

Buckholts Independent School District

Annual Financial Report

For the Year Ended August 31, 2009



Buckholts Badgers

Buckholts Independent School District

Annual Financial Report

For the Year Ended August 31, 2009

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
	Certificate of Board	1
	Independent Auditor's Report	3
	Management's Discussion and Analysis	5
	Basic Financial Statements:	
	Government-Wide Financial Statements:	
A-1	Statement of Net Assets	14
B-1	Statement of Activities	15
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	16
C-2	Statement of Revenues, Expenditures, & Changes in Fund Balances	17
C-3	Reconciliation of the Statement of Revenues, Expenditures & Changes in Fund Balances of the Governmental Funds to the Statement of Activities	18
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Assets	19
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Assets	20
D-3	Statement of Cash Flows	21
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Assets	22
E-2	Statement of Changes in Fiduciary Fund Net Assets	23
	Notes to the Financial Statements	24
	Required Supplemental Information:	
G-1	Statement of Revenues, Expenditures & Changes in Fund Balance - Budget & Actual - General Fund	39
	Other Supplemental Information:	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	42
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	44
	Required TEA Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	46
J-2	Schedule of Expenditures for Computations of Indirect Cost for 2009-2010	48
J-3	Fund Balance & Cash Flow Calculation Worksheet - General Fund	49
J-4	Schedule of Revenues, Expenditures & Changes in Fund Balance - Budget & Actual - Food Service Fund	50
J-5	Schedule of Revenues, Expenditures & Changes in Fund Balance - Budget & Actual - Debt Service Fund	51
	Compliance and Internal Controls Section:	
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	53
	Schedule of Findings and Questioned Costs	55
	Corrective Action Plan	57

This page left blank intentionally.

CERTIFICATE OF BOARD

Buckholts Independent School District
Name of School District

Milam
County

166-907
Co-Dist. No.

We, the undersigned, certify that the attached financial reports of the Buckholts Independent School District were reviewed and ____ approved ____ disapproved for the year ended August 31, 2009, at a meeting of the Board of Trustees of such school district on the 14th day of December, 2009.

**

Signature of Board Secretary

**

Signature of Board President

** Signature on file with the original document at TEA.

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

This page left blank intentionally.

Karl Kacir, CPA

P. O. Box 193
Rogers, Texas 76569
(254) 642-1161 office
(254) 721-7228 cell
kwkacir@sbcglobal.net

Independent Auditor's Report

To the Board of Trustees
Buckholts Independent School District
Buckholts, Texas

Members of the Board of Trustees:

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckholts Independent School District (the District) as of and for the year ended August 31, 2009, 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 management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Buckholts Independent School District as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 3, 2009, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my 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 considering the results of my audit.

Management's discussion and analysis on pages 5 through 11 and budgetary comparison information on page 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

● Page 2

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Buckholts Independent School District's basic financial statements. The combining non-major fund statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for Exhibit J-3, which is marked "unaudited" and on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Karl Kacir, CPA

December 3, 2009

Buckholts Independent School District Management's Discussion and Analysis

Our discussion and analysis of the Buckholts Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the year ended August 31, 2009. Please read this analysis in conjunction with the District's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The District's net assets decreased by \$156,653 from \$2,057,621 to \$1,900,968, a decrease of 8%.
- Unrestricted net assets decreased from \$1,161,904 to \$939,486, a decrease of 19%.
- Revenues decreased \$62,555, from \$2,202,654 to \$2,140,099, a decrease of 3%. Most of this decrease was due to declines in student average daily attendance and investment earnings.
- Total cost of all District programs increased \$104,512, from \$2,192,240 to \$2,296,752, a 5% increase. The largest part of this increase is due to an increase in the cost of instructional personnel.
- The General Fund ended the year with a fund balance of \$917,379, a decrease of \$220,530 from the prior year balance of \$1,137,909.

USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of four sections as outlined in the Table of Contents:

- Management's Discussion and Analysis (this section);
- Basic Financial Statements;
- Required Supplemental Information; and,
- Other Supplemental Information.

Basic Financial Statements

The **basic financial statements** include three components:

- Government-wide financial statements;
- Fund financial statements; and,
- Notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the District's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will affect cash flows in other fiscal years.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found as Exhibits A – 1 and B – 1 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The *fund financial statements* provide more detailed information about the District's most significant funds – not the District as a whole. Some funds are required by State law and/or bond covenants; other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or

Buckholts Independent School District Management's Discussion and Analysis

grants. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

• **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twelve governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other eleven nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the "Other Supplemental Information" section of this report.

Financial statements for District's governmental funds can be found as Exhibits C – 1 and C – 2, and Exhibits H – 1 and H – 2. The District adopts an annual appropriated budget for its General Fund, Food Service Fund, and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with each of these budgets, which are included as Exhibits G – 1, J – 4 and J – 5.

• **Proprietary funds.** *Proprietary funds* are used to account for resources and activities for which it charges a fee to users. The District has one proprietary fund, which is an internal service fund that was used to provide self-funded workers compensation coverage in prior years. Financial statements for the District's proprietary activities can be found as Exhibits D – 1 through D – 3.

• **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of others. The District's fiduciary funds include student activity funds and scholarship funds. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Financial statements for the District's fiduciary activities can be found as Exhibits E – 1 and E – 2.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 24 of this report.

Required Supplemental Information and Other Supplemental Information

The General Fund is a major fund; the budgetary comparison for that fund is shown as required supplemental information. Other supplemental information includes the combining statements referred to earlier in connection with nonmajor governmental funds, information required by the Texas Education Agency regarding tax collection, indirect costs, optimum fund balance, and budgetary comparisons for the Food Service Fund and the Debt Service Fund, and information required by the Texas Education Agency and the federal government related to grants as presented in the "Compliance and Internal Controls Section."

Buckholts Independent School District Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Total assets of the District decreased \$146,385. Most of this decrease was in current assets, and in particular cash and cash equivalents. The decrease was due to expenditures exceeding revenues for the year. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – decreased from \$1,161,904 at August 31, 2008 to \$939,486 at August 31, 2009; this is a decrease of \$222,418, or 19%.

The District increased its net investment in capital assets by \$64,853, from \$863,913 to \$928,766. This is due to the repayment of \$35,000 in outstanding principal and additions of buildings and equipment of \$115,318, less ongoing depreciation of \$85,465.

Table I
Buckholts Independent School District's Net Assets

	Government Activities		Change 2008 to 2009
	2009	2008	
Assets:			
Current and other assets	\$ 1,072,207	\$ 1,248,445	\$ (176,238)
Capital assets	1,928,766	1,898,913	29,853
Total Assets	3,000,973	3,147,358	(146,385)
Liabilities:			
Long-term liabilities	1,002,588	1,035,000	(32,412)
Other liabilities	97,417	54,737	42,680
Total Liabilities	1,100,005	1,089,737	10,268
Net Assets:			
Invested in capital assets, net of related debt	928,766	863,913	64,853
Restricted for other purposes	32,716	31,804	912
Unrestricted	939,486	1,161,904	(222,418)
Total Net Assets	\$ 1,900,968	\$ 2,057,621	\$ (156,653)

