

BOVINA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

Brown, Graham & Company, P.C.
3232 Hobbs
Amarillo, Texas 79109
(806)355-8241

**BOVINA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

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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, 2010 at a meeting of the Board of Trustees of such school district on the 1st day of November, 2010.

ss:/Justin Brozek

Signature of Board Secretary

ss:/Larry Mitchell

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

3232 Hobbs • P.O. Box 9297 • 79105-9297
Amarillo, Texas 79105 • 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

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 and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bovina Independent School District as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 32 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Trustees
Bovina Independent School District
Page two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bovina Independent School District's financial statements as a whole. The combining nonmajor 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 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 schedules listed in the table of contents are likewise presented for purposes of additional analysis and are not a part of the basic financial statements. The combining nonmajor fund financial statements, the schedule of expenditures of federal awards, and the required TEA schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet), 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, except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet), the information is fairly stated in all material respects in relation to the financial statements as a whole. The Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Brown, Meekam + Company, P.C.

Amarillo, Texas
November 1, 2010

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, 2010. 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 Assets 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 Assets 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 Assets 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 assets and changes in net assets. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, 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 Assets 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 Assets. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental-type activities.

Net assets of the District's governmental activities increased from \$8,900,198 to \$9,381,974. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, or other legal requirements) were \$5,038,663 at June 30, 2010. This increase in governmental net assets was the result of a decrease in expenditures in some areas.

TABLE 1
THE DISTRICT'S NET ASSETS

	Governmental Activities 2010	Governmental Activities 2009
Current and other assets	\$ 5,550,289	\$ 5,292,631
Capital assets	4,304,029	4,069,516
Total assets	<u>9,854,318</u>	<u>9,362,147</u>
Other liabilities	472,344	461,949
Total liabilities	<u>472,344</u>	<u>461,949</u>
Net Assets:		
Invested in capital assets	4,304,029	4,069,516
Restricted for federal and state programs	39,282	29,617
Unrestricted net assets	5,038,663	4,801,065
Total net assets	<u>\$ 9,381,974</u>	<u>\$ 8,900,198</u>

TABLE 2
CHANGES IN THE DISTRICT'S NET ASSETS

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 46,254	\$ 39,988
Operating grants and contributions	1,139,631	828,132
General Revenues:		
Property taxes	803,524	735,366
State aid - formula grants	3,371,618	3,995,831
Investment earnings	14,969	48,036
Other	20,416	22,304
Total revenues	<u>5,396,412</u>	<u>5,669,657</u>
Expenses:		
Instruction	3,037,500	2,765,462
Instructional resources and media services	93,767	85,494
Curriculum and staff development	5,016	8,290
Instructional leadership	16,313	16,399
School leadership	303,891	284,488
Guidance, counseling, and evaluation services	72,947	65,969
Health services	48,617	45,470
Student (pupil) transportation	145,801	83,160
Food services	282,028	313,491
Co-curricular/extracurricular activities	221,313	203,347
General administration	211,263	202,305
Plant maintenance and operations	377,231	333,830
Security and monitoring services	3,180	2,880
Data processing services	20,550	23,540
Facilities acquisition and construction	28,569	2,114
Payments related to shared service arrangements	26,782	28,667
Other intergovernmental charges	19,868	17,686
Total Expenses	<u>4,914,636</u>	<u>4,482,592</u>
Change in net assets	481,776	1,187,065
Net assets at beginning of year	8,900,198	7,713,133
Net assets at end of year	<u>\$ 9,381,974</u>	<u>\$ 8,900,198</u>

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$5,021,019, which is above last year's total of \$4,776,861.

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 the balance of the science lab remodel and the track renovations.

The District's General Fund balance of \$4,981,737 differs from the General Fund's budgetary fund balance of \$4,213,031 reported in the budgetary comparison schedule at Exhibit G-1. This is principally due to higher state program revenue than expected and lower overall expenditures than what had been budgeted, primarily in Function 34, Student Transportation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$9,558,429 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents an increase of \$489,927 from last year.

Following is a comparison of the District's capital assets for the fiscal years ending June 30, 2010 and 2009:

THE DISTRICT'S CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
Land	\$ 37,305	\$ 37,305
Buildings and improvements	3,606,801	3,447,995
Furniture and equipment	659,923	584,217
Total capital assets, net of accumulated depreciation	<u>\$ 4,304,029</u>	<u>\$ 4,069,517</u>

This year's major additions included:

SmartBoards	\$ 115,576
Athletic equipment	54,567
Mower	14,221
Carpet - auditorium	7,443
Sprinkler system	13,398
Auditorium seating	119,257
Parking lot paving	159,794
HVAC replacement	<u>5,671</u>
Total capital additions	<u>\$ 489,927</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2011 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 purchase of vehicles, improvements to the DAEP program, and possible salary increases are planned for 2010-2011. These improvements will be considered at a time when we can reasonably estimate what our funding will be for 2010-2011. 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.

