

**BOVINA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**BOVINA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

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**CERTIFICATE OF BOARD**

BOVINA INDEPENDENT SCHOOL DISTRICT  
Name of School District

PARMER  
County

185-901  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved \_\_\_\_\_ disapproved for the year ended June 30, 2013 at a meeting of the Board of Trustees of such school district on the 14th day of October, 2013.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):  
(attach list as necessary)



## **BROWN, GRAHAM & COMPANY**

PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

7431 Continental Parkway • Amarillo, Texas 79119  
P.O. Box 20210 • Amarillo, Texas 79114  
806-355-8241 • FAX 806-355-6415

### **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  
Bovina Independent School District  
Bovina, Texas

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bovina Independent School District (the "District") as of June 30, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bovina Independent School District as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Board of Trustees  
Bovina Independent School District**

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10, and 36 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Amarillo, Texas  
October 14, 2013

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

# Bovina Independent School District

PO Box 70  
Bovina, Texas 79009

Phone (806) 251-1336  
Fax (806) 251-1578

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the administrators of Bovina Independent School District, discuss and analyze the District's financial performance for the year ended June 30, 2013. Please read it in conjunction with the independent auditors' report, and the District's financial statements.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. 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.

Governmental fund financial statements 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 remaining statements, 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 sections labeled Required TEA Schedules and Overall Compliance and Internal Controls 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. The Other Supplementary Information Section provides detailed information on the District's nonmajor funds.

### Reporting the District as a Whole

#### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations follows. Its primary purpose is to show whether the District is better or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the basis used by most 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 and 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 year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we show the District has the following activities:

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

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements 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).

Governmental funds—The District's basic services are reported in governmental funds. These 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 financial statements provide a detailed short-term view of the District's general operations and the services it provides. Differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliation schedules following each of the fund financial statements.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental-type activities.

Net position of the District's governmental activities increased from \$10,015,565 to \$10,321,546. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation, or other legal requirements) was \$5,779,593 at June 30, 2013. This increase in governmental net position resulted primarily from a \$700,000 settlement on litigation against the District's insurance carrier discussed further in Note P in the notes to the financial statements and which was reported as a special item on the statement of activities.

**TABLE 1**  
**THE DISTRICT'S NET POSITION**

	<b>Governmental Activities 2013</b>	<b>Governmental Activities 2012</b>
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 6,409,814	\$ 6,087,323
Capital assets	4,485,941	4,578,113
Total assets	<u>10,895,755</u>	<u>10,665,436</u>
Current and other liabilities	574,209	649,871
Total liabilities	<u>574,209</u>	<u>649,871</u>
Net position:		
Net investment in capital assets	4,485,941	4,578,113
Restricted for federal and state programs	56,012	33,490
Unrestricted net position	5,779,593	5,403,962
Total net position	<u>\$ 10,321,546</u>	<u>\$ 10,015,565</u>

**TABLE 2**  
**CHANGES IN THE DISTRICT'S NET POSITION**

	<b>Governmental Activities 2013</b>	<b>Governmental Activities 2012</b>
Revenues:		
Program revenues:		
Charges for services	\$ 41,484	\$ 41,572
Operating grants and contributions	777,612	886,410
General revenues:		
Property taxes	807,363	766,865
State aid - formula grants	2,997,562	3,099,576
Investment earnings	8,442	5,465
Sale of capital assets	(219,091)	(11,278)
Other	19,868	784,488
Total revenues	<u>4,433,240</u>	<u>5,573,098</u>
Expenses:		
Instruction	2,600,918	2,767,772
Instructional resources and media services	78,671	84,219
Curriculum and staff development	14,265	5,071
Instructional leadership	21,747	21,158
School leadership	299,780	338,515
Guidance, counseling, and evaluation services	81,428	80,075
Health services	49,784	50,125
Student (pupil) transportation	236,426	225,832
Food services	323,065	320,864
Extracurricular activities	286,573	288,334
General administration	337,309	244,430
Facilities maintenance and operation	419,604	394,286
Security and monitoring services	2,752	4,230
Data processing services	21,900	24,147
Capital outlay	-	3,937
Payments related to shared service arrangements	32,234	36,599
Other intergovernmental charges	20,803	20,049
Total expenses	<u>4,827,259</u>	<u>4,909,643</u>
Change in net position before special item	(394,019)	663,455
Special item - settlement of litigation	700,000	-
Change in net position after special item	305,981	663,455
Net position at beginning of year	10,015,565	9,352,110
Net position at end of year	<u>\$ 10,321,546</u>	<u>\$ 10,015,565</u>

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$5,778,331, which is \$391,552 higher than last year's total of \$5,386,779.

Over the course of the year, the Board of Trustees revised the District's budget to correspond with coding changes specified by the Texas Education Agency and to provide for repairs and/or replacement of the roofs on all of the District's school buildings.

The District's General Fund balance of \$5,722,319 differs from the General Fund's budgetary fund balance of \$4,726,690 reported in the budgetary comparison schedule at Exhibit G-1. This is principally due to higher local revenue from property taxes than expected and lower expenditures in function 81, for building projects. In addition, the District recognized as a special item \$700,000 on the settlement of litigation with the District's insurance carrier.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had \$10,518,308 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$89,422 from last year before depreciation expense.