Buckholts Independent School District Management's Discussion and Analysis

Table II
Buckholts Independent School District's Changes in Net Assets

	Government Activities		Change 2008 to 2009
	2009	2008	
Revenues			
Program Revenues			
Charges for services	\$ 44,455	\$ 50,242	\$ (5,787)
Operating grants & contributions	327,093	312,351	14,742
General Revenues			
Property taxes levied for general purposes	272,038	272,115	(77)
Property taxes levied for debt service	16,357	17,019	(662)
State aid - formula grants	1,452,357	1,496,974	(44,617)
Investment earnings	17,048	47,946	(30,898)
Miscellaneous	10,751	6,007	4,744
Total Revenues	2,140,099	2,202,654	(62,555)
Expenses			
Instruction, curriculum & library services	1,391,399	1,299,743	91,656
Instructional & school leadership	135,724	126,228	9,496
Counseling, health & social services	29,680	25,271	4,409
Transportation & food services	159,271	161,129	(1,858)
Extracurricular activities	79,892	80,747	(855)
General administration	214,821	209,565	5,256
Maintenance & operations	230,082	231,195	(1,113)
Interest on debt service	55,883	58,362	(2,479)
Total Expenses	2,296,752	2,192,240	104,512
Increase in net assets	(156,653)	10,414	(167,067)
Net assets, beginning of year	2,057,621	2,047,207	10,414
Net assets, end of year	<u>\$ 1,900,968</u>	<u>\$ 2,057,621</u>	<u>\$ (156,653)</u>

The District's revenues decreased \$62,555, from \$2,202,654 to \$2,140,099, a decrease of 3%. Most of this decrease was due to a decline in state aid formula grants, attributable primarily to a drop in student average daily attendance, and a decline in investment earnings due to a drop in interest rates.

Total expenses increased \$104,512 from the prior year, from \$2,192,240 to \$2,296,752, which is a 5% increase. Personnel costs included in instruction, curriculum and library services increased \$95,625 over the prior year due to raises and additional personnel, which accounted for most of the increase.

The cost of all governmental activities this year was \$2,296,752; however, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was \$1,925,204, which compares to \$1,829,647 in the prior year. \$327,093 of costs in the year ending August 31, 2009, were paid by operating grants and contributions, which is primarily federal and state grant funding, and \$44,455 was paid for by charges for services, such as for food service programs and athletic events.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$949,368, which is a decrease of \$219,625 from last year's total of \$1,168,993. The District's fund balance in the General Fund decreased from \$1,137,909 to \$917,379, which is a decrease of \$220,530.

Buckholts Independent School District Management's Discussion and Analysis

The fund balances in "Other Funds" includes \$12,515 in the Debt Service Fund, which will be used for debt payments that come due in the future, and \$19,299 in the Food Service Fund, which will be used for operations of that fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of a year, the Administration recommends revisions to budgeted revenues and expenditures. These amendments fall into the following general categories:

- Routine amendments during the year for revisions to planning estimates. These amendments generally involve moving budgeted funds from one function to another and do not impact the budgeted change in fund balance; and,
- Supplemental amendments during the year for unexpected occurrences, or for significant events which for various reasons were not budgeted.

The Board of Trustees revised the District's budget several times. Most of these were routine amendments moving funds from accounts that did not need all the resources originally appropriated to accounts with resource needs identified during the year. These amendments were necessary to properly code expenditures in accordance with requirements established by the TEA.

The original adopted budget for the General Fund, shown on Exhibit G - 1, provided for a decrease in fund balance of \$77,012. The amended budget provided for a decrease in fund balance of \$193,637, which is a change of \$116,625 from the adopted budget. Significant amendments and their impact on the budgeted change in fund balance were as follows:

- The District amended the budget to provide for purchases of buses out of Function 34 – Student Transportation, for \$50,113.
- The District amended the budget for Function 81 – Facilities Acquisition & Construction to provide \$30,240 for the purchase of a portable building and \$23,685 for the purchase of a security camera system.
- The District amended the budgeted expenditures in various functions for a total of \$93,000 to provide for recording of state-paid TRS benefits; funding was provided by a corresponding increase in budgeted revenues.

Actual expenditures for the General Fund were \$2,007,160 compared to the budget of \$2,048,817, for an overall favorable variance of \$41,657. The budget for the following functions was exceeded:

- General Fund, Function 11, Instruction was exceeded by \$1,210; this was due to underestimating accrued payroll at year end and the reclassification of an expenditure for instructional equipment that had been coded to Function 34, Transportation.
- General Fund, Function 81, Facilities Acquisition and Construction was exceeded by \$5,500; this was due to the reclassification of an expenditure for facilities acquisition that had been coded to Function 51, Plant Maintenance and Operations.
- Food Service Fund, Function 35, Food Services, was exceeded by \$2,961; this was due primarily to usage of USDA commodities at higher than anticipated levels.

The actual change in fund balance for the year ended August 31, 2009, for the General Fund, was a decrease of \$220,530, compared to the amended budget decrease of \$193,637. The actual decrease in fund balance was more than budgeted due to negative budget variances in revenues.

PRIOR PERIOD ADJUSTMENT

The District has managed certain scholarship funds through the years, which have not been previously included in the annual financial reports. These funds are accumulated from donations that are restricted to use for

Buckholts Independent School District Management's Discussion and Analysis

scholarships for Buckholts Independent School District students, and interest income. District management maintains accounting records, places funds in certificates of deposit as investments, writes checks and maintains checking accounts, and makes disbursements to students. The funds are not a part of any separate entity, and they exist only to benefit the District's students. Accordingly, management determined that these funds should be included in the District's financial statements, and they are reflected in these accompanying financial statements as a private purpose trust fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the District had \$1,928,766 invested in a broad range of capital assets, including land, facilities and equipment for instruction, transportation, athletics, administration, and maintenance. During the year ended August 31, 2009, the District acquired a security camera system for \$23,685, a portable building (still in process of making ready for use) for \$35,740, a bus for \$50,113, and a server for \$5,780, for a total of \$115,318. Obsolete software and a server with an original cost of \$45,160 were written off, and additional depreciation expense of \$85,465 was recorded for the year.

	Historical Cost		Net of Depreciation	
	2009	2008	2009	2008
Land	\$ 17,872	\$ 17,872	\$ 17,872	\$ 17,872
Buildings & improvements	2,723,368	2,723,368	1,769,923	1,835,071
Furniture & equipment	375,263	340,845	105,231	45,970
Construction in process	35,740	-	35,740	-
Total	<u>\$3,152,243</u>	<u>\$3,082,085</u>	<u>\$1,928,766</u>	<u>\$1,898,913</u>

Debt

The District has bonds outstanding from the 2000 Series Bond Program. The scheduled debt payment of \$35,000 was made for the year ending August 31, 2009, leaving a remaining balance of \$1,000,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A substantial amount of the District's funding comes from state aid formula grants and property taxes. The formula used by the state ties formula revenues to the amount of property tax revenues generated; in general, state aid is reduced as property revenues rise, and vice versa. The overall result is that total revenues from state aid and property taxes are highly dependent on numbers of students.

Student enrollment is measured by the number of students registered to attend a district. The "refined average daily attendance (ADA)" reflects the numbers of students actually attending school on a daily basis. For funding purposes, refined average daily attendance is further adjusted by various factors to weight students in certain settings, such as special education, career and technology, and compensatory education, in order to provide more funding to cover the additional costs for those programs. "Weighted average daily attendance (WADA)" reflects the overall adjustments for these student populations. Refined ADA and WADA are key factors in determining the total overall revenues from property taxes and state aid.

Subject to available funding, the TEA may limit the decline in ADA in the funding formula, in order to limit the loss of revenues realized by districts with declining ADA.

Buckholts Independent School District Management's Discussion and Analysis

District student data for the past years is as follows:

	2006-07	2007-08	2008-09
Enrollment	209	200	186
Refined ADA	195	188	172
Refined ADA, Adjusted	195	188	182
WADA	366	347	334

The decline in ADA and WADA has had a negative impact on revenues over recent years. The full impact of the decline in 2008-09 was cushioned because the Texas Education Agency was able to fund districts with declines in average daily attendance to not less than 97.186% of their 2007-08 average daily attendance; however, to the extent that ADA does not increase from actual ADA of 172 to the ADA of 182 used in the funding formula, the District will lose additional state aid in 2009-10.

