

BOVINA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

Brown, Graham & Company, P.C.
3232 Hobbs
Amarillo, Texas 79109
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**BOVINA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

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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, 2011 at a meeting of the Board of Trustees of such school district on the 14th day of November, 2011.

ss:/Deena Leuea

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

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

Independent Auditor's Report

Board of Trustees
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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bovina Independent School District as of June 30, 2011, 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 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 35 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 basic financial statements. 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown, Graham & Company, P.C.

Amarillo, Texas
November 14, 2011

MANAGEMENT'S DISCUSSION & ANALYSIS

Bovina Independent School District

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Bovina, Texas 79009

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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, 2011. 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 1) and changes in net assets (Table 2) of the District's governmental-type activities.

Net assets of the District's governmental activities decreased from \$9,381,974 to \$9,352,110. 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 \$5,011,309 at June 30, 2011. This decrease in governmental net assets resulted from the District's revenues decreasing by \$416,441 from the prior year while expenses increased \$95,199 from the prior year.

TABLE 1
THE DISTRICT'S NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 5,529,658	\$ 5,550,289
Capital assets	4,299,088	4,304,029
Total assets	<u>9,828,746</u>	<u>9,854,318</u>
Other liabilities	476,636	472,344
Total liabilities	<u>476,636</u>	<u>472,344</u>
Net Assets:		
Invested in capital assets	4,299,088	4,304,029
Restricted for federal and state programs	41,713	39,282
Unrestricted net assets	5,011,309	5,038,663
Total net assets	<u>\$ 9,352,110</u>	<u>\$ 9,381,974</u>

TABLE 2
CHANGES IN THE DISTRICT'S NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
Revenues:		
Program revenues:		
Charges for services	\$ 42,253	\$ 46,254
Operating grants and contributions	968,232	1,139,631
General revenues:		
Property taxes	732,339	803,524
State aid - formula grants	3,201,309	3,371,618
Investment earnings	14,567	14,969
Other	21,271	20,416
Total revenues	<u>4,979,971</u>	<u>5,396,412</u>
Expenses:		
Instruction	2,927,014	3,037,500
Instructional resources and media services	91,690	93,767
Curriculum and staff development	5,098	5,016
Instructional leadership	26,703	16,313
School leadership	302,255	303,891
Guidance, counseling, and evaluation services	78,852	72,947
Health services	53,178	48,617
Student (pupil) transportation	224,147	145,801
Food services	312,315	282,028
Co-curricular/extracurricular activities	294,694	221,313
General administration	230,987	211,263
Plant maintenance and operations	380,310	377,231
Security and monitoring services	4,230	3,180
Data processing services	21,400	20,550
Facilities acquisition and construction	4,896	28,569
Payments related to shared service arrangements	31,245	26,782
Other intergovernmental charges	20,821	19,868
Total expenses	<u>5,009,835</u>	<u>4,914,636</u>
Change in net assets	(29,864)	481,776
Net assets at beginning of year	9,381,974	8,900,198
Net assets at end of year	<u>\$ 9,352,110</u>	<u>\$ 9,381,974</u>

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$4,999,781, which is slightly below last year's total of \$5,021,019.

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 \$4,958,068 differs from the General Fund's budgetary fund balance of \$4,569,488 reported in the budgetary comparison schedule at Exhibit G-1. This is principally due to higher local revenue from property taxes and other miscellaneous sources than expected and lower overall expenditures than what had been budgeted, primarily in Function 11, Instruction.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had \$9,902,908 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 \$315,479 from last year.

Following is a comparison of the District's capital assets for the fiscal years ending June 30, 2011 and 2010:

THE DISTRICT'S CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
Land	\$ 37,305	\$ 37,305
Buildings and improvements	3,503,752	3,606,801
Furniture and equipment	758,031	659,923
Total capital assets, net of accumulated depreciation	<u>\$ 4,299,088</u>	<u>\$ 4,304,029</u>

This year's major additions included:

Bus	\$ 203,375
Vehicles	35,925
Athletic equipment	5,492
Mower	15,286
Building improvements - windows	7,830
Building improvements - gym	55,838
HVAC replacement	<u>6,233</u>
Total capital additions	<u>\$ 329,979</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 2012 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 2011-2012. These improvements will be considered at a time when we can reasonably estimate what our funding will be for 2011-2012. Should revenues be lower than we budgeted, we will use some of our fund balance to complete the school year and will make necessary adjustments for future budgets.