Following is a comparison of the District's capital assets for the fiscal years ending June 30, 2013 and 2012:

### THE DISTRICT'S CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<b>Governmental Activities 2013</b>	<b>Governmental Activities 2012</b>
Land	\$ 37,305	\$ 37,305
Construction in progress	-	597,257
Buildings and improvements	3,936,870	3,335,135
Furniture and equipment	511,766	608,416
Total capital assets, net of accumulated depreciation	<u>\$ 4,485,941</u>	<u>\$ 4,578,113</u>

This year's major additions included:

Roof replacement project	\$ 383,822
Football field scoreboard	26,028
Cafeteria equipment	5,221
HVAC replacement	<u>6,307</u>
Total capital additions	<u>\$ 421,378</u>

Construction in progress as of June 30, 2012 consisted of costs pertaining to the roof replacement project, which was completed during the year ended June 30, 2013.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and tax rates. With the uncertainty of what state revenue would be available, conservative estimates were used during final budget planning. Capital improvements to facilities, the possible purchase of vehicles, and possible salary increases are planned for 2013-2014. These improvements will be considered at a time when we can reasonably estimate what our funding will be for 2013-2014. Should revenues be lower than we budgeted, we will use some of our fund balance to complete the school year and will make necessary adjustments for future budgets.

The District's tax rate remains at \$1.04 per \$100 valuation for 2013-2014. Estimated available amounts for the General Fund Budget are \$4,111,211, a decrease of \$1,698 from the final 2013 budget of \$4,112,909. Budgeted expenditures are expected to be \$4,111,211, or \$596,988 lower than the final amount of \$4,708,199 budgeted in 2013. The District will use its revenue to finance programs we currently offer. Additional funding for any additional capital projects will come from our fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, 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 Bovina Independent School District, 500 Halsell Street, Bovina, Texas.

***BOVINA INDEPENDENT SCHOOL DISTRICT***

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

BOVINA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,163,048
1120 Current Investments	2,615,706
1220 Property Taxes Receivable (Delinquent)	124,980
1230 Allowance for Uncollectible Taxes	(67,707)
1240 Due from Other Governments	867,000
1267 Due from Fiduciary Funds	2,137
1290 Other Receivables, net	700,000
1410 Prepayments	4,650
Capital Assets:	
1510 Land	37,305
1520 Buildings, Net	3,936,870
1530 Furniture and Equipment, Net	511,766
1000 Total Assets	10,895,755
<b>LIABILITIES</b>	
2110 Accounts Payable	23,418
2160 Accrued Wages Payable	348,897
2180 Due to Other Governments	140,099
2200 Accrued Expenses	60,324
2300 Unearned Revenue	1,471
2000 Total Liabilities	574,209
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	4,485,941
3820 Restricted for Federal and State Programs	56,012
3900 Unrestricted	5,779,593
3000 Total Net Position	\$ 10,321,546

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

BOVINA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets  Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 2,600,920	\$ 1,000	\$ 396,796	\$ (2,203,124)
12 Instructional Resources and Media Services	78,671	-	4,096	(74,575)
13 Curriculum and Staff Development	14,265	-	14,075	(190)
21 Instructional Leadership	21,747	-	15,983	(5,764)
23 School Leadership	299,780	-	15,142	(284,638)
31 Guidance, Counseling and Evaluation Services	81,428	-	3,873	(77,555)
33 Health Services	49,784	-	3,034	(46,750)
34 Student (Pupil) Transportation	236,426	-	6,283	(230,143)
35 Food Services	323,065	33,501	281,798	(7,766)
36 Extracurricular Activities	286,573	6,983	21,632	(257,958)
41 General Administration	337,307	-	9,214	(328,093)
51 Facilities Maintenance and Operations	419,604	-	5,686	(413,918)
52 Security and Monitoring Services	2,752	-	-	(2,752)
53 Data Processing Services	21,900	-	-	(21,900)
93 Payments related to Shared Services Arrangements	32,234	-	-	(32,234)
99 Other Intergovernmental Charges	20,803	-	-	(20,803)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 4,827,259</u>	<u>\$ 41,484</u>	<u>\$ 777,612</u>	<u>(4,008,163)</u>
Data Control Codes				
	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			807,363
SF	State Aid - Formula Grants			2,997,562
IE	Investment Earnings			8,442
MI	Miscellaneous Local and Intermediate Revenue			19,868
S1	Special Item - Settlement of Litigation			700,000
FR	Disposal of Capital Assets			(219,091)
TR	Total General Revenues and Special Items			<u>4,314,144</u>
CN	Change in Net Position			305,981
NB	Net Position - Beginning			10,015,565
NE	Net Position--Ending			<u>\$ 10,321,546</u>