We maintained the same 2010 tax rate of \$1.0166 per \$100 valuation for 2010-2011. Estimated available amounts for the General Fund Budget are \$4,152,750, a decrease of \$6,082 from the final 2010 budget of \$4,158,832. Budgeted expenditures are expected to be \$4,352,750, down from \$4,670,036 in 2010. 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 ASSETS
JUNE 30, 2010

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,371,861
1120 Current Investments	2,608,910
1220 Property Taxes Receivable (Delinquent)	121,134
1230 Allowance for Uncollectible Taxes	(63,291)
1240 Due from Other Governments	506,798
1267 Due from Fiduciary Funds	1,069
1410 Deferred Expenses	3,808
Capital Assets:	
1510 Land	37,305
1520 Buildings, Net	3,606,801
1530 Furniture and Equipment, Net	659,923
1000 Total Assets	9,854,318
LIABILITIES	
2110 Accounts Payable	18,268
2150 Payroll Deductions & Withholdings	219
2160 Accrued Wages Payable	380,577
2200 Accrued Expenses	69,722
2300 Deferred Revenues	3,558
2000 Total Liabilities	472,344
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	4,304,029
3820 Restricted for Federal and State Programs	39,282
3900 Unrestricted Net Assets	5,038,663
3000 Total Net Assets	\$ 9,381,974

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, 2010

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,037,500	\$ 4,632	\$ 812,176	\$ (2,220,692)
12 Instructional Resources and Media Services	93,767	-	4,598	(89,169)
13 Curriculum and Staff Development	5,016	-	4,883	(133)
21 Instructional Leadership	16,313	-	15,288	(1,025)
23 School Leadership	303,891	-	15,296	(288,595)
31 Guidance, Counseling and Evaluation Services	72,947	-	5,956	(66,991)
33 Health Services	48,617	-	3,176	(45,441)
34 Student (Pupil) Transportation	145,801	-	4,124	(141,677)
35 Food Services	282,028	32,083	252,509	2,564
36 Extracurricular Activities	221,313	9,539	3,941	(207,833)
41 General Administration	211,263	-	8,560	(202,703)
51 Plant Maintenance and Operations	377,231	-	9,124	(368,107)
52 Security and Monitoring Services	3,180	-	-	(3,180)
53 Data Processing Services	20,550	-	-	(20,550)
81 Capital Outlay	28,569	-	-	(28,569)
93 Payments related to Shared Services Arrangements	26,782	-	-	(26,782)
99 Other Intergovernmental Charges	19,868	-	-	(19,868)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 4,914,636</u>	<u>\$ 46,254</u>	<u>\$ 1,139,631</u>	<u>(3,728,751)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			803,524
SF	State Aid - Formula Grants			3,371,618
IE	Investment Earnings			14,969
MI	Miscellaneous Local and Intermediate Revenue			20,416
TR	Total General Revenues			<u>4,210,527</u>
CN	Change in Net Assets			481,776
NB	Net Assets--Beginning			8,900,198
NE	Net Assets--Ending			<u>\$ 9,381,974</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, 2010

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,279,354	\$ 92,507	\$ 2,371,861
1120 Investments - Current	2,608,910	-	2,608,910
1220 Property Taxes - Delinquent	121,134	-	121,134
1230 Allowance for Uncollectible Taxes (Credit)	(63,291)	-	(63,291)
1240 Receivables from Other Governments	416,596	90,202	506,798
1260 Due from Other Funds	72,623	1,773	74,396
1410 Deferred Expenditures	3,808	-	3,808
1000 Total Assets	<u>\$ 5,439,134</u>	<u>\$ 184,482</u>	<u>\$ 5,623,616</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 16,796	\$ 1,472	\$ 18,268
2150 Payroll Deductions and Withholdings Payable	219	-	219
2160 Accrued Wages Payable	320,589	59,988	380,577
2170 Due to Other Funds	-	73,327	73,327
2200 Accrued Expenditures	61,949	7,773	69,722
2300 Deferred Revenues	57,844	2,640	60,484
2000 Total Liabilities	<u>457,397</u>	<u>145,200</u>	<u>602,597</u>
Fund Balances:			
Reserved For:			
3450 Food Service/Federal or State Funds	-	37,690	37,690
Unreserved Designated For:			
3510 Construction	3,193,985	-	3,193,985
3530 Capital Expenditures for Equipment	122,843	-	122,843
Unreserved and Undesignated:			
3600 Reported in the General Fund	1,664,909	-	1,664,909
3610 Reported in Special Revenue Funds	-	1,592	1,592
3000 Total Fund Balances	<u>4,981,737</u>	<u>39,282</u>	<u>5,021,019</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,439,134</u>	<u>\$ 184,482</u>	<u>\$ 5,623,616</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 ASSETS
 JUNE 30, 2010