The District increased its tax rate from \$1.0166 to \$1.04 per \$100 valuation for 2011-2012. Estimated available amounts for the General Fund Budget are \$4,206,651, an increase of \$53,901 from the final 2011 budget of \$4,152,750. Budgeted expenditures are expected to be \$4,206,651, or \$358,348 lower than the final amount of \$4,564,999 budgeted in 2011. 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, 2011

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,329,808
1120 Current Investments	2,611,782
1220 Property Taxes Receivable (Delinquent)	120,363
1230 Allowance for Uncollectible Taxes	(67,121)
1240 Due from Other Governments	528,787
1267 Due from Fiduciary Funds	977
1410 Deferred Expenses	5,062
Capital Assets:	
1510 Land	37,305
1520 Buildings, Net	3,503,752
1530 Furniture and Equipment, Net	758,031
1000 Total Assets	9,828,746
LIABILITIES	
2110 Accounts Payable	11,221
2160 Accrued Wages Payable	389,487
2200 Accrued Expenses	73,834
2300 Deferred Revenues	2,094
2000 Total Liabilities	476,636
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	4,299,088
3820 Restricted for Federal and State Programs	41,713
3900 Unrestricted Net Assets	5,011,309
3000 Total Net Assets	\$ 9,352,110

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, 2011

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	\$ 2,927,014	\$ 1,865	\$ 588,826	\$ (2,336,323)
12 Instructional Resources and Media Services	91,690	-	4,539	(87,151)
13 Curriculum and Staff Development	5,098	-	4,908	(190)
21 Instructional Leadership	26,703	-	26,703	-
23 School Leadership	302,255	-	16,568	(285,687)
31 Guidance, Counseling and Evaluation Services	78,852	-	3,982	(74,870)
33 Health Services	53,178	-	17,165	(36,013)
34 Student (Pupil) Transportation	224,147	-	6,727	(217,420)
35 Food Services	312,315	31,214	278,701	(2,400)
36 Extracurricular Activities	294,694	9,174	4,411	(281,109)
41 General Administration	230,987	-	9,168	(221,819)
51 Plant Maintenance and Operations	380,310	-	6,534	(373,776)
52 Security and Monitoring Services	4,230	-	-	(4,230)
53 Data Processing Services	21,400	-	-	(21,400)
81 Capital Outlay	4,896	-	-	(4,896)
93 Payments related to Shared Services Arrangements	31,245	-	-	(31,245)
99 Other Intergovernmental Charges	20,821	-	-	(20,821)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 5,009,835</u>	<u>\$ 42,253</u>	<u>\$ 968,232</u>	<u>(3,999,350)</u>
Data Control Codes				
	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			732,339
SF	State Aid - Formula Grants			3,201,309
IE	Investment Earnings			14,567
MI	Miscellaneous Local and Intermediate Revenue			21,271
TR	Total General Revenues			<u>3,969,486</u>
CN	Change in Net Assets			(29,864)
NB	Net Assets--Beginning			9,381,974
NE	Net Assets--Ending			<u>\$ 9,352,110</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, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
ASSETS				
1110	Cash and Cash Equivalents	\$ 2,218,071	\$ 111,737	\$ 2,329,808
1120	Investments - Current	2,611,782	-	2,611,782
1220	Property Taxes - Delinquent	120,363	-	120,363
1230	Allowance for Uncollectible Taxes (Credit)	(67,121)	-	(67,121)
1240	Receivables from Other Governments	473,613	55,174	528,787
1260	Due from Other Funds	49,589	1,773	51,362
1410	Deferred Expenditures	5,062	-	5,062
1000	Total Assets	<u>\$ 5,411,359</u>	<u>\$ 168,684</u>	<u>\$ 5,580,043</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ 11,221	\$ -	\$ 11,221
2160	Accrued Wages Payable	322,740	66,747	389,487
2170	Due to Other Funds	-	50,385	50,385
2200	Accrued Expenditures	66,089	7,745	73,834
2300	Deferred Revenues	53,241	2,094	55,335
2000	Total Liabilities	<u>453,291</u>	<u>126,971</u>	<u>580,262</u>
Fund Balances:				
Nonspendable Fund Balance:				
3430	Prepaid Items	5,062	-	5,062
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	41,713	41,713
Committed Fund Balance:				
3510	Construction	3,193,985	-	3,193,985
3530	Capital Expenditures for Equipment	122,843	-	122,843
3600	Unassigned Fund Balance	1,636,178	-	1,636,178
3000	Total Fund Balances	<u>4,958,068</u>	<u>41,713</u>	<u>4,999,781</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,411,359</u>	<u>\$ 168,684</u>	<u>\$ 5,580,043</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, 2011