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



**FUND FINANCIAL STATEMENTS**

BOVINA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 2,065,051	\$ 97,997	\$ 2,163,048
1120 Investments - Current	2,615,706	-	2,615,706
1220 Property Taxes - Delinquent	124,980	-	124,980
1230 Allowance for Uncollectible Taxes (Credit)	(67,707)	-	(67,707)
1240 Receivables from Other Governments	820,649	46,351	867,000
1260 Due from Other Funds	46,500	1,826	48,326
1290 Other Receivables	700,000	-	700,000
1410 Prepayments	4,650	-	4,650
1000 Total Assets	<u>\$ 6,309,829</u>	<u>\$ 146,174</u>	<u>\$ 6,456,003</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 23,015	\$ 403	\$ 23,418
2160 Accrued Wages Payable	310,073	38,824	348,897
2170 Due to Other Funds	-	46,189	46,189
2180 Due to Other Governments	140,099	-	140,099
2200 Accrued Expenditures	57,049	3,275	60,324
2300 Unearned Revenues	-	1,471	1,471
2000 Total Liabilities	<u>530,236</u>	<u>90,162</u>	<u>620,398</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	57,274	-	57,274
2600 Total Inflows of Resources	<u>57,274</u>	<u>-</u>	<u>57,274</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430 Prepaid Items	4,650	-	4,650
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	56,012	56,012
Committed Fund Balance:			
3510 Construction	3,193,985	-	3,193,985
3530 Capital Expenditures for Equipment	122,843	-	122,843
3600 Unassigned Fund Balance	2,400,841	-	2,400,841
3000 Total Fund Balances	<u>5,722,319</u>	<u>56,012</u>	<u>5,778,331</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,309,829</u>	<u>\$ 146,174</u>	<u>\$ 6,456,003</u>

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

BOVINA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	5,778,331
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,428,886 and the accumulated depreciation was \$5,850,773. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		4,578,113
<b>2</b> Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2013 capital outlays is to increase net position.		421,378
<b>3</b> The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(294,459)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.		57,274
<b>5</b> The District removed capital assets no longer in use during the year. Specifically, computer infrastructure that had become obsolete with a cost of \$331,956 and accumulated depreciation of \$112,865 was removed, which caused a decrease in net position.		(219,091)
<b>19 Net Position of Governmental Activities</b>	\$	10,321,546

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

BOVINA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 853,403	\$ 33,503	\$ 886,906
5800	State Program Revenues	3,175,464	41,927	3,217,391
5900	Federal Program Revenues	-	541,433	541,433
5020	Total Revenues	<u>4,028,867</u>	<u>616,863</u>	<u>4,645,730</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	2,225,986	271,504	2,497,490
0012	Instructional Resources and Media Services	77,705	-	77,705
0013	Curriculum and Instructional Staff Development	-	14,075	14,075
0021	Instructional Leadership	5,764	15,983	21,747
0023	School Leadership	298,664	-	298,664
0031	Guidance, Counseling and Evaluation Services	81,385	-	81,385
0033	Health Services	49,599	-	49,599
0034	Student (Pupil) Transportation	186,944	-	186,944
0035	Food Services	-	322,778	322,778
0036	Extracurricular Activities	264,520	-	264,520
0041	General Administration	323,443	-	323,443
0051	Facilities Maintenance and Operations	348,011	-	348,011
0052	Security and Monitoring Services	2,752	-	2,752
0053	Data Processing Services	21,900	-	21,900
<b>Capital Outlay:</b>				
0081	Facilities Acquisition and Construction	390,128	-	390,128
<b>Intergovernmental:</b>				
0093	Payments to Fiscal Agent/Member Districts of SSA	32,234	-	32,234
0099	Other Intergovernmental Charges	20,803	-	20,803
6030	Total Expenditures	<u>4,329,838</u>	<u>624,340</u>	<u>4,954,178</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(300,971)</u>	<u>(7,477)</u>	<u>(308,448)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	2	30,000	30,002
7949	Other Resources	60,000	-	60,000
8911	Transfers Out (Use)	(30,000)	(2)	(30,002)
8949	Other (Uses)	(60,000)	-	(60,000)
7080	Total Other Financing Sources (Uses)	<u>(29,998)</u>	<u>29,998</u>	<u>-</u>
<b>SPECIAL ITEMS:</b>				
7918	Special Item - Settlement of Litigation	700,000	-	700,000
1200	Net Change in Fund Balances	369,031	22,521	391,552
0100	Fund Balance - July 1 (Beginning)	<u>5,353,288</u>	<u>33,491</u>	<u>5,386,779</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 5,722,319</u>	<u>\$ 56,012</u>	<u>\$ 5,778,331</u>

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

BOVINA 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 JUNE 30, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	391,552
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2013 capital outlays is to increase net position.		421,378
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(294,459)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.		6,601
The District removed capital assets no longer in use during the year. Specifically, computer infrastructure that had become obsolete with a cost of \$331,956 and accumulated depreciation of \$112,865 was removed, which caused a decrease in net position.		(219,091)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>305,981</b>

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

BOVINA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 49,403
Total Assets	<u>\$ 49,403</u>
 <b>LIABILITIES</b>	
Short Term Debt Payable	\$ 4,521
Due to Other Funds	2,137
Due to Student Groups	42,745
Total Liabilities	<u>\$ 49,403</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bovina 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 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 *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**

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("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 must comply with the requirements of these funding source entities.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the 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 Fund 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.

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.



**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, as do the fiduciary fund financial statements. 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 collectible 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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

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

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

**D. FUND ACCOUNTING**

The District reports the following major governmental fund:

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

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. FUND ACCOUNTING (Continued)**

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

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 are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The Student Activity Fund exists with the explicit approval of, and is subject to revocation by, the District's Board of Trustees.

**E. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Child Nutrition Program, a Special Revenue Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the Child Nutrition Program Budget report is in Exhibit J-3.

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 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 July 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, the most significant of which was to increase the budget for the roof replacement project that is discussed in more detail in Note P below.
4. 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. At June 30, 2013, Child Nutrition Program, an Appropriated Budget Fund, had a fund balance of \$55,112.