Management is not able to predict future growth or decline in student population, but it is working on plans to reduce staffing and other expenditure budgets in order to keep expenditures in line with revenues as enrollment changes in the event there are declines.

Property values have generally increased over the recent years due partly to increases in valuations. The taxable values for 2007, 2008 and 2009 fiscal years was \$24,810,786, \$25,382,885, and \$27,059,499, respectively. The tax rate for the 2008-09 fiscal year was \$1.0401 and \$0.062 per \$100 of value for Maintenance and Operations and Debt Service, respectively, compared to \$1.0301 and \$0.0626, respectively, for 2007-08.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office, at P. O. Box 248, Buckholts, Texas 76518.

This page left blank intentionally.

Basic Financial Statements

Buckholts Independent School District
Statement of Activities
For the Year Ended August 31, 2009

Exhibit B - 1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue & Changes in Net Assets	
		3	4	6	
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Governmental Activities	
Primary government:					
Governmental Activities:					
11	Instruction	\$ 1,306,233	\$ 674	\$ 206,857	\$ (1,098,702)
12	Library & Instructional Resources	29,959	-	1,031	(28,928)
13	Curriculum & Staff Development	41,162	-	1,744	(39,418)
21	Instructional Leadership	5,318	-	352	(4,966)
23	School Leadership	130,406	-	5,984	(124,422)
31	Guidance & Counseling	27,457	-	-	(27,457)
33	Health Services	2,223	-	125	(2,098)
34	Student Transportation	41,585	-	1,342	(40,243)
35	Food Services	117,686	22,884	90,707	(4,095)
36	Extracurricular Activities	79,892	8,845	3,442	(67,605)
41	General Administration	208,377	-	10,089	(198,288)
51	Plant Maintenance & Operations	230,082	12,052	5,420	(212,610)
72	Debt Service - Interest	55,560	-	-	(55,560)
73	Debt Service - Bond Issuance Costs & Fees	323	-	-	(323)
93	Payments Related To Shared Services Arrangements	14,045	-	-	(14,045)
99	Other Governmental Charges	6,444	-	-	(6,444)
TP	Total Primary Government	<u>\$ 2,296,752</u>	<u>\$ 44,455</u>	<u>\$ 327,093</u>	<u>(1,925,204)</u>

Data Control Codes		
MT	Property Taxes Levied for General Purposes	272,038
DT	Property Taxes Levied for Debt Service	16,357
SF	State Aid - Formula Grants	1,452,357
IE	Investment Earnings	17,048
MI	Miscellaneous	10,751
TR	Total General Revenues	<u>1,768,551</u>
CN	Change in Net Assets	(156,653)
NB	Net Assets, Beginning	2,057,621
NE	Net Assets, Ending	<u>\$ 1,900,968</u>

**Buckholts Independent School District
Balance Sheet
Governmental Funds
August 31, 2009**

Exhibit C - 1

Data Control Codes	10		98	
	General Fund	Other Funds	Total Governmental Funds	
ASSETS				
1110	Cash & Cash Equivalents	\$ 1,019,079	\$ 32,205	\$ 1,051,284
1220	Delinquent Property Taxes Receivable	16,910	877	17,787
1230	Allowance for Uncollectable Taxes	(4,438)	(150)	(4,588)
1240	Due from Other Governments	-	2,717	2,717
1260	Due from Other Funds	323	-	323
1290	Other Receivables	3,163	-	3,163
1000	Total Assets	<u>\$ 1,035,037</u>	<u>\$ 35,649</u>	<u>\$ 1,070,686</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ 3,357	\$ 793	\$ 4,150
2160	Accrued Wages Payable	50,969	1,817	52,786
2170	Due to Other Funds	11,079	323	11,402
2180	Due to Other Governments	39,781	-	39,781
2300	Deferred Revenue	12,472	727	13,199
2000	Total Liabilities	<u>117,658</u>	<u>3,660</u>	<u>121,318</u>
Fund Balances:				
Reserved For:				
3420	Retirement of Long-Term Debt	-	12,515	12,515
3450	Food Service	-	19,299	19,299
Designated for:				
3510	Construction	650,000	-	650,000
3600	Unreserved & Undesignated, Major Funds	267,379	-	267,379
Unreserved & Undesignated, Nonmajor Funds				
3610	Special Revenue Funds	-	175	175
3000	Total Fund Balances	<u>917,379</u>	<u>31,989</u>	<u>949,368</u>
4000	Total Liabilities & Fund Balances	<u>\$ 1,035,037</u>	<u>\$ 35,649</u>	<u>\$ 1,070,686</u>

Amounts reported as Total Fund Balances above is different from Total Net Assets reported in the government-wide Statement of Net Assets (Exhibit A - 1) because of the following:

	Total Fund Balances, Above	\$ 949,368
1	The District has an internal service fund that is used to pay workers compensation claims. The assets and liabilities of this fund are included in the government-wide financial statements.	9,635
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,928,766
3	Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,000,000)
4	Revenue in governmental activities is recognized in the period received.	13,199
19	Total Net Assets of Governmental Activities (Exhibit A - 1)	<u>\$ 1,900,968</u>

Buckholts Independent School District
Statement of Revenues, Expenditures & Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2009

Exhibit C - 2

Data Control Codes	10		98	
	General Fund	Other Funds	Total Governmental Funds	
REVENUES				
5700	Local & Intermediate Sources	\$ 316,482	\$ 39,990	\$ 356,472
5800	State Program Revenues	1,470,041	124,662	1,594,703
5900	Federal Program Revenues	-	190,605	190,605
5020	Total Revenues	1,786,523	355,257	2,141,780
EXPENDITURES				
Current:				
0011	Instruction	1,100,271	151,376	1,251,647
0012	Library & Instructional Resources	27,756	-	27,756
0013	Curriculum & Staff Development	41,162	-	41,162
0021	Instructional Leadership	5,318	-	5,318
0023	School Leadership	127,752	-	127,752
0031	Guidance & Counseling	27,311	-	27,311
0033	Health Services	2,223	-	2,223
0034	Student Transportation	84,785	-	84,785
0035	Food Services	2,780	110,811	113,591
0036	Extracurricular Activities	72,593	1,375	73,968
0041	General Administration	208,377	-	208,377
0051	Plant Maintenance & Operations	169,015	-	169,015
Debt Service:				
0071	Principal On Long-Term Debt	-	35,000	35,000
0072	Interest On Long-Term Debt	-	55,560	55,560
0073	Bond Issuance Costs & Fees	-	323	323
Capital Outlay:				
0081	Facilities Acquisition & Construction	59,425	-	59,425
Intergovernmental:				
0093	Payments Related To Shared Services Arrangements	71,948	-	71,948
0099	Other Intergovernmental Charges	6,444	-	6,444
6030	Total Expenditures	2,007,160	354,445	2,361,605
1100	Excess (Deficiency) of Revenues over Expenditures	(220,637)	812	(219,825)
OTHER FINANCING SOURCES (USES)				
7912	Sale of Real & Personal Property	200	-	200
7915	Transfers In	-	93	93
8911	Transfers Out	(93)	-	(93)
7080	Total Other Financing Sources & (Uses)	107	93	200
1200	Net Change in Fund Balances	(220,530)	905	(219,625)
0100	Fund Balances, Beginning	1,137,909	31,084	1,168,993
3000	Fund Balances, Ending	\$ 917,379	\$ 31,989	\$ 949,368

Buckholts Independent School District **Exhibit C - 3**
Reconciliation of the Statement of Revenues, Expenditures & Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended August 31, 2009