Total Fund Balances - Governmental Funds	\$	4,999,781
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 \$9,558,429 and the accumulated depreciation was \$5,254,400. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.		4,304,029
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 2011 capital outlays is to increase net assets.		329,979
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(334,920)
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.		53,241
19 Net Assets of Governmental Activities	\$	9,352,110

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, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 782,887	\$ 31,228	\$ 814,115
5800	State Program Revenues	3,393,848	32,074	3,425,922
5900	Federal Program Revenues	-	743,619	743,619
5020	Total Revenues	<u>4,176,735</u>	<u>806,921</u>	<u>4,983,656</u>
EXPENDITURES:				
Current:				
0011	Instruction	2,290,055	453,273	2,743,328
0012	Instructional Resources and Media Services	90,724	-	90,724
0013	Curriculum and Instructional Staff Development	-	4,908	4,908
0021	Instructional Leadership	-	26,703	26,703
0023	School Leadership	301,138	-	301,138
0031	Guidance, Counseling and Evaluation Services	78,809	-	78,809
0033	Health Services	39,167	13,826	52,993
0034	Student (Pupil) Transportation	417,456	-	417,456
0035	Food Services	-	306,806	306,806
0036	Extracurricular Activities	248,162	-	248,162
0041	General Administration	217,121	-	217,121
0051	Facilities Maintenance and Operations	364,253	-	364,253
0052	Security and Monitoring Services	4,230	-	4,230
0053	Data Processing Services	21,400	-	21,400
Capital Outlay:				
0081	Facilities Acquisition and Construction	74,797	-	74,797
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	31,245	-	31,245
0099	Other Intergovernmental Charges	20,821	-	20,821
6030	Total Expenditures	<u>4,199,378</u>	<u>805,516</u>	<u>5,004,894</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,643)</u>	<u>1,405</u>	<u>(21,238)</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	1,026	1,026
8911	Transfers Out (Use)	(1,026)	-	(1,026)
7080	Total Other Financing Sources (Uses)	<u>(1,026)</u>	<u>1,026</u>	<u>-</u>
1200	Net Change in Fund Balances	(23,669)	2,431	(21,238)
0100	Fund Balance - July 1 (Beginning)	<u>4,981,737</u>	<u>39,282</u>	<u>5,021,019</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 4,958,068</u>	<u>\$ 41,713</u>	<u>\$ 4,999,781</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	(21,238)
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 2011 capital outlays is to increase net assets.		329,979
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.		(334,920)
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 decrease net assets.		(3,685)
Change in Net Assets of Governmental Activities	\$	(29,864)

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, 2011

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 33,439
Total Assets	<u>\$ 33,439</u>
LIABILITIES	
Short Term Debt Payable	\$ 5,184
Due to Other Funds	977
Due to Student Groups	27,278
Total Liabilities	<u>\$ 33,439</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, 2011**

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.

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

The District applies all 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.

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING (Continued)

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

Governmental Funds:

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

Fiduciary Funds:

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

E. BUDGETARY DATA

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

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. 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, 2011, Child Nutrition Program, an Appropriated Budget Fund, had a fund balance of \$40,813.

