Additional professional development will ensure the accurate preparation of the District’s financial statements in accordance with generally accepted accounting principles.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011 (Continued)**

Section II: Financial Statement Findings (continued)

Item Two – Documentation of Salary Costs Charged to Federal Programs:

Criteria: The Department of Education requires that schools operating a school wide program under the Elementary and Secondary Education Act of 1965 must document employee time and effort when charging employee time to federal programs. Specifically, OMB Circular A-87, Attachment B, paragraph 8.h.(3) requires an employee who works solely on a single cost objective to furnish semi-annual certifications that he/she has been engaged solely in activities that support the single cost objective. OMB Circular A-87, Attachment B, paragraph 8.h.(4),(5), and (6) requires an employee who works on multiple activities or cost objectives to maintain time and effort distribution records. The employee must document the portion of time and effort dedicated to: (a) the Federal program or cost objective; and (b) each other program or cost objective supported by consolidated Federal funds or other revenue sources.

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

Cause: The District has utilized what they believed to be adequate time and effort documentation (i.e. employee schedules, job descriptions, etc.) to support costs charged to federal programs; however, this was not done by the District on a consistent basis.

Effect or potential effect: The salary costs charged to the District's federal programs did not consistently meet the documentation requirements listed above under OMB Circular A-87; however, based upon discussion with the District's personnel and upon examining the supporting documentation for the salary expenses, it appeared that the individual's salary costs would be allowable under the various programs charged, and that the District simply needs to more completely document salary costs charged to Federal programs.

Questioned costs: None.

Recommendation: The District should review its current policies and procedures pertaining to documentation of salary costs charged to Federal programs, and should implement additional policies and safeguards to ensure that it consistently complies with the above criteria.

District's response:

Borger Independent School District will immediately implement an internal document to ensure the proper documentation in accordance with OMB Circular A-87 for all employees paid with federal funds. The document will support the salary costs charged along with the allocation associated with each program. The District will also require a signed job description from all federally funded employees. The District will also require an employee who works on multiple activities, or split funded employees, to consistently document time and effort distribution records.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011 (Continued)**

Section II: Financial Statement Findings (continued)

Item Three – Reporting FTE’s under ARRA Grants

Criteria: The American Recovery and Reinvestment Act (“ARRA”) has reporting requirements pertaining to the estimated number of jobs created or retained and funding with ARRA funding. Specifically, grant recipients are required to estimate and report on a quarterly basis the number of full-time equivalents (“FTE’s”) created or retained through the use of ARRA funds.

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

Cause: The District did not have the internal controls over financial reporting in place pertaining to documentation of salaries charged to federal programs in accordance with OMB Circular A-87, which did not allow for the accurate estimate of FTE’s charged to the ARRA grants.

Effect or potential effect: FTE’s reported under the ARRA Section 1512 did not appear to be correct.

Questioned costs: None.

Recommendation: We recommend that the District implement the recommendations discussed under Item Two above, which would allow for the accurate determination of FTE’s for ARRA Section 1512 reporting. In addition, we recommend that the District review the previously filed ARRA Section 1512 reports and make any necessary corrections as needed and/or required by the TEA.

District’s response:

Borger Independent School District will implement procedures to ensure the accuracy of FTE's reported to TEA in the ARRA Section 1512 reports. This will include the SFSF and Education Jobs funds. The District will review the previously filed ARRA Section 1512 reports and make any and all necessary corrections as needed.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011 (Continued)**

Section II: Financial Statement Findings (continued)

Item Four – Athletic Gate Receipts:

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

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

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

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

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

Questioned Costs: None.

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

District's response:

Borger Independent School District, upon recommendation of the external audit firm of Brown, Graham, and Company, P.C., immediately removed all cash and tickets from the Athletic Department. The tickets and cash will be controlled by the Business Office. The Business Office will issue tickets and cash for all athletic events. A District currency and coin reconciliation form and the District extracurricular ticket sales form will be filled out by the Business Manager or designee on the day of the event. The reconciliation form and cash will be counted and verified by two employees in the Business Office, and the Game Administrator will be required to verify the cash upon receipt.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011 (Continued)**

Section II: Financial Statement Findings (continued)

Item Four – Athletic Gate Receipts (continued):

District's response (continued):

The extracurricular form with beginning student and adult ticket numbers will also be verified by the Business Office and the Game Administrator on the day of the event upon receipt. Upon completion of the event, the Game Administrator or Athletic Department representative will be responsible to ensure the ticket sales form has been completed correctly by the verification of his/her signature. The locked bank bag will then be taken to Happy State Bank and dropped in the night depository box or secured in the school's vault or safe. The Business Manager will collect the proceeds from the event and a District currency and coin reconciliation form will again be used to verify the amount of cash collected as compared to the extracurricular ticket sales form. Two signatures will be required on the reconciliation form, the person counting the cash along with a witness. A receipt will be issued and the deposit will be taken to the bank immediately.

Section III: Federal Award Findings

Item One – Documentation of Salary Costs Charged to Federal Programs:

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

- CFDA #84.394 – State Fiscal Stabilization Fund - ARRA
- CFDA #84.410 – Education Jobs Fund - ARRA

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

Award Numbers (programs tested during the audit and in which the finding was noted) were:

- State Fiscal Stabilization Fund #11-557001117901
- Education Jobs Fund #11-550101117901

Compliance Requirements: Allowable Costs/Costs Principles (All programs listed above) and Reporting (Section 1512 ARRA Reporting) (All programs listed above)

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

Finding: See the comments under Section II, Items Two and Three above; these comments apply to both the financial statements as well as to the actual federal awards tested by the auditor.

**BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

**BORGER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011**

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

Borger Independent School District will explore immediate additional training for District personnel provided by TASSO and the Texas Society of CPAs. The District will also consult with Region XVI Service Center in Amarillo. Additional professional development will ensure the accurate preparation of the District’s financial statements in accordance with generally accepted accounting principles.

Item Two – Documentation of Salary Costs Charged to Federal Programs:

Borger Independent School District will immediately implement an internal document to ensure the proper documentation in accordance with OMB Circular A-87 for all employees paid with federal funds. The document will support the salary costs charged along with the allocation associated with each program. The District will also require a signed job description from all federally funded employees. The District will also require an employee who works on multiple activities, or split funded employees, to consistently document time and effort distribution records.

Item Three – Reporting FTE’s under ARRA Grants

Borger Independent School District will implement procedures to ensure the accuracy of FTE's reported to TEA in the ARRA Section 1512 reports. This will include the SFSF and Education Jobs funds. The District will review the previously filed ARRA Section 1512 reports and make any and all necessary corrections as needed.

Item Four – Athletic Gate Receipts:

Borger Independent School District, upon recommendation of the external audit firm of Brown, Graham, and Company, P.C., immediately removed all cash and tickets from the Athletic Department. The tickets and cash will be controlled by the Business Office. The Business Office will issue tickets and cash for all athletic events. A District currency and coin reconciliation form and the District extracurricular ticket sales form will be filled out by the Business Manager or designee on the day of the event. The reconciliation form and cash will be counted and verified by two employees in the Business Office, and the Game Administrator will be required to verify the cash upon receipt. The extracurricular form with beginning student and adult ticket numbers will also be verified by the Business Office and the Game Administrator on the day of the event upon receipt. Upon completion of the event, the Game Administrator or Athletic Department representative will be responsible to ensure the ticket sales form has been completed correctly by the verification of his/her signature. The locked bank bag will then be taken to Happy State Bank and dropped in the night depository box or secured in the school's vault or safe. The Business Manager will collect the proceeds from the event and a District currency and coin reconciliation form will again be used to verify the amount of cash collected as compared to the extracurricular ticket sales form. Two signatures will be required on the reconciliation form, the person counting the cash along with a witness. A receipt will be issued and the deposit will be taken to the bank immediately.

BORGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	75-6000466	\$ 13,115
Total Direct Programs			\$ 13,115
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11-610101117901	\$ 486,021
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12-610101117901	22,058
*ESEA Title I, Part A - School Improvement Program	84.010A	11-610104117901100	51,062
Total CFDA Number 84.010A			559,141
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10-551001117901	4,389
Total Title I, Part A Cluster			563,530
*IDEA - Part B, Formula	84.027	11-660001117901	496,394
*IDEA - Part B, Formula	84.027	12-660001117901	32,073
*SSA - IDEA - Part B, Formula	84.027	11-660001117901	1,273,904
Total CFDA Number 84.027			1,802,371
*IDEA - Part B, Preschool	84.173	11-661001117901	11,847
*IDEA - Part B, Preschool	84.173	12-661001117901	929
*SSA - IDEA - Part B, Preschool	84.173	11-661001117901	46,339
Total CFDA Number 84.173			59,115
*IDEA, Part B, Formula - ARRA	84.391	11-554001117901	135,277
*IDEA, Part B, Preschool - ARRA	84.392	11-555001117901	628
Total Special Education Cluster (IDEA)			1,997,391
Career and Technical - Basic Grant	84.048	11-420006117901	27,393
Career and Technical - Basic Grant	84.048	12-420006117901	2,934
Total CFDA Number 84.048			30,327
Title III, Part A - English Language Acquisition	84.365A	11-671001117901	23,181
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11-694501117901	136,755
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001117901	1,365,207
Education Jobs Fund	84.410	11-550101117901	461,784
Total Passed Through State Department of Education			\$ 4,578,175
TOTAL DEPARTMENT OF EDUCATION			\$ 4,591,290
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	11-06CH021922	\$ 75,763
Head Start	93.600	12-06CH021922	5,541
Total CFDA Number 93.600			81,304
Total Passed Through State Department of Education			\$ 81,304
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 81,304
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401101	\$ 144,018
*National School Lunch Program - Cash Assistance	10.555	71301001	509,613
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301001	16,605

BORGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total CFDA Number 10.555			526,218
*Summer Feeding Program - Cash Assistance	10.559	TX-1171003SR	28,133
Total Child Nutrition Cluster			698,369
Total Passed Through the State Department of Agriculture			\$ 698,369
TOTAL DEPARTMENT OF AGRICULTURE			\$ 698,369
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,370,963

*Clustered Programs

**BORGER INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement - Provisional 6/97.
4. According to the Resource Guide, funds received from the School Health and Related Services (SHARS) program represent reimbursements to the District for school health based services which are not already provided to special education students enrolled in the Medicaid Program, and, consequently, these revenues in the amount of \$669,291 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. \$200,917 of the amount is reported in fund 289 and \$468,374 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.