Net change in fund balances - total governmental funds (from Exhibit C-2) \$ (219,625)

Amounts reported for governmental activities in the statement of activities (Exhibit B - 1) are different because:

- | | | |
|---|---|----------|
| 1 | The District has an internal service fund that is used to pay workers compensation claims. The net revenues of this fund are included in the government-wide financial statements. | 12 |
| 2 | Capital outlays are reported in the governmental funds financial statements as expenditures, but they are added to capitalized asset in the government-wide financial statements. | 115,318 |
| 3 | Depreciation is not recorded as an expenditure in the governmental funds financial statements since it does not require the use of current financial resources, but it is an expense in the statement of activities. | (85,465) |
| 4 | Payments of debt principal are reported in the governmental funds financial statements as expenditures, but they reduce outstanding debt liabilities in the government-wide financial statements. | 35,000 |
| 5 | Uncollected property taxes (net of the allowance) are not recognized as revenue in the governmental funds financial statements because they do not provide current financial resources, but they are reported as revenues in the statement of activities. | (1,893) |

Change in net assets of governmental activities (see Exhibit B - 1) \$ (156,653)

**Buckholts Independent School District
Statement of Net Assets
Proprietary Funds
August 31, 2009**

Exhibit D - 1

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 1,844
Due from Other Funds	<u>11,079</u>
Total Assets	<u><u>\$ 12,923</u></u>
LIABILITIES	
Current Liabilities:	
Accrued Expenses	\$ 700
Noncurrent Liabilities:	
Accrued Expenses	<u>2,588</u>
Total Liabilities	<u><u>3,288</u></u>
NET ASSETS	
Unrestricted Net Assets	<u>9,635</u>
Total Liabilities & Net Assets	<u><u>\$ 12,923</u></u>

Buckholts Independent School District Exhibit D - 2
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended August 31, 2009

	Governmental Activities -
	Internal Service Fund
NONOPERATING REVENUES	
Interest Income	\$ 12
Total Nonoperating Revenues	12
Change in Net Assets	12
Total Net Assets, Beginning	9,623
Total Net Assets, Ending	\$ 9,635

Buckholts Independent School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2009

Exhibit D - 3

	Governmental Activities -
	Internal Service Fund
Cash Flows from Operating Activities:	
Claims Paid	\$ <u>(757)</u>
Cash Flows from Investing Activities:	
Investment Income	<u>12</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(745)
Cash & Cash Equivalents at Beginning of Year	<u>2,589</u>
Cash & Cash Equivalents at End of Year	<u><u>\$ 1,844</u></u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating Income	\$ -
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Change in Accrued Expenses	<u>(757)</u>
Net Cash Used by Operating Activities	<u><u>\$ (757)</u></u>

**Buckholts Independent School District
Statement of Fiduciary Net Assets
Fiduciary Funds
August 31, 2009**

Exhibit E - 1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash & Cash Equivalents	\$ 33,067	\$ 16,623
Total Assets	<u>33,067</u>	<u>16,623</u>
LIABILITIES		
Due to Student Groups	-	\$ 16,623
Total Liabilities	-	<u>16,623</u>
NET ASSETS		
Restricted for Scholarships	<u>\$ 33,067</u>	

Buckholts Independent School District
Statement of Changes in Fiduciary Fund Net Assets
Fiduciary Funds
For the Year Ended August 31, 2009

Exhibit E - 2

	Private Purpose Trust Fund
ADDITIONS	
Contributions	\$ 1,942
Investment Earnings	839
Total Additions	<u>2,781</u>
DEDUCTIONS	
Scholarships	<u>1,250</u>
Total Deductions	<u>1,250</u>
Change in Net Assets	1,531
Net Assets, Beginning	-
Prior Period Adjustment	<u>31,536</u>
Net Assets, Ending	<u><u>\$ 33,067</u></u>

Buckholts Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2009

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Buckholts 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 receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the Board of Trustees (the "Board") has governance responsibilities over all activities of Buckholts Independent School District. Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and, have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity," and Statement Number 39, "Determining Whether Certain Organizations Are Component Units."

There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District's 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. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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 entry fees paid by those attending athletic events and school lunch charges. 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 federal and state grants and contributions from other entities for specific purposes. If revenue is not program revenue, it is 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 in the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from in the government-wide Statement of Activities.

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

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

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

Buckholts Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2009

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 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 under the susceptible-to-accrual concept when those criteria are met; otherwise, they are recorded as revenue when received in cash. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are generally 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 require the District to refund all or part of the unused amount. If there are no restrictions on the time required to spend grant funds, and the District expects to spend all funds, grant revenues are considered earned when received.

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. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. Because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in government-wide statements.

D. Fund Accounting

The District reports the following major governmental fund:

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

Additionally, the District reports the following non-major fund types:

Governmental Funds

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

Buckholts Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2009

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District’s private purpose trust funds represent scholarship funds being held in trust for student scholarships.

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s agency fund is the school activities fund.

E. Other Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories

The District records purchases of supplies as expenditures and does not maintain any significant amount of supplies on hand. Supplies are used for almost all functions of activity, while food commodities received from the Texas Department of Human Services are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as expenditures when received.

Interfund Transactions

“Transfers out” reflect amounts intended to be permanent transfers of resources from one fund to another, where they are reflected as “transfers in.”

Capital Assets

Capital assets include land, buildings, furniture and equipment, and are reported in the governmental activities column 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:

Buildings & improvements	35-40
Portable buildings	15
Buses	6-12
Other vehicles	6
Furniture & equipment	10
Technology equipment	5

Buckholts Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2009

Compensated Absences

The State of Texas requires districts to provide each employee five days of personal leave per year with no limit on accumulation and transferability among other districts in Texas. The District provides an additional two days, which do not accumulate. An employee who retires from the District with advance written notice and ten years of service with the District receives payment for unused days up to a maximum of one hundred days at a rate set by the Board, which is currently set at \$10. No liability is accrued for reimbursable leave because the amounts involved are not material.

Long-term Obligations

The District's long-term obligations consist of general obligation bonds. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and bond issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted Resources

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

F. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). 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, the Food Service Fund budget report appears in Exhibit J – 4, and the Debt Service Fund budget report is in Exhibit J - 5.

Buckholts Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2009

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

- a. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. 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.
- c. Prior to September 1, the budget is legally adopted through passage of a resolution by the Board.
- d. Once a budget is approved, it can only be amended at the function and fund level by approval of the Board. Amendments are presented to the Board at its meetings. As required by law, such amendments are made before the budget is exceeded at the function level, are reflected in the official minutes of the Board, and are not made after fiscal year end.
- e. Unexpended appropriations lapse at year-end. Deficit fund balances are prohibited by state law.

Because the District has a policy of careful budgetary control, budgets are amendments are necessary to meet unforeseen needs. Several amendments were recommended to the Board and adopted during the year.

The budget for the following functions was exceeded:

- General Fund, Function 11, Instruction was exceeded by \$1,210.
- General Fund, Function 81, Facilities Acquisition and Construction was exceeded by \$5,500.
- Food Service Fund, Function 35, Food Services, was exceeded by \$2,961.

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but they reflect commitments for purchases and they are reported as reservations of fund balances. Outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the commitments.

The District had no outstanding encumbrances at the end of the year.

Note 2 – Deposits and Investments

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

Buckholts Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2009

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In order to reduce its exposure to credit risk, the District limits investments to accounts with its depository contract which are fully collateralized, or which are insured through the FDIC.

Custodial Credit Risk for Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. To reduce this risk, the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss due to a government's investment of more than 5% of a single issuer. The District does not invest in more than 5% of the total securities of any institution.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District limits its exposure to interest rate risk by investing in short-term maturities of less than a year.