Total Fund Balances - Governmental Funds	\$	5,021,019
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,068,502 and the accumulated depreciation was \$4,998,985. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net assets.		4,069,517
2 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 2010 capital outlays is to increase net assets.		489,927
3 The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(255,415)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions, The net effect of these reclassifications and recognitions is to increase net assets.		56,926
19 Net Assets of Governmental Activities	\$	9,381,974

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, 2010

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 849,974	\$ 32,083	\$ 882,057
5800	State Program Revenues	3,564,509	118,080	3,682,589
5900	Federal Program Revenues	-	828,660	828,660
5020	Total Revenues	<u>4,414,483</u>	<u>978,823</u>	<u>5,393,306</u>
EXPENDITURES:				
Current:				
0011	Instruction	2,319,006	670,727	2,989,733
0012	Instructional Resources and Media Services	92,801	-	92,801
0013	Curriculum and Instructional Staff Development	-	4,883	4,883
0021	Instructional Leadership	1,025	15,288	16,313
0023	School Leadership	302,717	-	302,717
0031	Guidance, Counseling and Evaluation Services	71,227	1,677	72,904
0033	Health Services	48,432	-	48,432
0034	Student (Pupil) Transportation	120,183	64	120,247
0035	Food Services	-	276,520	276,520
0036	Extracurricular Activities	241,104	-	241,104
0041	General Administration	197,398	-	197,398
0051	Facilities Maintenance and Operations	381,584	-	381,584
0052	Security and Monitoring Services	3,180	-	3,180
0053	Data Processing Services	20,550	-	20,550
Capital Outlay:				
0081	Facilities Acquisition and Construction	334,132	-	334,132
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	26,782	-	26,782
0099	Other Intergovernmental Charges	19,868	-	19,868
6030	Total Expenditures	<u>4,179,989</u>	<u>969,159</u>	<u>5,149,148</u>
1200	Net Change in Fund Balances	234,494	9,664	244,158
0100	Fund Balance - July 1 (Beginning)	<u>4,747,243</u>	<u>29,618</u>	<u>4,776,861</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 4,981,737</u>	<u>\$ 39,282</u>	<u>\$ 5,021,019</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, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	244,158
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 2010 capital outlays is to increase net assets.		489,927
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(255,415)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.		3,106
Change in Net Assets of Governmental Activities	\$	481,776

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

BOVINA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 36,629
Total Assets	<u>\$ 36,629</u>
LIABILITIES	
Short Term Debt Payable	\$ 5,750
Due to Other Funds	1,069
Due to Student Groups	29,810
Total Liabilities	<u>\$ 36,629</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, 2010

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 of Trustees (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 Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Bovina Independent School District's nonfiduciary 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.

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

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.

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 designated for, specific purposes by the District or a grantor in Special Revenue Funds. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, 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-4.

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. However, none of these were significant.
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, 2010, Child Nutrition Program, an Appropriated Budget Fund, had a fund balance of \$37,690.

F. OTHER ACCOUNTING POLICIES

1. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. 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.

F. OTHER ACCOUNTING POLICIES (Continued)

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, 2010, 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. Risk Management. 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 2010, 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. Unreserved, undesignated fund equity for governmental funds indicates available amounts for the budgeting of future operations. The unreserved, designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Board Resolution for specific purposes and are therefore not available for general expenditures to be appropriated in the following period unless amended by future Board action. Reserved fund balance is that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes. As of June 30, 2010, there was no reserved fund balance in the General Fund. Designations of fund balance represent tentative management plans that are subject to change.
6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first, then unrestricted assets as they are needed.
7. 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.
8. 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	30, 20, 10
Buses	10
Other Vehicles	5
Equipment	5, 10

F. OTHER ACCOUNTING POLICIES (Continued)

9. During the year ended June 30, 2010, 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, 2010, the Fund purchased excess coverage from Safety National Casualty Corporation. The maximum amount the District can be liable for during any one year is \$27,666.