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. OTHER ACCOUNTING POLICIES**

1. The Data Control Codes refer to the account code structure prescribed by the TEA's Resource Guide. The Texas Education Agency requires school districts to display these codes in the basic financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.
2. The District records purchases of supplies as expenditures. If a material amount of supplies are 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 June 30, 2013, the amount of supplies on hand was not material.
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 the reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. 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; injuries to employees; and natural disasters. During fiscal 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three 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. No payments are made to an employee for unused sick leave or vacation. 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.
6. Capital assets, which include land, buildings, furniture and equipment are reported in the governmental 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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	30
Building Improvements	10 - 50
Buses	10
Other Vehicles	5 - 10
Equipment	5 - 10

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. OTHER ACCOUNTING POLICIES (Continued)**

- 7 During the year ended June 30, 2013, the District met its statutory workers' compensation obligations through participation in West Texas Educational Insurance Association (the Fund) which was administered by Claims Administrative Services, Inc. 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 districts 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 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 \$500,000. For the year ended June 30, 2013, the Fund purchased excess coverage from Midwest Employers Casualty Company. The maximum amount the District can be liable for during any one year is estimated to be \$20,778.

The unpaid claims at July 1, 2012 were \$44,613, including estimated claims incurred but not reported. The incurred claims during the year ended June 30, 2013 were \$7,509, the claims paid during the year ended June 30, 2013 were \$3,279, and the decrease in provisions for prior year claims was \$10,815, resulting in the total unpaid claims at June 30, 2013 of \$38,028. The final amount of the unpaid claims which will be paid is not known but, based on past activity, the amount of estimated claims incurred but not reported is \$16,008, which is included in the total unpaid claims amount.

- 8 Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.
- 9 In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

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

**Custodial Credit Risk:** The District's policy provides that investments and deposits be collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name and/or depository insurance provided by the Federal Deposit Insurance Corporation ("FDIC"). On the District's highest cash balance day and at year end, the District's bank deposits, including certificates of deposit, were completely secured through collateral pledged and FDIC coverage. Management believes the District's investments and deposits were adequately collateralized throughout the year.

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk:** The District’s policy provides that the maximum allowable stated maturity of any individual investment owned by the District shall not exceed one year from the time of purchase.

**Credit Risk:** State 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 District’s policies further limit its investment choices to obligations of or guaranteed by governmental entities, certificates of deposit, fully collateralized repurchase agreements, a securities lending program, banker’s acceptances, commercial paper, no-load money market mutual funds and no-load mutual funds, a guaranteed investment contract as an investment vehicle for bond proceeds, and public funds investment pools, all as permitted by Texas Government Codes.

**Concentration of Credit Risk:** As of June 30, 2013, the District had the following investments, both of which were more than five percent of the District’s investments:

<b>Depository</b>	<b>Maturity</b>	<b>Investment</b>	<b>Credit Quality Rating</b>
Lone Star Liquidity Plus Fund	On Demand	\$1,715,706	AAA

The District also held five Certificates of Deposit totaling \$900,000 at First Bank of Muleshoe.

**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 for maintenance are based on rates adopted for the year of the levy. Allowance for uncollectible taxes receivable within the General Fund is 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.

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**D. INTERFUND RECEIVABLES AND TRANSFERS**

Interfund balances at June 30, 2013 consisted of the following amounts:

**Due from Non-Major Funds**

General Fund	\$ 44,363
Non-Major Funds	1,826
	\$ 46,189

**Due from Fiduciary Funds**

General Fund	\$ 2,137
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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 between funds for the year ended June 30, 2013 consisted of the following:

**Transfers to Nonmajor Special Revenue Funds from:**

General Fund	\$ 30,000
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**Transfers to General Fund from:**

Nonmajor Special Revenue Funds	\$ 2
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The District transferred \$30,000 from the General Fund to the Food Service Fund to subsidize the Child Nutrition Program activities during the year. The remaining fund balance in the Other State Special Revenue Fund was closed out into the General Fund because this fund is no longer being used by the District.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2013, were as follows:

	<b>Property Taxes</b>	<b>Due from Other Governments</b>	<b>Due from Other Funds</b>	<b>Total Receivables</b>
<b>Governmental Funds:</b>				
General Fund	\$ 124,980	\$ 820,649	\$ 46,500	\$ 992,129
Non-Major Funds	-	46,351	1,826	48,177
Total - Governmental Funds	\$ 124,980	\$ 867,000	\$ 48,326	\$ 1,040,306

Amounts not scheduled for collection during the subsequent year

\$ 67,707	\$ -	\$ -	\$ 67,707
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**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES (Continued)**

Payables at June 30, 2013 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
<b>Governmental Funds:</b>					
General Fund	\$ 23,015	\$ 367,122	\$ -	\$ 140,099	\$ 530,236
Non-Major Funds	<u>403</u>	<u>42,099</u>	<u>46,189</u>	<u>-</u>	<u>88,691</u>
Total - Governmental Funds	<u>\$ 23,418</u>	<u>\$ 409,221</u>	<u>\$ 46,189</u>	<u>\$ 140,099</u>	<u>\$ 618,927</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended June 30, 2013 was as follows:

	<u>Balance 06/30/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/13</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 37,305	\$ -	\$ -	\$ 37,305
Construction in progress	<u>597,257</u>	<u>-</u>	<u>(597,257)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>634,562</u>	<u>-</u>	<u>(597,257)</u>	<u>37,305</u>
Capital assets, being depreciated:				
Buildings and improvements	6,837,776	1,013,414	(331,956)	7,519,234
Furniture and equipment	<u>2,956,548</u>	<u>5,221</u>	<u>-</u>	<u>2,961,769</u>
Total capital assets being depreciated	<u>9,794,324</u>	<u>1,018,635</u>	<u>(331,956)</u>	<u>10,481,003</u>
Less: accumulated depreciation for:				
Buildings and improvements	3,502,641	192,588	(112,865)	3,582,364
Furniture and equipment	<u>2,348,132</u>	<u>101,871</u>	<u>-</u>	<u>2,450,003</u>
Total accumulated depreciation	<u>5,850,773</u>	<u>294,459</u>	<u>(112,865)</u>	<u>6,032,367</u>
Total capital assets, being depreciated, net	<u>3,943,551</u>	<u>724,176</u>	<u>(219,091)</u>	<u>4,448,636</u>
Governmental activities capital assets, net	<u>\$ 4,578,113</u>	<u>\$ 724,176</u>	<u>\$ (816,348)</u>	<u>\$ 4,485,941</u>

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**F. CAPITAL ASSET ACTIVITY (Continued)**

Depreciation expense was charged to the governmental activities for the year ended June 30, 2013 was as follows:

Instruction	\$	103,430
Instructional Resources & Media Services		966
Curriculum & Instructional Staff Development		190
School Leadship		1,116
Guidance, Counseling & Evaluation Services		43
Health Services		185
Student (pupil) transportation		49,482
Food services		5,509
Cocurricular/extracurricular activities		48,081
General administration		13,864
Plant maintenance and operations		<u>71,593</u>
 Total depreciation expense	 \$	 <u><u>294,459</u></u>

**G. FUND BALANCE**

The District’s fund balances for its governmental funds are presented in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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.



**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**G. FUND BALANCE (Continued)**

4. Assigned – The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by majority vote in a publicly scheduled meeting. The Board of Trustee's has delegated the authority to make assignments of fund balance amounts to the District's Superintendent or his designee.
  
5. Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not be assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

The District's governmental funds as of June 30, 2013 are reported as follows:

	<b>General Fund</b>	<b>Non-major Funds</b>	<b>Total</b>
Nonspendable:			
Prepaid expenses	\$ 4,650	\$ -	\$ 4,650
Restricted:			
Federal & State grant restrictions	-	56,012	56,012
Committed:			
Construction	3,193,985	-	3,193,985
Capital acquisition	122,843	-	122,843
Assigned:			
None	-	-	-
Unassigned			
	2,400,841	-	2,400,841
Total fund balances	\$ 5,722,319	\$ 56,012	\$ 5,778,331

**H. COMMITMENTS UNDER LEASES**

The District leases various equipment under operating (non-capitalized) lease agreements. Most of the equipment is leased on a month to month basis, and the District has no material long term lease commitments as of June 30, 2013. Rental expenditures for the year ended June 30, 2013 were \$2,791.

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**I. DEFINED BENEFIT PENSION PLAN**

*Plan Description.* Bovina Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of 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 downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8788, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if, as a result of a particular action, the time required to amortize TRS's 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. Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum:

**Contribution Rates and Amounts**

Fiscal Year	Member		State		Statutory Minimum Amount
	Rate	Amount	Rate	Amount	
2013	6.4%	\$ 183,581	6.400%	\$ 184,136	\$ 12,057
2012	6.4%	188,821	6.000%	182,796	11,470
2011	6.4%	190,743	6.644%	199,067	12,889

**J. HEALTH CARE COVERAGE**

During the year ended June 30, 2013, the District provided medical benefits coverage (the "Plan") to its employees through the Teacher Retirement System (the "TRS"). The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77<sup>th</sup> Texas Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as TRS-ACTIVE CARE, as of September 1, 2002. The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees.

Participants in the Plan can choose from several different benefit options, and must meet certain eligibility requirements. Currently, participants must either be an active, contributing TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan. Each member district is billed monthly based upon the number of employees participating in the Plan. For the year ended June 30, 2013, the District contributed \$225 per month per employee to the Plan.

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**K. UNEARNED REVENUES**

Unearned revenues in the fund financial statements as of June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Federal and state grants	\$ -	\$ 1,471	\$ 1,471

**L. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives grants from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined basic financial statements as Due from Other Governments.

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
State Funding - Foundation Revenue	\$ 258,139	\$ -	\$ 258,139
State Funding - Available School Fund	10,683	-	10,683
Parmer County - Permanent School Fund	546,627	-	546,627
Parmer County Appraisal District	3,960	-	3,960
Region XVI	1,240	-	1,240
Federal Grants	-	46,351	46,351
Total	\$ 820,649	\$ 46,351	\$ 867,000

**M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the year ended June 30, 2013, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>Non-major Special Revenue Funds</u>	<u>Total</u>
Property taxes	\$ 801,460	\$ -	\$ 801,460
Penalties, interest and other tax related income	9,760	-	9,760
Investment income	8,442	-	8,442
Food sales	-	33,503	33,503
Co-curricular student activities	6,983	-	6,983
Contributions and donations	16,350	-	16,350
Other	10,408	-	10,408
Totals	\$ 853,403	\$ 33,503	\$ 886,906

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**N. LITIGATION**

There was no litigation pending or in progress against the District at June 30, 2013.