At August 31, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,102,818, and the bank balance was \$1,124,301. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. Buckholts State Bank is the District's depository bank.

The highest combined balances of cash, savings, and time deposit accounts amounted to \$1,524,489 and occurred during the month of February, 2009. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,522,323. The total amount of FDIC coverage at that time was \$500,000.

Note 3 – 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 fiscal year.

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

Note 4 – 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. The District also receives entitlements from the State through the School Foundation and Per Capita Programs.

Buckholts Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2009

Amounts due from other governments as of August 31, 2009, consisted of grant funds due from the Texas Education Agency, or other state agencies.

Note 5 – Interfund Receivables and Payables

Interfund balances at August 31, 2009 consisted of the following individual fund balances:

Fund	Due from Other Funds	Due to Other Funds
General Fund:		
Special Revenue Funds	\$ 323	\$ -
Internal Service Fund		11,079
Special Revenue Funds:		
General Fund	-	323
Internal Service Fund:		
General Fund	11,079	-
	\$ 11,402	\$ 11,402

Note 6 – Capital Asset Activity

Capital asset activity for the District for the period ended August 31, 2009, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,872	\$ -	\$ -	\$ 17,872
Construction in Process	-	35,740	-	35,740
Total Capital Assets Not Being Depreciated	17,872	35,740	-	53,612
Capital Assets Being Depreciated				
Buildings & Improvements	2,723,368	-	-	2,723,368
Furniture & Equipment	340,845	79,578	(45,160)	375,263
Total Capital Assets Being Depreciated	3,064,213	79,578	(45,160)	3,098,631
Less Accumulated Depreciation:				
Buildings & Improvements	888,297	65,148	-	953,445
Furniture & Equipment	294,875	20,317	(45,160)	270,032
Total Accumulated Depreciation	1,183,172	85,465	(45,160)	1,223,477
Total Capital Assets Being Depreciated, Net	1,881,041	(5,887)	-	1,875,154
Governmental Activities Capital Assets, Net	\$ 1,898,913	\$ 29,853	\$ -	\$ 1,928,766

Buckholts Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2009

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 60,366
Library & Instructional Resources	2,203
School Leadership	2,654
Guidance, Counseling & Evaluation	146
Student Transportation	6,913
Food Services	4,095
Extracurricular Activities	5,924
Plant Maintenance & Operations	3,164
	<u>\$ 85,465</u>

Note 7 – General Obligation Bonds Payable

A summary of changes in general long-term debt for the year ended August 31, 2009 is as follows:

Description	Interest Rate	Amount of Original Issue	Principal Outstanding 8/31/2008	Issued	Retired	Principal Outstanding 8/31/2009	Due Within One Year
Unlmd Tax Sch Building Bonds, Series 2000	5.0% to 7.0%	\$ 1,275,000	\$ 1,035,000	\$ -	\$ 35,000	\$ 1,000,000	\$ 40,000

General obligation bonds are direct obligations of the District, and are secured by a pledge of the full faith and credit of the District, and a pledge of property tax revenues sufficient to pay debt obligations.

The required general obligation bond payments to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total
2010	\$ 40,000	\$ 53,210	\$ 93,210
2011	40,000	51,085	91,085
2012	45,000	48,949	93,949
2013	45,000	46,654	91,654
2014	50,000	44,145	94,145
2015-2019	290,000	176,443	466,443
2020-2024	395,000	82,913	477,913
2025	95,000	2,613	97,613
Totals	<u>\$ 1,000,000</u>	<u>\$ 506,012</u>	<u>\$ 1,506,012</u>

Buckholts Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2009

Note 8 – Commitments Under Operating Leases

The District leases copier equipment under non-cancelable leases. Total costs for these leases were \$13,250 for the year ended August 31, 2009. The required future lease payments are as follows:

<u>Year Ending August 31,</u>	<u>Lease Payments</u>
2010	\$ 13,140
2011	13,140
2012	13,140
2013	12,045

Note 9 – Defined Benefit Pension Plan

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing multiple employer defined benefit pension plan, with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, under "Publications," www.trs.state.tx.us.

Funding Policy

State law provides for fiscal years 2009 and 2008 a state contribution rate of 6.58%, and for fiscal year 2007 a state contribution rate of 6.0%; it provides for a member contribution rate of 6.4% for each of those years. In certain instances the reporting district is required to make all or a portion of the state's contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contributions

Employees of the District are required to pay 6.4% of their eligible gross earnings to the TRS pension plan. The State of Texas contributes 6.58% (6.0% for fiscal years 2007) of all employees' eligible gross earnings, except for those employees subject to statutory minimum requirements and those employees being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedule adjusted based on local tax rates. For employees funded by federal programs, the federal programs are required to contribute 6.58% (6.00% for fiscal years 2007).

Buckholts Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2009

Contributions made by the State, District and employees to TRS are as follows:

For the Year Ended August 31	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	District Employee Contributions to TRS	Covered Payroll
2007	\$ 76,331	\$ 13,335	\$ 86,955	\$ 1,362,702
2008	73,587	10,755	82,037	1,281,795
2009	72,646	18,166	83,226	1,300,397

District and employee actual contributions were equal to the required contributions for each year. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

Note 10 – Retiree Health Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and .65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at .55% for fiscal years 2009, 2008, and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For employees funded by federal programs, the federal programs are required to contribute 1.0%.

Contributions

Contributions made by the State, District, and employees are as follows:

For the Year Ended August 31	State TRS-Care Contributions Made on Behalf of the District	District Required Contributions to TRS- Care	District Employee Contributions to TRS- Care	Covered Payroll
2007	\$ 12,645	\$ 8,477	\$ 8,831	\$ 1,362,702
2008	11,953	7,915	8,331	1,281,795
2009	12,095	13,022	8,453	1,300,397

District and employee actual contributions were equal to the required contributions for each year. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible

Buckholts Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2009

TRS-Care participants. For the years ended August 31, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on behalf of the District were \$2,925, \$2,858, and \$2,845, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Health Care Coverage

During the period ended August 31, 2009, employees of the District were covered by TRS-ActiveCare. TRS-ActiveCare is a statewide health care benefits program for employees of school districts, charter schools, regional education service centers, and other educational districts. The program was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. Participation in TRS-ActiveCare was mandatory for the District beginning on September 1, 2002.

The District paid premiums of \$225 per month per participating employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums are paid to a licensed insurer. Latest financial statements for TRS - Care are available for the year ended August 31, 2008, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Note 12 - Deferred Revenue

Deferred revenue at year-end consisted of the following:

Description	General Fund	Debt Service Fund	Total
Delinquent Property Taxes Receivable	\$ 12,472	\$ 727	\$ 13,199
	<u>\$ 12,472</u>	<u>\$ 727</u>	<u>\$ 13,199</u>

Note 13 – Revenue from Local and Intermediate Sources

During the current period, revenues from local and intermediate sources consisted of the following:

Revenue	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	\$ 273,937	\$ -	\$ 16,351	\$ 290,288
Property Tax Penalties & Interest	4,451	-	240	4,691
Interest Income	16,522	205	310	17,037
Food Sales	-	22,884	-	22,884
Extra-curricular Activities	9,109	-	-	9,109
E-rate Revenues	8,802	-	-	8,802
Other	3,661	-	-	3,661
Total	<u>\$ 316,482</u>	<u>\$ 23,089</u>	<u>\$ 16,901</u>	<u>\$ 356,472</u>

Note 14 – Joint Venture-Shared Service Arrangements

Burleson-Milam Special Services Cooperative

The District participates in the Burleson-Milam Special Services Cooperative, a shared services arrangement for special education resource services. This shared service arrangement includes nine participating independent school districts. Caldwell ISD is acting as fiscal agent and is also a member district. Funding is provided through state and local funds from member districts and through federal funds received by the Burleson-Milam Special Services Cooperative. Approximately 5% of the activity of the shared service arrangement is attributable to the District. The District has a joint ownership interest in fixed assets purchased and the net equity of the Burleson-Milam Special Services Cooperative; however, the fiscal agent is not accumulating significant financial resources or obligations that would give rise to a future additional benefit or burden to the District. Member districts

Buckholts Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2009

reimburse the fiscal agent for expenditures which exceed state and federal funding sources; the District's share of reimbursements for the year ended August 31, 2009, was \$10,800.