The unpaid claims at July 1, 2010 were \$15,847, the incurred claims during the year ended June 30, 2010 were \$16,505, the claims paid during the year ended June 30, 2010 were \$5,967, and the increase in provisions for prior year claims was \$1,104, resulting in the total unpaid claims at June 30, 2010 of \$27,489. 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 \$13,668.

10. The amounts on the statements have been rounded individually; consequently, some columns may not total and some schedules may not agree because of this rounding.

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: Investments and deposits are collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

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, 2010, the District had the following investments, each of which is more than five percent of the District's investments:

Depository	Maturity	Investment	Credit Quality Rating
Lone Star Liquidity Plus Fund	On Demand	\$1,705,626	AAA

The District also held fully secured 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.

D. INTERFUND RECEIVABLES AND TRANSFERS

Interfund balances at June 30, 2010 consisted of the following amounts:

Due from Non-Major Funds

General Fund	\$ 71,554
Non-Major Funds	1,773
	<u>\$ 73,327</u>

Due from Fiduciary Funds

General Fund	<u>\$ 1,069</u>
--------------	-----------------

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.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2010, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Governments</u>	<u>Due from Other Funds</u>	<u>Total Receivables</u>
Governmental Funds:				
General Fund	\$ 121,134	\$ 416,596	\$ 72,623	\$ 610,353
Non-Major Funds	<u>-</u>	<u>90,202</u>	<u>1,773</u>	<u>91,975</u>
Total - Governmental Funds	<u>\$ 121,134</u>	<u>\$ 506,798</u>	<u>\$ 74,396</u>	<u>\$ 702,328</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 63,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,291</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES (CONTINUED)

Payables at June 30, 2010 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Total Payables</u>
Governmental Funds:				
General Fund	\$ 16,796	\$ 382,757	\$ -	\$ 399,553
Non-Major Funds	<u>1,472</u>	<u>67,761</u>	<u>73,327</u>	<u>142,560</u>
Total - Governmental Funds	<u>\$ 18,268</u>	<u>\$ 450,518</u>	<u>\$ 73,327</u>	<u>\$ 542,113</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2010 was as follows:

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/10</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 37,305	\$ -	\$ -	\$ 37,305
Total capital assets, not being depreciated	<u>37,305</u>	<u>-</u>	<u>-</u>	<u>37,305</u>
Capital assets, being depreciated:				
Buildings and improvements	6,478,587	305,563	-	6,784,150
Furniture and equipment	<u>2,552,610</u>	<u>184,364</u>	<u>-</u>	<u>2,736,974</u>
Total capital assets being depreciated	<u>9,031,197</u>	<u>489,927</u>	<u>-</u>	<u>9,521,124</u>
Less: accumulated depreciation for:				
Buildings and improvements	3,030,592	146,757	-	3,177,349
Furniture and equipment	<u>1,968,393</u>	<u>108,658</u>	<u>-</u>	<u>2,077,051</u>
Total accumulated depreciation	<u>4,998,985</u>	<u>255,415</u>	<u>-</u>	<u>5,254,400</u>
Total capital assets, being depreciated, net	<u>4,032,212</u>	<u>234,512</u>	<u>-</u>	<u>4,266,724</u>
Governmental activities capital assets, net	<u>\$ 4,069,517</u>	<u>\$ 234,512</u>	<u>\$ -</u>	<u>\$ 4,304,029</u>

F. CAPITAL ASSET ACTIVITY (Continued)

Depreciation expense was charged to the governmental activities for the year ended June 30, 2010 was as follows:

Instruction	\$	163,343
Instructional Resources & Media Services		966
Curriculum & Instructional Staff Development		133
School Leadship		1,174
Guidance, Counseling & Evaluation Services		43
Health Services		185
Student (pupil) transportation		25,554
Food services		5,508
Cocurricular/extracurricular activities		34,776
General administration		13,865
Plant maintenance and operations		<u>9,868</u>
Total depreciation expense	\$	<u><u>255,415</u></u>

G. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for no minimum future rental payments as of June 30, 2010. Rental expenditures in year ended June 30, 2010 was \$8,109.

H. 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2010, 2009 and 2008 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium 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 that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions 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. State contributions to TRS made on behalf of Bovina Independent School District's employees for the years ended June 30, 2010, 2009 and 2008 were \$198,566, \$173,002 and \$135,597, respectively. Bovina Independent School District paid additional state contributions for the years ended June 30, 2010, 2009 and 2008 in the amount of \$32,812, \$32,577 and \$26,555, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and federal wages.

I. HEALTH CARE COVERAGE

During the year ended June 30, 2010, 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 77th Texas Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependants. 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, 2010, the District contributed \$225 per month per employee to the Plan.