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
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, 2011, the amount of supplies on hand was not material.
3. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
4. The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three years.
5. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. No payments are made to an employee for unused sick leave or vacation. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.
6. Capital assets, which include land, buildings, furniture and equipment are reported in the governmental type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	10 - 30
Buses	10
Other Vehicles	5
Equipment	5 - 10

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. OTHER ACCOUNTING POLICIES (Continued)

- 7 During the year ended June 30, 2011, 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, 2011, 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, 2011 were \$15,847, the incurred claims during the year ended June 30, 2011 were \$16,505, the claims paid during the year ended June 30, 2011 were \$5,967, and the increase in provisions for prior year claims was \$1,104, resulting in the total unpaid claims at June 30, 2011 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.

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.

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

A. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: As of June 30, 2011, 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	\$1,711,782	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, 2011 consisted of the following amounts:

Due from Non-Major Funds

General Fund	\$ 48,612
Non-Major Funds	1,773
	<u>\$ 50,385</u>

Due from Fiduciary Funds

General Fund	\$ <u>977</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.

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2011, 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	\$ 120,363	\$ 473,613	\$ 49,589	\$ 643,565
Non-Major Funds	<u>-</u>	<u>55,174</u>	<u>1,773</u>	<u>56,947</u>
 Total - Governmental Funds	 <u>\$ 120,363</u>	 <u>\$ 528,787</u>	 <u>\$ 51,362</u>	 <u>\$ 700,512</u>
 Amounts not scheduled for collection during the subsequent year				
	<u>\$ 67,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,121</u>

Payables at June 30, 2011 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	\$ 11,221	\$ 388,829	\$ -	\$ 400,050
Non-Major Funds	<u>-</u>	<u>74,492</u>	<u>50,385</u>	<u>124,877</u>
 Total - Governmental Funds	 <u>\$ 11,221</u>	 <u>\$ 463,321</u>	 <u>\$ 50,385</u>	 <u>\$ 524,927</u>

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/11</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	6,784,150	75,393	14,500	6,874,043
Furniture and equipment	2,736,974	254,586	-	2,991,560
Total capital assets being depreciated	<u>9,521,124</u>	<u>329,979</u>	<u>14,500</u>	<u>9,865,603</u>
Less: accumulated depreciation for:				
Buildings and improvements	3,177,349	178,442	14,500	3,370,291
Furniture and equipment	2,077,051	156,478	-	2,233,529
Total accumulated depreciation	<u>5,254,400</u>	<u>334,920</u>	<u>14,500</u>	<u>5,603,820</u>
Total capital assets, being depreciated, net	<u>4,266,724</u>	<u>(4,941)</u>	<u>-</u>	<u>4,261,783</u>
Governmental activities capital assets, net	<u>\$ 4,304,029</u>	<u>\$ (4,941)</u>	<u>\$ -</u>	<u>\$ 4,299,088</u>

Depreciation expense was charged to the governmental activities for the year ended June 30, 2011 was as follows:

Instruction	\$ 183,686
Instructional Resources & Media Services	966
Curriculum & Instructional Staff Development	190
School Leadership	1,117
Guidance, Counseling & Evaluation Services	43
Health Services	185
Student (pupil) transportation	45,991
Food services	5,509
Cocurricular/extracurricular activities	52,024
General administration	13,866
Plant maintenance and operations	<u>31,343</u>
 Total depreciation expense	 <u>\$ 334,920</u>

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

G. FUND BALANCE

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

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

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

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

G. FUND BALANCE (Continued)

The District's governmental funds as of June 30, 2011 are reported as follows:

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid expenses	\$ 5,062	\$ -	\$ 5,062
Restricted:			
Federal & State grant restrictions	-	41,713	41,713
Committed:			
Construction	3,193,985	-	3,193,985
Capital acquisition	122,843	-	122,843
Assigned:			
None	-	-	-
Unassigned			
	1,636,178	-	1,636,178
Total fund balances	\$ 4,958,068	\$ 41,713	\$ 4,999,781

H. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment for minimum future rental payments are not material to the financial statements as of June 30, 2011. Rental expenditures for the year ended June 30, 2011 were \$14,255.