Disciplinary Alternative Education Services

The District participates in a shared service arrangement with other local districts to provide a disciplinary alternative education program. Cameron ISD is the fiscal agent and a member district. The District does not have a joint ownership interest in any assets or net equity interests of the shared service arrangement. The District paid \$3,245 for the year ended August 31, 2009, as its share of program costs.

Purchase of Electricity

The District participates in a shared service arrangement with other districts in the state to purchase electricity from electrical providers. Deer Park ISD is the fiscal agent and a member district. The District does not have a joint ownership interest in any assets or net equity interests of the shared service arrangement. The District recognized \$57,903 for the year ended August 31, 2009, as its share of costs.

Other Services

The District participates in various other shared service arrangements with other districts. These arrangements are funded from federal grant funds and Education Service Center Region VI acts as the fiscal agent. The District does not have a joint ownership interest in any assets or net equity interests in these shared service arrangements as they exist only to administer federal grant funds. The shared service arrangements include: Title I, Part C, Migrant Education; ESEA Title II, Part D – Enhancing Education through Technology; Title III, Part A, English Language Acquisition and Language Enhancement; ESEA, Title IV Safe and Drug-Free School and Communities Act; and, Title II, Basic Grant Career and Technology Education Program.

The District received staff development and other services from these shared service arrangements, and direct funding of \$365 through the Title I, Part C, Migrant Education program.

Note 15 – Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. To provide protection against risk of loss, during the year ended August 31, 2009, the District participated in the TASB Risk Management Fund's Property Casualty Program, with coverage in auto liability and physical damage, property, general liability, crime and liability for misconduct, Workers' Compensation Program, and Unemployment Compensation Program. These programs were created and are operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. Participating members execute Interlocal Agreements that define the responsibilities of the parties.

The TASB Risk Management Fund purchases stop-loss coverage for protection against catastrophic claims. The TASB Fund uses the services of independent actuaries to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2009, the TASB Fund anticipates the District has no additional liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The TASB Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The Fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Prior to August 31, 2004, the District met its statutory workers' compensation obligations through participation with other school districts in the East Texas Educational Insurance Association (the "Association"), operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Association's workers compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Association execute Interlocal Agreements that define the responsibilities of the parties. The Association provides statutory workers' compensation benefits to its members and their injured employees. Under the Interlocal

Buckholts Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2009

Agreement, the District is liable for claims up to a calculated maximum loss amount. Stop-loss insurance coverage is provided to cover catastrophic losses.

The District accounted for this self-funded worker compensation program through an internal service fund. This internal service fund is still in existence to pay claims related to the periods prior to August 31, 2004. Claims paid since August 31, 2004 has been paid from an accrued liability account. The accrued liability account was \$4,045 as of September 1, 2008; \$757 in claims was paid leaving a balance of \$3,288 as of August 31, 2009, which the District believes will be sufficient to satisfy all future claims.

Note 16 – Prior Period Adjustment

Various scholarship funds have been received through the years which are restricted in use to providing scholarships to students of Buckholts Independent School District. The District manages these funds in a fiduciary capacity. The accompanying financial statements include these scholarship funds as a private purpose trust fund. These funds have not been included in prior financial statements; net assets of the funds totaled \$31,536 as of September 1, 2008, and were recorded as a prior period adjustment in the accompanying financial statements.

Required Supplemental Information

This page left blank intentionally.

Buckholts Independent School District
Statement of Revenues, Expenditures & Changes in Fund Balance -
Budget & Actual - General Fund
For the Year Ended August 31, 2009

Exhibit G - 1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local & Intermediate Sources	\$ 327,541	\$ 327,541	\$ 316,482	\$ (11,059)
5800	State Program Revenues	1,434,735	1,527,735	1,470,041	(57,694)
5020	Total Revenues	1,762,276	1,855,276	1,786,523	(68,753)
EXPENDITURES					
Current:					
0011	Instruction	1,033,907	1,099,061	1,100,271	(1,210)
0012	Library & Instructional Resources	28,128	28,363	27,756	607
0013	Curriculum & Staff Development	45,488	46,304	41,162	5,142
0021	Instructional Leadership	8,638	8,064	5,318	2,746
0023	School Leadership	112,299	130,959	127,752	3,207
0031	Guidance & Counseling	27,617	27,617	27,311	306
0033	Health Services	2,609	2,739	2,223	516
0034	Student Transportation	41,833	95,391	84,785	10,606
0035	Food Services	-	2,780	2,780	-
0036	Extracurricular Activities	76,039	78,209	72,593	5,616
0041	General Administration	196,402	211,397	208,377	3,020
0051	Plant Maintenance & Operations	175,358	181,433	169,015	12,418
Capital Outlay:					
0081	Facilities Acquisition & Construction	-	53,925	59,425	(5,500)
Intergovernmental:					
0093	Payments Related To Shared Services Arrangements	83,801	75,502	71,948	3,554
0099	Other Intergovernmental Charges	7,073	7,073	6,444	629
6030	Total Expenditures	1,839,192	2,048,817	2,007,160	41,657
1100	Excess (Deficiency) of Revenues over Expenditures	(76,916)	(193,541)	(220,637)	(27,096)
OTHER FINANCING SOURCES (USES)					
7912	Sale Of Real & Personal Property	-	-	200	200
8911	Transfers Out	(96)	(96)	(93)	3
7080	Total Other Financing Sources (Uses)	(96)	(96)	107	203
1200	Net Change in Fund Balance	(77,012)	(193,637)	(220,530)	(26,893)
0100	Fund Balance, Beginning	1,137,909	1,137,909	1,137,909	-
3000	Fund Balance, Ending	\$ 1,060,897	\$ 944,272	\$ 917,379	\$ (26,893)

This page left blank intentionally.

Other Supplemental Information

**Buckholts Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2009**

	211	212	240	255	289	401
Data Control Codes	ESEA Title I, Part A	ESEA Title I, Part C Migrant	School Brkfst / Lunch Program	ESEA Title II Part A	Small Rural School Grant	Optional Extended Year Program
ASSETS						
1110 Cash & Cash Equivalents	\$ -	\$ -	\$ 19,515	\$ -	\$ -	\$ -
1220 Delinquent Property Taxes Receivable	-	-	-	-	-	-
1230 Allowance for Uncollectable Taxes	-	-	-	-	-	-
1240 Due from Other Governments	-	-	2,394	-	-	76
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>
LIABILITIES						
2110 Accounts Payable	\$ -	\$ -	\$ 793	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	1,817	-	-	-
2170 Due to Other Funds	-	-	-	-	-	76
2300 Deferred Revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,610</u>	<u>-</u>	<u>-</u>	<u>76</u>
FUND BALANCE						
Reserved for:						
3420 Retirement of Long-Term Debt	-	-	-	-	-	-
3450 Food Service	-	-	19,299	-	-	-
Unreserved & Undesignated:						
3610 Reported in Special Revenue Funds	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>19,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>