J. DEFERRED REVENUE

Deferred revenue in the fund financial statements as of June 30, 2010 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Net unrealized property taxes	\$ 57,844	\$ -	\$ 57,844
Technology allotment	<u>-</u>	<u>2,640</u>	<u>2,640</u>
 Total deferred revenue	 <u>\$ 57,844</u>	 <u>\$ 2,640</u>	 <u>\$ 60,484</u>

K. 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, 2010, 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	\$ 406,415	\$ -	\$ 406,415
Parmer County Appraisal District	10,181	-	10,181
State Grants	-	2,261	2,261
Federal Grants	-	87,941	87,941
Total	<u>\$ 416,596</u>	<u>\$ 90,202</u>	<u>\$ 506,798</u>

L. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2010, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	General Fund	Non-major Special Revenue Funds	Total
Property taxes	\$ 800,776	\$ -	\$ 800,776
Penalties, interest and other tax related income	9,858	-	9,858
Investment income	14,969	-	14,969
Food sales	-	32,083	32,083
Co-curricular student activities	9,539	-	9,539
Other	14,832	-	14,832
Totals	\$ 849,974	\$ 32,083	\$ 882,057

M. LITIGATION

There was no litigation pending or in progress against the District at June 30, 2010.

N. 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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for the fiscal years ended 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the fiscal years ended 2010, 2009, and 2008, the State's contributions to TRS-Care were \$30,147, \$27,938, and \$25,014, respectively, the active member contributions were \$19,594, \$17,891, and \$16,260, respectively, and the school district's contributions were \$16,581, \$15,365, and \$13,757, respectively, which equaled the required contributions each year. Medicare Part D on-behalf payments for the fiscal years ended 2010, 2009 and 2008 were \$8,086, \$6,689, and \$6,596, respectively.

O. BUDGET VARIANCES

As shown on Exhibit J-4, the total expenditures for the Child Nutrition Program exceeded the final amended budget for the year. The reason for the overall negative variance was due to the fact that the USDA Donated Commodities revenue and expenditures had not been budgeted for during the year. The amount included in expenditures for this expenditure account was \$13,972. The District's management is aware of the budget variance and will more closely monitor the budget in subsequent years.

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, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 817,990	\$ 834,749	\$ 849,974	\$ 15,225
5800	State Program Revenues	3,450,104	3,324,083	3,564,509	240,426
5020	Total Revenues	4,268,094	4,158,832	4,414,483	255,651
EXPENDITURES:					
Current:					
0011	Instruction	2,515,683	2,375,424	2,319,006	56,418
0012	Instructional Resources and Media Services	95,126	96,676	92,801	3,875
0013	Curriculum and Instructional Staff Development	2,500	-	-	-
0021	Instructional Leadership	1,025	1,025	1,025	-
0023	School Leadership	296,983	308,083	302,717	5,366
0031	Guidance, Counseling and Evaluation Services	39,868	71,885	71,227	658
0033	Health Services	51,367	51,917	48,432	3,485
0034	Student (Pupil) Transportation	135,773	362,873	120,183	242,690
0036	Extracurricular Activities	221,740	279,307	241,104	38,203
0041	General Administration	319,811	219,491	197,398	22,093
0051	Facilities Maintenance and Operations	429,921	462,979	381,584	81,395
0052	Security and Monitoring Services	4,400	4,400	3,180	1,220
0053	Data Processing Services	30,000	30,000	20,550	9,450
Capital Outlay:					
0081	Facilities Acquisition and Construction	64,489	343,976	334,132	9,844
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	40,000	40,000	26,782	13,218
0099	Other Intergovernmental Charges	-	22,000	19,868	2,132
6030	Total Expenditures	4,248,686	4,670,036	4,179,989	490,047
1100	Excess (Deficiency) of Revenues Over Expenditures	19,408	(511,204)	234,494	745,698
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(19,408)	(23,008)	-	23,008
7080	Total Other Financing Sources (Uses)	(19,408)	(23,008)	-	23,008
1200	Net Change in Fund Balances	-	(534,212)	234,494	768,706
0100	Fund Balance - July 1 (Beginning)	4,747,243	4,747,243	4,747,243	-
3000	Fund Balance - June 30 (Ending)	\$ 4,747,243	\$ 4,213,031	\$ 4,981,737	\$ 768,706