**O. SCHOOL DISTRICT RETIREE HEALTH PLAN**

The Bovina Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. 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 Web site at <http://www.trs.state.tx.us/>, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013-2011:

<b>Contribution Rates and Amounts</b>							
<b>Fiscal Year</b>	<b>Active Member</b>		<b>State</b>		<b>District</b>		
	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	
2013	0.65%	\$ 18,645	0.50%	\$ 14,342	0.55%	\$ 15,777	
2012	0.65%	19,177	1.00%	29,504	0.55%	16,227	
2011	0.65%	19,372	1.00%	29,804	0.55%	16,392	

**P. MEDICARE PART D – ON-HALF 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 June 30, 2013, 2012, and 2011 were \$10,689, \$8,086, and \$7,336, respectively.

**Q. DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the fund financial statements as of June 30, 2013 consisted of the following:

	<b>General Fund</b>	<b>Non-Major Funds</b>	<b>Total</b>
Net unearned property taxes	\$ 57,274	\$ -	\$ 57,274

**BOVINA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**R. SPECIAL ITEM – SETTLEMENT OF LITIGATION**

In June, 2010, a hail storm occurred in Bovina, Texas. Hail from this storm severely damaged the roofs to four of the District's buildings. The District had purchased insurance through its insurance carrier under an all-risk commercial property policy that was in effect when the hail damage was incurred. Due to the extent of the hail damage, the roofs had to be replaced; however, the District's insurance carrier had initially allowed for only the repair of the roofs by applying a spray coating to them. The insurance carrier had provided checks in a previous year to the District totaling \$218,729 to repair the roof. Under Texas law, the District was required to remove and replace the existing roof coverings. The total cost of the project, which was completed during 2013, was \$981,078. As of June 30, 2012 the District had incurred cost of \$597,257 on the roof replacement and paid the remaining \$383,821 during the year ended June 30, 2013. The District submitted a claim to its insurance carrier for reimbursement for the costs incurred to replace the damaged roofs; however, initial results proved to be unsuccessful. The District entered into arbitration with the insurance company, but the results of this activity also proved to be unsatisfactory to the District. As a result, during the year ended June 30, 2013, a lawsuit was filed by the District against the insurance company. After much discussion and consultation with attorneys, both the District and the insurance company were able to reach a mutually agreeable settlement. Under the terms of the agreement, the District will receive an additional \$700,000 in proceeds from the insurance carrier. The final settlement agreement is expected to be reviewed and approved by the Board of Trustees at the October, 2013 regularly scheduled board meeting for the District. The actual receipt of the insurance proceeds is expected to occur soon after the document has been signed by all appropriate parties to the settlement agreement. The District has reported the \$700,000 proceeds as a special item on its financial statements for the year ended June 30, 2013.

**S. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS**

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* "GASB 63". GASB 63 standardized the presentation of deferred inflows of resources and their effects on a government's net position. It also alleviated uncertainty about reporting those financial statement elements by providing guidance where none previously existed. GASB 63 became effective for the District's fiscal year ended June 30, 2013. The most significant impact Statement 63 had on the District's financial statements was to change the titles of the government-wide and agency fund financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012, with early implementation encouraged. Management decided to implement GASB 65 for the District's fiscal year ending June 30, 2013. The most significant impact on the District's financial statements was in the reporting of unearned property tax revenue. The District has reported unearned tax revenues as deferred inflows of resources on the fund financial statements. These were previously reported by the District as deferred revenue on prior fund financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

BOVINA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 752,987	\$ 817,987	\$ 853,403	\$ 35,416
5800	State Program Revenues	3,294,922	3,294,922	3,175,464	(119,458)
5020	Total Revenues	4,047,909	4,112,909	4,028,867	(84,042)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	2,287,550	2,336,920	2,225,986	110,934
0012	Instructional Resources and Media Services	79,619	80,639	77,705	2,934
0021	Instructional Leadership	5,800	5,800	5,764	36
0023	School Leadership	345,894	331,464	298,664	32,800
0031	Guidance, Counseling and Evaluation Services	81,446	81,956	81,385	571
0033	Health Services	50,479	50,989	49,599	1,390
0034	Student (Pupil) Transportation	179,989	198,148	186,944	11,204
0035	Food Services	-	3,570	-	3,570
0036	Extracurricular Activities	247,031	266,581	264,520	2,061
0041	General Administration	261,830	354,609	323,443	31,166
0051	Facilities Maintenance and Operations	381,663	392,223	348,011	44,212
0052	Security and Monitoring Services	4,400	4,400	2,752	1,648
0053	Data Processing Services	23,900	23,900	21,900	2,000
Capital Outlay:					
0081	Facilities Acquisition and Construction	15,000	515,000	390,128	124,872
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	40,000	40,000	32,234	7,766
0099	Other Intergovernmental Charges	22,000	22,000	20,803	1,197
6030	Total Expenditures	4,026,601	4,708,199	4,329,838	378,361
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	21,308	(595,290)	(300,971)	294,319
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	2	2
7949	Other Resources	-	60,000	60,000	-
8911	Transfers Out (Use)	-	(31,308)	(30,000)	1,308
8949	Other (Uses)	-	(60,000)	(60,000)	-
7080	Total Other Financing Sources (Uses)	-	(31,308)	(29,998)	1,310
<b>SPECIAL ITEMS:</b>					
7918	Special Item - Settlement of Litigation	-	-	700,000	700,000
1200	Net Change in Fund Balances	21,308	(626,598)	369,031	995,629
0100	Fund Balance - July 1 (Beginning)	5,353,288	5,353,288	5,353,288	-
3000	Fund Balance - June 30 (Ending)	\$ 5,374,596	\$ 4,726,690	\$ 5,722,319	\$ 995,629