Exhibit H - 1

404	411	414	428		599	Total
Student Success Initiative	State Technology Allotment	Texas Reading, Math, Science Initiative	High School Allotment	Total Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 175	\$ 19,690	\$ 12,515	\$ 32,205
-	-	-	-	-	877	877
-	-	-	-	-	(150)	(150)
247	-	-	-	2,717	-	2,717
<u>\$ 247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 22,407</u>	<u>\$ 13,242</u>	<u>\$ 35,649</u>
\$ -	\$ -	\$ -	\$ -	\$ 793	\$ -	\$ 793
-	-	-	-	1,817	-	1,817
247	-	-	-	323	-	323
-	-	-	-	-	727	727
<u>247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,933</u>	<u>727</u>	<u>3,660</u>
-	-	-	-	-	12,515	12,515
-	-	-	-	19,299	-	19,299
-	-	-	175	175	-	175
-	-	-	175	19,474	12,515	31,989
<u>\$ 247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 22,407</u>	<u>\$ 13,242</u>	<u>\$ 35,649</u>

Buckholts Independent School District
Combining Statement of Revenues, Expenditures & Changes in
Fund Balances
Nonmajor Governmental Funds
For the Year Ended August 31, 2009

Data Control Codes	211 ESEA Title I, Part A	212 ESEA Title I, Part C Migrant	240 School Brkfst / Lunch Program	255 ESEA Title II Part A	289 Small Rural School Grant	401 Optional Extended Year Program
REVENUES						
5700 Local & Intermediate Sources	\$ -	\$ -	\$ 23,089	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	800	-	-	759
5900 Federal Program Revenues	70,012	365	87,882	10,778	21,568	-
Total Revenues	70,012	365	111,771	10,778	21,568	759
EXPENDITURES						
Current:						
0011 Instruction	70,012	365	-	10,778	21,568	759
0035 Food Services	-	-	110,811	-	-	-
0036 Extracurricular Activities	-	-	-	-	-	-
Debt Service:						
0071 Principal On Long-Term Debt	-	-	-	-	-	-
0072 Interest On Long-Term Debt	-	-	-	-	-	-
0073 Bond Issuance Costs & Fees	-	-	-	-	-	-
Total Expenditures	70,012	365	110,811	10,778	21,568	759
Excess (Deficiency) of Revenues Over Expenditures	-	-	960	-	-	-
OTHER FINANCING SOURCES (USES)						
7915 Operating Transfers In	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	-	-	960	-	-	-
Fund Balances, Beginning	-	-	18,339	-	-	-
Fund Balances, Ending	\$ -	\$ -	\$ 19,299	\$ -	\$ -	\$ -

Exhibit H - 2

404 Student Success Initiative	411 State Technology Allotment	414 Texas Reading / Math / Science Initiative	428 High School Allotment	Total Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 23,089	\$ 16,901	\$ 39,990
22,456	5,537	5,000	16,358	50,910	73,752	124,662
-	-	-	-	190,605	-	190,605
22,456	5,537	5,000	16,358	264,604	90,653	355,257
22,456	5,537	5,093	14,808	151,376	-	151,376
-	-	-	-	110,811	-	110,811
-	-	-	1,375	1,375	-	1,375
-	-	-	-	-	35,000	35,000
-	-	-	-	-	55,560	55,560
-	-	-	-	-	323	323
22,456	5,537	5,093	16,183	263,562	90,883	354,445
-	-	(93)	175	1,042	(230)	812
-	-	93	-	93	-	93
-	-	93	-	93	-	93
-	-	-	175	1,135	(230)	905
-	-	-	-	18,339	12,745	31,084
\$ -	\$ -	\$ -	\$ 175	\$ 19,474	\$ 12,515	\$ 31,989

**Buckholts Independent School District
 Schedule of Delinquent Taxes Receivable
 For the Year Ended August 31, 2009**

Fiscal Year Ended August 31,	1		2		3
	Tax Rate				Net Assessed/Appraised Value for School Tax Purposes
	Maintenance		Debt Service		
2000 & prior		Various		Various	Various
2001	\$	1.4400	\$	-	\$ 17,171,680
2002		1.4400		0.0745	17,356,660
2003		1.4600		0.0745	18,619,586
2004		1.4850		0.0700	19,124,720
2005		1.4850		0.0700	20,180,679
2006		1.4850		0.0626	21,212,345
2007		1.3567		0.0626	24,810,786
2008		1.0301		0.0626	25,382,885
2009		1.0401		0.0620	27,059,499
1000 TOTALS					

EXHIBIT J - 1

10	20	31	32	40	50
Beginning Balance September 1, 2008	Current Year's Total Levy	Total Collections		Entire Year's Adjustments	Ending Balance August 31, 2009
		Maintenance	Debt Service		
\$ 1,140		\$ -	\$ -	\$ -	\$ 1,140
995		-	-	-	995
675		-	-	-	675
455		-	-	(1)	454
514		52	2	-	460
941		52	2	-	887
1,532		140	6	5	1,391
3,018		856	40	(27)	2,095
9,595		5,618	371	(542)	3,064
-	\$ 289,776	267,220	15,929	-	6,627
\$ 18,865	\$ 289,776	\$ 273,938	\$ 16,350	\$ (565)	\$ 17,788

Buckholts Independent School District
Schedule of Expenditures for Computations of Indirect Cost for 2009-2010
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended August 31, 2009

EXHIBIT J - 2

FUNCTION 41 - GENERAL ADMINISTRATION, AND FUNCTION 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	\$ -	\$ 7,208	\$ 95,118	\$ 60,830	\$ -	\$ -	\$ 163,156
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				-			-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)				-			-
6211	Legal Services	-	-	5,139		-		5,139
6212	Audit Services				9,450			9,450
6213	Tax Appraisal and Collection		7,530					7,530
621X	Other Prof. Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	-	-	4,064	-	-	-	4,064
6240	Contr. Maint. and Repair							-
6250	Utilities							-
6260	Rentals	-	-	2,601	-	-	219	2,820
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	32	-	-	-	32
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	486	445	3,030	80	-	-	4,041
6410	Travel, Subsistence, Stipends	4,024	1,495	1,806	-	-	-	7,325
6420	Ins. and Bonding Costs	-	245	-	-	-	-	245
6430	Election Costs	840						840
6490	Miscellaneous Operating	2,540	950	6,689	-	-	-	10,179
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 7,890	\$ 17,873	\$ 118,479	\$ 70,360	\$ -	\$ 219	\$ 214,821

FISCAL YEAR

Total expenditures/expenses for General and Special Revenue Funds	9	\$ -
LESS: Deductions of Unallowable Costs		
Total Capital Outlay (6600)	10	\$ 115,318
Total Debt & Lease (6500)	11	-
Plant Maintenance (Function 51, 6100-6400)	12	169,015
Food (Function 35, 6341 and 6499)	13	50,087
Stipends (6413)	14	-
Column 4 (above) - Total Indirect Cost		70,360
Subtotal		404,780
Net Allowed Direct Cost		<u>\$ (404,780)</u>

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	\$2,723,368
Historical Cost of Buildings over 50 years old	16	87,700
Amount of Federal Money in building Cost (Net of #16)	17	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	18	375,263
Historical Cost of Furniture & Equipment over 16 years old	19	38,502
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	13,696
Function 99 Expenditures Included in this Report	8a	6,444

Buckholts Independent School District
Fund Balance & Cash Flow Calculation Worksheet - General Fund
August 31, 2009