OTHER SUPPLEMENTARY INFORMATION

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 841	\$ 23,955	\$ -
1240	Receivables from Other Governments	-	2,158	-	16,134
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 2,999</u>	<u>\$ 23,955</u>	<u>\$ 16,134</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	2,517	21,457	6,456
2170	Due to Other Funds	-	-	-	9,104
2200	Accrued Expenditures	-	482	2,498	574
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>2,999</u>	<u>23,955</u>	<u>16,134</u>
Fund Balances:					
Reserved For:					
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 2,999</u>	<u>\$ 23,955</u>	<u>\$ 16,134</u>

224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology
\$ -	\$ 59,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,071	4,281	-	1,494	-	23,443	3,044	63
-	-	-	1,773	-	-	-	-
<u>\$ 4,071</u>	<u>\$ 64,138</u>	<u>\$ -</u>	<u>\$ 3,267</u>	<u>\$ -</u>	<u>\$ 23,443</u>	<u>\$ 3,044</u>	<u>\$ 63</u>
\$ -	\$ 234	\$ -	\$ -	\$ -	\$ -	\$ 1,238	\$ -
-	10,249	-	2,487	-	12,072	-	-
4,071	13,926	-	201	-	10,234	1,806	63
-	2,039	-	579	-	1,137	-	-
-	-	-	-	-	-	-	-
<u>4,071</u>	<u>26,448</u>	<u>-</u>	<u>3,267</u>	<u>-</u>	<u>23,443</u>	<u>3,044</u>	<u>63</u>
-	37,690	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>37,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,071</u>	<u>\$ 64,138</u>	<u>\$ -</u>	<u>\$ 3,267</u>	<u>\$ -</u>	<u>\$ 23,443</u>	<u>\$ 3,044</u>	<u>\$ 63</u>

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	289 LEP Summer School Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 5,214	\$ -	\$ -
1240	Receivables from Other Governments	30,723	-	1,504	1,026
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 30,723</u>	<u>\$ 5,214</u>	<u>\$ 1,504</u>	<u>\$ 1,026</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	4,750	-	-
2170	Due to Other Funds	30,723	-	1,504	1,026
2200	Accrued Expenditures	-	464	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>30,723</u>	<u>5,214</u>	<u>1,504</u>	<u>1,026</u>
Fund Balances:					
Reserved For:					
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 30,723</u>	<u>\$ 5,214</u>	<u>\$ 1,504</u>	<u>\$ 1,026</u>

397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	426 TX Educator Excellence Award Grant	428 High School Allotment	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 2,640	\$ -	\$ -	\$ -	\$ 92,507
-	251	418	-	-	-	1,592	90,202
-	-	-	-	-	-	-	1,773
<u>\$ -</u>	<u>\$ 251</u>	<u>\$ 418</u>	<u>\$ 2,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,592</u>	<u>\$ 184,482</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,472
-	-	-	-	-	-	-	59,988
-	251	418	-	-	-	-	73,327
-	-	-	-	-	-	-	7,773
-	-	-	2,640	-	-	-	2,640
<u>-</u>	<u>251</u>	<u>418</u>	<u>2,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,200</u>
-	-	-	-	-	-	-	37,690
-	-	-	-	-	-	1,592	1,592
-	-	-	-	-	-	1,592	39,282
<u>\$ -</u>	<u>\$ 251</u>	<u>\$ 418</u>	<u>\$ 2,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,592</u>	<u>\$ 184,482</u>

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,961	20,986	160,413	50,788
5020 Total Revenues	<u>1,961</u>	<u>20,986</u>	<u>160,413</u>	<u>50,788</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	20,986	149,178	50,724
0013 Curriculum and Instructional Staff Development	1,961	-	-	-
0021 Instructional Leadership	-	-	11,235	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	64
0035 Food Services	-	-	-	-
6030 Total Expenditures	<u>1,961</u>	<u>20,986</u>	<u>160,413</u>	<u>50,788</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>

224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology
\$ -	\$ 32,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	11,904	-	-	-	-	-	-
5,330	240,605	5,912	31,879	4,033	160,284	26,160	1,895
5,330	284,592	5,912	31,879	4,033	160,284	26,160	1,895
5,330	-	5,912	24,944	2,316	160,284	26,160	1,895
-	-	-	2,882	40	-	-	-
-	-	-	4,053	-	-	-	-
-	-	-	-	1,677	-	-	-
-	-	-	-	-	-	-	-
-	276,520	-	-	-	-	-	-
5,330	276,520	5,912	31,879	4,033	160,284	26,160	1,895
-	8,072	-	-	-	-	-	-
-	29,618	-	-	-	-	-	-
\$ -	\$ 37,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	289 LEP Summer School Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	45,286	11,930	60,172	1,026
5020 Total Revenues	<u>45,286</u>	<u>11,930</u>	<u>60,172</u>	<u>1,026</u>
EXPENDITURES:				
Current:				
0011 Instruction	45,286	11,930	60,172	1,026
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
6030 Total Expenditures	<u>45,286</u>	<u>11,930</u>	<u>60,172</u>	<u>1,026</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>