**OTHER SUPPLEMENTARY INFORMATION**



BOVINA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
<b>ASSETS</b>				
1110	\$ 1,645	\$ 13,805	\$ -	\$ -
1240	1,144	-	5,575	32,912
1260	-	-	-	-
1000	<u>\$ 2,789</u>	<u>\$ 13,805</u>	<u>\$ 5,575</u>	<u>\$ 32,912</u>
<b>LIABILITIES</b>				
2110	\$ -	\$ -	\$ -	\$ -
2160	2,350	12,732	2,600	3,310
2170	-	-	2,767	29,496
2200	439	1,073	208	106
2300	-	-	-	-
2000	<u>2,789</u>	<u>13,805</u>	<u>5,575</u>	<u>32,912</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 2,789</u>	<u>\$ 13,805</u>	<u>\$ 5,575</u>	<u>\$ 32,912</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	287 Education Jobs Fund	289 REAP - LEP Summer School Program	397 Advanced Placement Incentives	404 Student Success Initiative
\$ 77,837	\$ -	\$ 2,392	\$ 1,418	\$ -	\$ -	\$ 900	\$ -
6,662	-	58	-	-	-	-	-
-	-	1,773	-	-	53	-	-
<u>\$ 84,499</u>	<u>\$ -</u>	<u>\$ 4,223</u>	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 900</u>	<u>\$ -</u>
\$ 403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,864	-	3,968	-	-	-	-	-
13,926	-	-	-	-	-	-	-
1,194	-	255	-	-	-	-	-
-	-	-	1,418	-	53	-	-
<u>29,387</u>	<u>-</u>	<u>4,223</u>	<u>1,418</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>-</u>
55,112	-	-	-	-	-	900	-
<u>55,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>	<u>-</u>
<u>\$ 84,499</u>	<u>\$ -</u>	<u>\$ 4,223</u>	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 53</u>	<u>\$ 900</u>	<u>\$ -</u>

BOVINA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

Data Control Codes	410 State Textbook Fund	429 Texas Fitness Now Grant	Total Nonmajor Governmental Funds	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 97,997
1240	Receivables from Other Governments	-	-	46,351
1260	Due from Other Funds	-	-	1,826
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,174</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ -	\$ 403
2160	Accrued Wages Payable	-	-	38,824
2170	Due to Other Funds	-	-	46,189
2200	Accrued Expenditures	-	-	3,275
2300	Unearned Revenues	-	-	1,471
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>90,162</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	56,012
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>56,012</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,174</u>

BOVINA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	18,246	119,321	52,587	32,912
5020 Total Revenues	<u>18,246</u>	<u>119,321</u>	<u>52,587</u>	<u>32,912</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	18,246	89,263	52,587	32,912
0013 Curriculum and Instructional Staff Development	-	14,075	-	-
0021 Instructional Leadership	-	15,983	-	-
0035 Food Services	-	-	-	-
6030 Total Expenditures	<u>18,246</u>	<u>119,321</u>	<u>52,587</u>	<u>32,912</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	287 Education Jobs Fund	289 REAP - LEP Summer School Program	397 Advanced Placement Incentives	404 Student Success Initiative
\$ 33,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,775	-	-	-	-	-	-	1,594
267,023	4,570	25,886	17,323	2,467	1,098	-	-
315,299	4,570	25,886	17,323	2,467	1,098	-	1,594
-	4,570	25,886	17,323	2,467	1,098	-	1,594
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
322,778	-	-	-	-	-	-	-
322,778	4,570	25,886	17,323	2,467	1,098	-	1,594
(7,479)	-	-	-	-	-	-	-
30,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30,000	-	-	-	-	-	-	-
22,521	-	-	-	-	-	-	-
32,591	-	-	-	-	-	900	-
\$ 55,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900	\$ -

BOVINA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	410 State Textbook Fund	429 Texas Fitness Now Grant	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ -	\$ 2	\$ 33,503
5800 State Program Revenues	25,558	-	41,927
5900 Federal Program Revenues	-	-	541,433
5020 Total Revenues	<u>25,558</u>	<u>2</u>	<u>616,863</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	25,558	-	271,504
0013 Curriculum and Instructional Staff Development	-	-	14,075
0021 Instructional Leadership	-	-	15,983
0035 Food Services	-	-	322,778
6030 Total Expenditures	<u>25,558</u>	<u>-</u>	<u>624,340</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>2</u>	<u>(7,477)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	-	30,000
8911 Transfers Out (Use)	-	(2)	(2)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(2)</u>	<u>29,998</u>
1200 Net Change in Fund Balance	-	-	22,521
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>33,491</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,012</u>

## **REQUIRED TEA SCHEDULES**

BOVINA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2013

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.270000	0.000000	65,319,513
2006	1.300000	0.000000	64,803,768
2007	1.197200	0.000000	64,819,551
2008	0.976600	0.000000	70,884,582
2009	1.016600	0.000000	73,560,033
2010	1.016600	0.000000	82,676,851
2011	1.016600	0.000000	74,866,764
2012	1.040000	0.000000	74,824,735
2013 (School year under audit)	1.040000	0.000000	79,157,463
1000 TOTALS			