I. DEFINED BENEFIT PENSION PLAN

Plan Description. Bovina Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8788, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

I. DEFINED BENEFIT PENSION PLAN

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS'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 law provides for a member contribution rate of 6.4% for fiscal years 2009, 2010, and 2011, and a state contribution rate of 6.644% for fiscal years 2010 and 2011 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of Bovina Independent School District's employees for the years ended June 30, 2011, 2010 and 2009 were \$199,067, \$198,566 and \$173,002, respectively. Bovina Independent School District paid additional state contributions for the years ended June 30, 2011, 2010 and 2009 in the amount of \$12,889, \$12,595 and \$12,528, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

J. HEALTH CARE COVERAGE

During the year ended June 30, 2011, 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, 2011, the District contributed \$225 per month per employee to the Plan.

K. DEFERRED REVENUE

Deferred revenue in the fund financial statements as of June 30, 2011 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Net unrealized property taxes	\$ 53,241	\$ -	\$ 53,241
Technology allotment	-	2,094	2,094
 Total deferred revenue	 \$ 53,241	 \$ 2,094	 \$ 55,335

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

L. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives grants from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2011, 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	\$ 466,820	\$ -	\$ 466,820
Parmer County Appraisal District	6,148	-	6,148
Region XVI	645	-	645
Federal Grants	-	55,174	55,174
Total	<u>\$ 473,613</u>	<u>\$ 55,174</u>	<u>\$ 528,787</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the year ended June 30, 2011, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>Non-major Special Revenue Funds</u>	<u>Total</u>
Property taxes	\$ 736,024	\$ -	\$ 736,024
Penalties, interest and other tax related income	9,140	-	9,140
Investment income	14,553	14	14,567
Food sales	-	31,214	31,214
Co-curricular student activities	9,174	-	9,174
Other	13,996	-	13,996
Totals	<u>\$ 782,887</u>	<u>\$ 31,228</u>	<u>\$ 814,115</u>

N. LITIGATION

There was no litigation pending or in progress against the District at June 30, 2011.

**BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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

O. SCHOOL DISTRICT RETIREE HEALTH PLAN

The Bovina Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at <http://www.trs.state.tx.us/>, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. 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 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the fiscal years ended 2011, 2010, and 2009, the State's contributions to TRS-Care were \$29,804, \$30,147, and \$27,938, respectively, the active member contributions were \$19,372, \$19,594, and \$17,891, respectively, and the school district's contributions were \$16,392, \$16,581, and \$15,365, respectively, which equaled the required contributions each year. Medicare Part D on-behalf payments for the fiscal years ended 2011, 2010 and 2009 were \$7,336, \$8,178, and \$6,689, respectively.

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, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 725,737	\$ 725,737	\$ 782,887	\$ 57,150
5800	State Program Revenues	3,427,013	3,427,013	3,393,848	(33,165)
5020	Total Revenues	4,152,750	4,152,750	4,176,735	23,985
EXPENDITURES:					
Current:					
0011	Instruction	2,354,905	2,451,209	2,290,055	161,154
0012	Instructional Resources and Media Services	94,968	96,708	90,724	5,984
0021	Instructional Leadership	10,985	4,135	-	4,135
0023	School Leadership	308,453	315,353	301,138	14,215
0031	Guidance, Counseling and Evaluation Services	78,482	79,682	78,809	873
0033	Health Services	53,822	56,342	39,167	17,175
0034	Student (Pupil) Transportation	191,406	435,381	417,456	17,925
0036	Extracurricular Activities	244,672	259,672	248,162	11,510
0041	General Administration	299,223	260,523	217,121	43,402
0051	Facilities Maintenance and Operations	398,135	432,455	364,253	68,202
0052	Security and Monitoring Services	4,400	4,400	4,230	170
0053	Data Processing Services	25,000	25,000	21,400	3,600
Capital Outlay:					
0081	Facilities Acquisition and Construction	26,299	82,139	74,797	7,342
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	40,000	40,000	31,245	8,755
0099	Other Intergovernmental Charges	22,000	22,000	20,821	1,179
6030	Total Expenditures	4,152,750	4,564,999	4,199,378	365,621
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(412,249)	(22,643)	389,606
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(1,026)	(1,026)
7080	Total Other Financing Sources (Uses)	-	-	(1,026)	(1,026)
1200	Net Change in Fund Balances	-	(412,249)	(23,669)	388,580
0100	Fund Balance - July 1 (Beginning)	4,981,737	4,981,737	4,981,737	-
3000	Fund Balance - June 30 (Ending)	\$ 4,981,737	\$ 4,569,488	\$ 4,958,068	\$ 388,580