397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	426 TX Educator Excellence Award Grant	428 High School Allotment	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,083
240	2,510	5,728	13,337	80,000	2,769	1,592	118,080
-	-	-	-	-	-	-	828,660
<u>240</u>	<u>2,510</u>	<u>5,728</u>	<u>13,337</u>	<u>80,000</u>	<u>2,769</u>	<u>1,592</u>	<u>978,823</u>
240	2,510	5,728	13,337	80,000	2,769	-	670,727
-	-	-	-	-	-	-	4,883
-	-	-	-	-	-	-	15,288
-	-	-	-	-	-	-	1,677
-	-	-	-	-	-	-	64
-	-	-	-	-	-	-	276,520
<u>240</u>	<u>2,510</u>	<u>5,728</u>	<u>13,337</u>	<u>80,000</u>	<u>2,769</u>	<u>-</u>	<u>969,159</u>
-	-	-	-	-	-	1,592	9,664
-	-	-	-	-	-	-	29,618
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,592</u>	<u>\$ 39,282</u>

REQUIRED TEA SCHEDULES

BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2010

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2001 and prior years	\$ 1.090000	\$ 0.000000	\$ 59,802,966
2002	1.100000	0.000000	59,802,966
2003	1.140000	0.000000	62,095,702
2004	1.200000	0.000000	66,485,500
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 (School year under audit)	1.016600	0.000000	82,676,851
100 TOTALS			

(10) Beginning Balance 7/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2010
\$ 16,795	\$ -	\$ 577	\$ -	\$ (1,500)	\$ 14,718
6,570	-	299	-	(249)	6,022
6,226	-	201	-	-	6,025
7,419	-	495	-	(85)	6,839
6,794	-	746	-	(146)	5,902
12,771	-	1,066	-	(1,531)	10,174
13,536	-	1,864	-	(1,498)	10,174
12,497	-	2,846	-	(1,210)	8,441
31,292	-	14,657	-	(2,579)	14,056
-	840,493	777,667	-	(24,042)	38,784
<u>\$ 113,900</u>	<u>\$ 840,493</u>	<u>\$ 800,418</u>	<u>\$ -</u>	<u>\$ (32,840)</u>	<u>\$ 121,135</u>

**BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2011-2012
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

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	\$ -	\$ -	\$ 118,724	\$ 41,378	\$ -	\$ -	\$ 160,102
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	324	-	-	-	-	-	324
6212	Audit Services	-	-	-	15,400	-	-	15,400
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	19,868	-	-	-	-	19,868
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	1,600	756	-	-	2,356
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,107	-	-	5,107
6290	Miscellaneous Contr.	-	-	-	2,722	-	-	2,722
6320	Textbooks and Reading	850	-	-	-	-	-	850
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	433	-	519	2,849	-	-	3,801
6410	Travel, Subsistence, Stipends	-	-	1,254	35	-	-	1,289
6420	Ins. and Bonding Costs	-	-	-	175	-	-	175
6430	Election Costs	1,511	-	-	-	-	-	1,511
6490	Miscellaneous Operating	-	-	3,705	55	-	-	3,760
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 3,118	\$ 19,868	\$ 125,802	\$ 68,477	\$ -	\$ -	\$ 217,265

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 5,149,149

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 489,926
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	367,363
Food (Function 35, 6341 and 6499)	(13)	127,440
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		68,477

SubTotal: 1,053,206

Net Allowed Direct Cost \$ 4,095,943

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 6,784,150
Historical Cost of Building over 50 years old	(16)	\$ 1,108,872
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,736,974
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 822,801
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.
\$19,868 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BOVINA INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2010

UNAUDITED

1	Total General Fund Balance as of 6/30/10 (Exhibit C-1 object 3000 for the General Fund Only)	\$	4,981,737
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$	-
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	3,316,828	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	836,000	
5	Estimate of two month's average cash disbursements during the fiscal year.	836,000	
6	Estimate of delayed payments from state sources (58xx).	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Adjustment to meet Board Policy	-	
11	Optimum Fund Balance and Cash Flow (Lines		<u>4,988,828</u>
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 11)	\$	<u><u>(7,091)</u></u>