(10) Beginning Balance 7/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2013
\$ 22,422	\$ -	\$ 623	\$ -	\$ -	\$ 21,799
5,101	-	173	-	-	4,928
8,214	-	377	-	(137)	7,700
7,648	-	218	-	(142)	7,288
5,940	-	317	-	(96)	5,527
7,728	-	989	-	(176)	6,563
9,253	-	1,424	-	(189)	7,640
14,064	-	3,542	-	(436)	10,086
30,428	-	9,190	-	(729)	20,509
-	823,238	783,911	-	(6,387)	32,940
<u>\$ 110,798</u>	<u>\$ 823,238</u>	<u>\$ 800,764</u>	<u>\$ -</u>	<u>\$ (8,292)</u>	<u>\$ 124,980</u>

BOVINA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 141,736	\$ 46,832	\$ -	\$ -	\$ 188,568
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	83,216	-	-	-	-	-	83,216
6212	Audit Services	-	-	-	22,000	-	-	22,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	20,803	-	-	-	-	20,803
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	1,894	-	-	1,894
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	360	-	1,950	910	-	-	3,220
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	1,380	-	-	1,380
6290	Miscellaneous Contr.	-	-	-	5,232	-	-	5,232
6320	Textbooks and Reading	850	-	-	-	-	-	850
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	431	-	1,662	3,018	-	-	5,111
6410	Travel, Subsistence, Stipends	153	-	917	21	-	-	1,091
6420	Ins. and Bonding Costs	-	-	-	175	-	-	175
6430	Election Costs	2,041	-	-	-	-	-	2,041
6490	Miscellaneous Operating	-	-	8,485	180	-	-	8,665
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 87,051</b>	<b>\$ 20,803</b>	<b>\$ 154,750</b>	<b>\$ 81,642</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 344,246</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 4,954,058

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 421,378
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	348,011
Food (Function 35, 6341 and 6499)	(13)	151,522
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		81,642

SubTotal: 1,002,553

Net Allowed Direct Cost \$ 3,951,505

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 7,519,233
Historical Cost of Building over 50 years old	(16)	\$ 1,134,603
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,961,770
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,196,817
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.  
 \$20,803 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BOVINA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 30,200	\$ 30,200	\$ 33,501	\$ 3,301
5800	State Program Revenues	6,000	6,000	14,775	8,775
5900	Federal Program Revenues	260,000	260,000	267,023	7,023
5020	Total Revenues	296,200	296,200	315,299	19,099
<b>EXPENDITURES:</b>					
0035	Food Services	317,508	329,008	322,778	6,230
6030	Total Expenditures	317,508	329,008	322,778	6,230
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,308)	(32,808)	(7,479)	25,329
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	31,308	30,000	(1,308)
7080	Total Other Financing Sources (Uses)	-	31,308	30,000	(1,308)
1200	Net Change in Fund Balances	(21,308)	(1,500)	22,521	24,021
0100	Fund Balance - July 1 (Beginning)	32,591	32,591	32,591	-
3000	Fund Balance - June 30 (Ending)	\$ 11,283	\$ 31,091	\$ 55,112	\$ 24,021

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**



## **BROWN, GRAHAM & COMPANY**

PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bovina Independent School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2013.

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

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

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

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

#### **Compliance and Other Matters**

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

**Board of Trustees**  
**Bovina Independent School District**  
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**Purpose of this Report**

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

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

Amarillo, Texas  
October 14, 2013



## **BROWN, GRAHAM & COMPANY**

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### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

#### Report on Compliance for Each Major Federal Program

We have audited the compliance of Bovina Independent School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

#### Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2013.

#### Report on Internal Control Over Compliance

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

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

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

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

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

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

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

Amarillo, Texas  
October 14, 2013





**BOVINA INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 20, 2013**

**Item One – Collateralization of the District’s Deposits and Investments:**

Condition: At various times during the year ended June 30, 2012, the District’s deposits and investments held by its depository bank exceeded the amount of FDIC coverage and fair market value of securities pledged for the District, which put the District’s deposits and investments at risk.

Current Status: During fiscal year ended June 30, 2013, the District’s depository bank provided adequate collateralization to secure all of the District’s deposits through FDIC coverage and securities pledged for the District. All of the District’s deposits were properly collateralized both on the date of highest cash balances as well as on June 30, 2013.

**BOVINA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2013**

There were no material weaknesses, significant deficiencies, or instances of noncompliance required to be reported for the year ended June 30, 2013 for the District; consequently, no corrective action plan is required.

BOVINA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101185901	\$ 119,321
ESEA, Title I, Part C - Migratory Children	84.011	13615001188950	52,587
*IDEA - Part B, Formula	84.027	136600011859036600	32,912
Career and Technical - Basic Grant	84.048	13420006152909	4,570
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	S358A123384	17,323
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13964501185901	25,886
Education Jobs Fund- ARRA	84.410	11550101185901	2,467
REAP - LEP Summer School Program	84.396A	69551202	1,098
Total Passed Through State Department of Education			\$ 256,164
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 256,164
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH0219/29	\$ 18,246
Total Passed Through State Department of Education			\$ 18,246
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 18,246
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401301	\$ 61,608
*National School Lunch Program - Cash Assistance	10.555	71301301	187,056
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301301	18,359
Total CFDA Number 10.555			205,415
Total Child Nutrition Cluster			267,023
Total Passed Through the State Department of Agriculture			\$ 267,023
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			\$ 267,023
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 541,433

\*Clustered Programs

**BOVINA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System 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 were accounted for in Special Revenue Funds which are 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 made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned 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 2013 Circular A-133 Compliance Statement.