OTHER SUPPLEMENTARY INFORMATION

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
ASSETS			
1110 Cash and Cash Equivalents	\$ 247	\$ 17,614	\$ -
1240 Receivables from Other Governments	1,491	30	11,368
1260 Due from Other Funds	-	-	-
1000 Total Assets	<u>\$ 1,738</u>	<u>\$ 17,644</u>	<u>\$ 11,368</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2160 Accrued Wages Payable	\$ 1,583	\$ 15,296	\$ 6,630
2170 Due to Other Funds	-	-	4,152
2200 Accrued Expenditures	155	2,348	586
2300 Deferred Revenues	-	-	-
2000 Total Liabilities	<u>1,738</u>	<u>17,644</u>	<u>11,368</u>
Fund Balances:			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,738</u>	<u>\$ 17,644</u>	<u>\$ 11,368</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	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program
\$ -	\$ 65,546	\$ -	\$ 3,679	\$ 21,657	\$ -	\$ -	\$ -
3,366	4,682	-	158	7	4,037	30,035	-
-	-	-	1,773	-	-	-	-
<u>\$ 3,366</u>	<u>\$ 70,228</u>	<u>\$ -</u>	<u>\$ 5,610</u>	<u>\$ 21,664</u>	<u>\$ 4,037</u>	<u>\$ 30,035</u>	<u>\$ -</u>
\$ -	\$ 13,397	\$ -	\$ 4,803	\$ 20,364	\$ -	\$ 4,674	\$ -
3,366	13,926	-	-	-	4,037	24,904	-
-	2,092	-	807	1,300	-	457	-
-	-	-	-	-	-	-	-
<u>3,366</u>	<u>29,415</u>	<u>-</u>	<u>5,610</u>	<u>21,664</u>	<u>4,037</u>	<u>30,035</u>	<u>-</u>
-	40,813	-	-	-	-	-	-
-	40,813	-	-	-	-	-	-
<u>\$ 3,366</u>	<u>\$ 70,228</u>	<u>\$ -</u>	<u>\$ 5,610</u>	<u>\$ 21,664</u>	<u>\$ 4,037</u>	<u>\$ 30,035</u>	<u>\$ -</u>

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

Data Control Codes	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 900	\$ -	\$ 2,094
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 2,094</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	2,094
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,094</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	900	-	-
3000	Total Fund Balances	<u>-</u>	<u>900</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 2,094</u>

<u>429</u> <u>Other State</u> <u>Special</u> <u>Revenue Funds</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 111,737
-	55,174
-	1,773
<u>\$ -</u>	<u>\$ 168,684</u>
\$ -	\$ 66,747
-	50,385
-	7,745
-	2,094
<u>-</u>	<u>126,971</u>
-	41,713
<u>-</u>	<u>41,713</u>
<u>\$ -</u>	<u>\$ 168,684</u>

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes	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	21,561	146,762	56,012
5020 Total Revenues	<u>21,561</u>	<u>146,762</u>	<u>56,012</u>
EXPENDITURES:			
Current:			
0011 Instruction	21,561	119,686	56,012
0013 Curriculum and Instructional Staff Development	-	4,908	-
0021 Instructional Leadership	-	22,168	-
0033 Health Services	-	-	-
0035 Food Services	-	-	-
6030 Total Expenditures	<u>21,561</u>	<u>146,762</u>	<u>56,012</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<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	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program
\$ -	\$ 31,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	13,121	-	-	-	-	-	-
3,366	265,580	6,310	30,946	155,402	27,262	30,035	335
3,366	309,929	6,310	30,946	155,402	27,262	30,035	335
3,366	-	6,310	30,946	137,041	27,262	30,035	335
-	-	-	-	-	-	-	-
-	-	-	-	4,535	-	-	-
-	-	-	-	13,826	-	-	-
-	306,806	-	-	-	-	-	-
3,366	306,806	6,310	30,946	155,402	27,262	30,035	335
-	3,123	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,123	-	-	-	-	-	-
-	37,690	-	-	-	-	-	-
\$ -	\$ 40,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BOVINA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	900	3,510	14,037
5900 Federal Program Revenues	48	-	-	-
5020 Total Revenues	<u>48</u>	<u>900</u>	<u>3,510</u>	<u>14,037</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,074	-	3,510	14,037
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
6030 Total Expenditures	<u>1,074</u>	<u>-</u>	<u>3,510</u>	<u>14,037</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,026)</u>	<u>900</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	1,026	-	-	-
7080 Total Other Financing Sources (Uses)	<u>1,026</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	900	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ -</u>