Exhibit J - 3

UNAUDITED

Data Control Codes	Explanation	Amount
1	Total General Fund Balance as of August 31, 2009 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 917,379</u>
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	-
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	650,000
4	Estimated amount needed to cover fall cash flow deficits in the General Fund, net of borrowed funds and funds representing deferred revenues (Unaudited)	15,000
5	Estimate of one month's average cash disbursements during the regular school session, September 1, 2009 through May 31, 2010 (Unaudited)	186,364
6	Estimate of delayed payments from state sources (58XX) including August payment delays, if any (Unaudited)	191,590
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
8	Estimate of delayed payments from federal sources (59XX) (Unaudited)	29,919
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-
10	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 8) (Unaudited)	<u>1,072,873</u>
11	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 - 10)	<u><u>\$ (155,494)</u></u>

Buckholts Independent School District
Schedule of Revenues, Expenditures & Changes in Fund Balance -
Budget & Actual - Food Service Fund
For the Year Ended August 31, 2009

Exhibit J - 4

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget
		Original	Final		Positive (Negative)
REVENUES					
5700	Local & Intermediate Sources	\$ 25,100	\$ 25,100	\$ 23,089	\$ (2,011)
5800	State Program Revenues	750	750	800	50
5900	Federal Program Revenues	82,000	82,000	87,882	5,882
5020	Total Revenues	107,850	107,850	111,771	3,921
EXPENDITURES					
Current:					
0035	Food Services	107,850	107,850	110,811	(2,961)
6030	Total Expenditures	107,850	107,850	110,811	(2,961)
1100	Excess (Deficiency) of Revenues over Expenditures	-	-	960	960
1200	Net Change in Fund Balance	-	-	960	960
0100	Fund Balance, Beginning	18,339	18,339	18,339	-
3000	Fund Balance, Ending	\$ 18,339	\$ 18,339	\$ 19,299	\$ 960

Buckholts Independent School District
Schedule of Revenues, Expenditures & Changes in Fund Balance -
Budget & Actual - Debt Service Fund
For the Year Ended August 31, 2009

Exhibit J - 5

Data Control Codes	Budgeted Amounts			Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
5700	Local & Intermediate Sources	\$ 17,507	\$ 17,507	\$ 16,901	\$ (606)
5900	Federal Program Revenues	73,405	73,405	73,752	347
5020	Total Revenues	90,912	90,912	90,653	(259)
EXPENDITURES					
Debt Service:					
0071	Principal On Long-Term Debt	35,000	35,000	35,000	-
0072	Interest On Long-Term Debt	55,560	55,560	55,560	-
0073	Bond Issuance Costs & Fees	352	352	323	29
6030	Total Expenditures	90,912	90,912	90,883	29
1100	Excess (Deficiency) of Revenues over Expenditures	-	-	(230)	(230)
1200	Net Change in Fund Balance	-	-	(230)	(230)
0100	Fund Balance, Beginning	12,745	12,745	12,745	-
3000	Fund Balance, Ending	\$ 12,745	\$ 12,745	\$ 12,515	\$ (230)

This page left blank intentionally.

Karl Kacir, CPA

P. O. Box 193
Rogers, Texas 76569
(254) 642-1161 office
(254) 721-7228 cell
kwkacir@sbcglobal.net

**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***

To the Board of Trustees
Buckholts Independent School District
Buckholts, Texas

Members of the Board of Trustees:

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckholts Independent School District as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements and have issued my report thereon dated December 3, 2009. I conducted my 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 my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. I consider finding numbers 2009-01 and 2009-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-02.

I noted certain other matters that I reported to management of the District in a separate letter dated December 3, 2009.

This report is intended solely for the information and use of the Board of Trustees, management, others within the District, the 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.

Karl Kacir, CPA

December 3, 2009

Buckholts Independent School District

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2009

A. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

B. Financial Statement Findings

2009-01

Account coding

Criteria Accurate account coding is important to summarize data properly. Proper summarization of transactions, particularly expenditures, is important for budgetary control, compliance, and other reasons. TEA requires adherence to a specific chart of accounts, and provides extensive guidance on use of the account codes.

Condition Numerous accounts were not coded with the proper function, object, organization or program intent codes. The errors occurred in the establishment of the account, using incorrect codes, and not in the coding of the transactions. Individual transactions were carefully coded to their intended accounts; the problem occurs because the intended accounts were not in adherence with TEA guidelines.

Cause and Effect Most of the incorrect account codes were established in prior years, and those codes have been continued in use. As new codes are established, they follow the previous account coding as guidance. The effect is an accumulation of noncompliant account codes.

Questioned Costs None. Fund codes are accurate, so expenditures are charged to the proper budgets. The District meets spending and compliance requirements sufficiently such that there would be no resulting noncompliance with the correct coding.

Recommendation Compare account coding to the TEA guidelines and identify the correct coding for accounts that are not correct. Establish the correct account codes in the 2009-10 ledgers and implement a plan to move expenditures to the corrected account codes prior to the end of the 2009-10 fiscal year.

2009-02

Budgetary Compliance

Criteria State law requires that the Board adopt and amend expenditure budgets at the function level, and expenditures should not exceed the adopted budget at the function level.

Condition The expenditure budgets were exceeded at the function level. In the General Fund, budgets were exceeded by \$1,210 in Function 11 - Instruction and \$5,500 in Function 81 - Facilities Acquisition and Construction. In the Food Service Fund, the budget was exceeded by \$2,961 in Function 35 - Food Services.

Cause and Effect Management and the Board are very careful not to overspend budgets when purchases are made. The budget overages in Functions 81 and 35 were attributable to corrections of account coding made after the fiscal year ended. The overage in Function 11 was due to corrections in account coding and underestimating the impact of accrued salaries at year end.

Questioned Costs None. The expenditures are all approved in the board adopted budgets.

Recommendation Correction of account coding noted in Finding 2009-01 should resolve most of the budgetary compliance finding. The District should also consider preparing the year end salary accrual, or at least an estimate of the accrual, in time to make any necessary budget amendments.

Buckholts Independent School District

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2009

B. Financial Statement Findings, Continued

<u>2009-03</u>	<u>Controls over Property Tax Revenues</u>
Criteria	Segregation of duties, or mitigating controls, should exist to insure proper billing and collection of all property tax revenues.
Condition	One person is responsible for preparing tax statements, mailing tax notices, and maintaining receivable records.
Cause and Effect	The District's staff is limited in size, and segregation of duties is not always easy. It is also more difficult to maintain the training of staff required for segregation of duties, which is compounded when staff turnover occurs.
Questioned Costs	None. There is no impact on state or federal grant compliance.
Recommendation	A second staff person should be assigned specific key duties in the preparation and mailing of tax statements in order to insure some separation of duties. Changes to the levy are presented in monthly board reports, but should also be specifically reviewed and approved by the superintendent.

C. Federal Award Findings and Questioned Costs

NONE

D. Status of Prior Year Findings

There were no prior year findings.

Buckholts Independent School District

Corrective Action Plan

August 31, 2009

Finding Corrective Action

2009-01 Account coding

An extensive, thorough review of all codes within the budget has been established and will continue throughout the 2009-2010 school year. This review will continue until the correct codes have been established within the 2009-2010 school year budget. Before the budget process for the 2010-2011 school year commences in June 2010, correct account codes will be made for that year as well.

Responsible Party
Business Manager

Estimated Completion Date
8/31/2010

2009-02 Budgetary Compliance

Correcting account codes will eliminate most budget compliance that occurred. In addition, the district will calculate the accrued payroll prior to year end in order to budget adequate funds.

Responsible Party
Business Manager

Estimated Completion Date
8/31/2010

2009-03 Controls over Property Tax Revenues

The district will establish a procedure segregating duties within the tax office where possible. An additional person will be trained to assist with the preparation and validation of tax bills issued each year. This person will be responsible for verifying and mailing the tax bills each year.

Responsible Party
Business Manager & Superintendent

Estimated Completion Date
2010 tax year