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, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 30,050	\$ 30,050	\$ 32,083	\$ 2,033
5800	State Program Revenues	12,000	12,000	11,904	(96)
5900	Federal Program Revenues	200,000	200,000	240,605	40,605
5020	Total Revenues	242,050	242,050	284,592	42,542
EXPENDITURES:					
0035	Food Services	261,458	265,058	276,520	(11,462)
6030	Total Expenditures	261,458	265,058	276,520	(11,462)
1100	Excess (Deficiency) of Revenues Over Expenditures	(19,408)	(23,008)	8,072	31,080
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	19,408	23,008	-	(23,008)
7080	Total Other Financing Sources (Uses)	19,408	23,008	-	(23,008)
1200	Net Change in Fund Balances	-	-	8,072	8,072
0100	Fund Balance - July 1 (Beginning)	29,618	29,618	29,618	-
3000	Fund Balance - June 30 (Ending)	\$ 29,618	\$ 29,618	\$ 37,690	\$ 8,072

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited 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, 2010, which collectively comprise Bovina Independent School District's basic financial statements and have issued our report thereon dated November 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bovina Independent School 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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We noted certain matters that we reported to management of the District in a separate letter dated November 1, 2010.

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

Brown, Abraham + Company, P.C.

Amarillo, Texas
November 1, 2010



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

Compliance

We have audited Bovina Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bovina Independent School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Bovina Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Bovina Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bovina Independent School 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Board of Trustees
Bovina Independent School District
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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in blue ink that reads "Brown, Ashman + Company, P.C." in a cursive style.

Amarillo, Texas
November 1, 2010

**BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

I. Summary of the Auditor's Results:

Financial Statements:

- The type of auditor's report issued on the financial statements of the Bovina Independent School District was an unqualified opinion.
- No material weaknesses in internal control over financial reporting were identified.
- No significant deficiencies in internal control over financial reporting were identified.
- There was no noncompliance material to the financial statements noted.

Federal Awards:

- There were no material weaknesses in internal control over major programs noted.
- There were no significant deficiencies in internal control over major programs noted.
- The type of auditor's report issued on compliance with major programs was unqualified.
- There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133
- Identification of major programs:
 - CFDA #84.010A ESEA Title I, Part A – Improving Basic Education
 - CFDA #84.389 ESEA, Title I, Part A – Improving Basic Education (Recovery Act)
 - CFDA #84.394 State Fiscal Stabilization Fund (SFSF) Education (Recovery Act)
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The auditee qualified as a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

The audit disclosed no findings required to be reported.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described Above

The audit disclosed no findings required to be reported.

**BOVINA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 20, 2010**

Finding 2009-1: The fees paid for other intergovernmental charges were not budgeted resulting in expenditures in excess of budget in Data Control Code 0099.

Current Status: During the year ended June 30, 2010, the District properly budgeted for other intergovernmental charges, using the Data Control Code 0099.

**BOVINA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2010**

There were no findings, deficiencies, significant deficiencies, material weaknesses, or noncompliance identified during the audit.

BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10-610101185901	\$ 160,413
ESEA, Title I, Part C - Migratory Children	84.011	10-615001188950	50,788
IDEA - Part B, Formula	84.027	10-694501185901	5,330
Career and Technical - Basic Grant	84.048	10-420006152909	5,912
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10-691001185901	1,961
Title II, Part D -Enhancing Ed. Through Technology	84.318	10-630001185901	1,436
Title II, Part D -Enhancing Ed. Through Technology	84.318	09-630001185901	2,597
Total CFDA Number 84.318			4,033
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358A	S3538A093384	15,280
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358A	S3538A083384	10,880
Total CFDA Number 84.358A			26,160
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10-694501185901	31,879
Title II D Enhancing Ed. Through Technology - ARRA	84.386	10-553001185901	1,895
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10-551001185901	60,172
IDEA, Part B, Formula - ARRA	84.391	10-554001185903	45,286
IDEA, Part B, Preschool - ARRA	84.392	10-555001185903	11,930
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10-557001185901	160,284
LEP Summer School Program	84.396A	S369A090045	1,026
Total Passed Through State Department of Education			\$ 567,069
TOTAL DEPARTMENT OF EDUCATION			\$ 567,069
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH0219/26	\$ 20,986
Total Passed Through State Department of Education			\$ 20,986
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 20,986
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553	10-185901	\$ 53,771
National School Lunch Program - Cash Assistance*	10.555	10-185901	172,862
National School Lunch Prog. - Non-Cash Assistance*	10.555	10-185901	13,972
Total CFDA Number 10.555			186,834
Total Passed Through the State Department of Agriculture			\$ 240,605
TOTAL DEPARTMENT OF AGRICULTURE			\$ 240,605
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 828,660

*Clustered Programs as required by Compliance Supplement March, 2010

BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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 deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.