429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 31,228
506	32,074
-	743,619
<u>506</u>	<u>806,921</u>
2,098	453,273
-	4,908
-	26,703
-	13,826
-	306,806
<u>2,098</u>	<u>805,516</u>
<u>(1,592)</u>	<u>1,405</u>
-	1,026
<u>-</u>	<u>1,026</u>
(1,592)	2,431
<u>1,592</u>	<u>39,282</u>
<u>\$ -</u>	<u>\$ 41,713</u>

REQUIRED TEA SCHEDULES

BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2011

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
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	1.016600	0.000000	82,676,851
2011 (School year under audit)	1.016600	0.000000	74,866,764
1000 TOTALS			

(10) Beginning Balance 7/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2011
\$ 20,740	\$ -	\$ 270	\$ -	\$ (684)	\$ 19,786
6,025	-	113	-	(120)	5,792
6,839	-	59	-	(378)	6,402
5,902	-	251	-	(52)	5,599
10,174	-	301	-	(136)	9,737
10,174	-	722	-	(125)	9,327
8,441	-	1,020	-	(193)	7,228
14,056	-	2,155	-	(319)	11,582
38,784	-	20,601	-	(2,157)	16,026
-	761,096	710,532	-	(21,680)	28,884
<u>\$ 121,135</u>	<u>\$ 761,096</u>	<u>\$ 736,024</u>	<u>\$ -</u>	<u>\$ (25,844)</u>	<u>\$ 120,363</u>

BOVINA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

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	\$ -	\$ -	\$ 121,985	\$ 46,059	\$ -	\$ -	\$ 168,044
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	1,309	-	-	-	-	-	1,309
6212	Audit Services	-	-	-	20,000	-	-	20,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	20,821	-	-	-	-	20,821
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	270	-	1,700	940	-	-	2,910
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,107	-	-	5,107
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	850	-	-	-	-	-	850
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	939	-	1,518	5,700	-	-	8,157
6410	Travel, Subsistence, Stipends	230	-	1,361	-	-	-	1,591
6420	Ins. and Bonding Costs	-	-	-	175	-	-	175
6430	Election Costs	262	-	-	-	-	-	262
6490	Miscellaneous Operating	-	-	8,570	145	-	-	8,715
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 3,860	\$ 20,821	\$ 135,134	\$ 78,126	\$ -	\$ -	\$ 237,941

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 5,004,894

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 329,979
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	348,967
Food (Function 35, 6341 and 6499)	(13)	138,848
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		78,126

SubTotal: 895,920

Net Allowed Direct Cost \$ 4,108,974

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 6,874,043
Historical Cost of Building over 50 years old	(16)	\$ 1,111,421
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,991,560
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,411,387
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.
 \$20,821 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BOVINA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 35,000	\$ 35,000	\$ 31,228	\$ (3,772)
5800	State Program Revenues	6,000	12,000	13,121	1,121
5900	Federal Program Revenues	225,000	254,000	265,580	11,580
5020	Total Revenues	266,000	301,000	309,929	8,929
EXPENDITURES:					
0035	Food Services	266,000	319,700	306,806	12,894
6030	Total Expenditures	266,000	319,700	306,806	12,894
1200	Net Change in Fund Balances	-	(18,700)	3,123	21,823
0100	Fund Balance - July 1 (Beginning)	37,690	37,690	37,690	-
3000	Fund Balance - June 30 (Ending)	\$ 37,690	\$ 18,990	\$ 40,813	\$ 21,823

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 GOVERNMENT 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, 2011, which collectively comprise Bovina Independent School District's basic financial statements and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, responses, and questioned costs as Item One that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Board of Trustees
Bovina Independent School District
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The District's response to the finding identified in our audit is described in the accompanying schedule of findings, responses, and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to management of the District in a separate letter dated November 14, 2011.

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

Brown, Graham & Company, P.C.

Amarillo, Texas
November 14, 2011



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

**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 United States Office of Management and Budget (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, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses, and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings, responses, and questioned costs as Item One.

Internal Control Over Compliance

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

Board of Trustees
Bovina Independent School District
Page two

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

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

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

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

Brown, Graham & Company, P.C.

Amarillo, Texas
November 14, 2011

**BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I: Summary of the Auditor's Results:

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards:

Internal control over major program compliance:

Are any material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Are any significant deficiencies identified not considered to be material weaknesses?	_____ <u>X</u> Yes	_____ No
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-profit Organizations Section 510(a)?	_____ <u>X</u> Yes	_____ No

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.

**BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011 (Continued)**

Section II: Financial Statement Findings

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

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

Condition: For the fiscal year ended June 30, 2011, the District had various employee time charged to various federal programs. The documentation to support the allocation of salaries to the programs was supported by records such as occasional semi-annual certifications, employee schedules, payroll distribution journals, job descriptions, journal entries, and various other information; however, the District did not consistently document employee salary costs charged to federal programs using the criteria listed above.

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

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

Questioned costs: None

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

Responsible official's response:

Payroll documentation for federally funded personnel will be checked by the Superintendent at the end of each semester. Bovina ISD business manager will consult with Region 16 Federal Programs personnel for samples forms and procedures to be used for documentation of salary costs for federally funded personnel.

Planned implementation date of corrective action:

November, 2011.

Person responsible for corrective action:

Dale Fullerton, Superintendent

**BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011 (Continued)**

Section III: Federal Award Findings

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

Federal programs affected:

- 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)

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

Award Numbers:

- ESEA Title I, Part A – Improving Basic Education #11610101185901
- ESEA Title I, Part A – Improving Basic Education (Recovery Act) #10551001185901
- State Fiscal Stabilization Fund - #11557001185901

Compliance Requirements: Allowable Costs/Costs Principles (All programs listed above)

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

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

**BOVINA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 20, 2011**

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

**BOVINA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011**

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

Payroll documentation for federally funded personnel will be checked by the Superintendent at the end of each semester. Bovina ISD business manager will consult with Region 16 Federal Programs personnel for samples forms and procedures to be used for documentation of salary costs for federally funded personnel.

BOVINA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	#11610101185901	\$ 146,762
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	#10551001185901	335
Total Title I, Part A Cluster			147,097
ESEA, Title I, Part C - Migratory Children	84.011	#11615001188950	56,012
*IDEA - Part B, Formula	84.027	#116600011859036600	3,366
*IDEA, Part B, Formula - ARRA	84.391	#10554001185903	30,035
Total Special Education Cluster (IDEA)			33,401
Career and Technical - Basic Grant	84.048	#11420006152909	6,310
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	#S358A103384	27,262
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	#11694501185901	30,946
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	#10557001185901	155,402
REAP LEP Summer School	84.396A	#69551002	48
Total Passed Through State Department of Education			\$ 456,478
TOTAL DEPARTMENT OF EDUCATION			\$ 456,478
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	#06CH0219/27	\$ 21,561
Total Passed Through State Department of Education			\$ 21,561
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 21,561
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	#71401101	\$ 59,699
*National School Lunch Program - Cash Assistance	10.555	#71301101	186,571
*National School Lunch Prog. - Non-Cash Assistance	10.555	#71301101	19,310
Total CFDA Number 10.555			205,881
Total Child Nutrition Cluster			265,580
Total Passed Through the State Department of Agriculture			\$ 265,580
TOTAL DEPARTMENT OF AGRICULTURE			\$ 265,580
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 743,619

*Clustered Programs

BOVINA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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.