

# ***Buckholts Independent School District***

## ***Annual Financial Report***

***For the Year Ended August 31, 2010***



***Buckholts Badgers***

# Buckholts Independent School District

## Annual Financial Report

### For the Year Ended August 31, 2010

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# 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   X   approved        disapproved for the year ended August 31, 2010, at a meeting of the Board of Trustees of such school district on the 13th day of December, 2010.

Pam Crowe  
Signature of Board Secretary

Edwin L. Peeler  
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):

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**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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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, 2010, 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 8, 2010, 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.

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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 8, 2010

# 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, 2010. 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 \$175,191 from \$1,900,968 to \$1,725,777, a decrease of 9%.
- Unrestricted net assets decreased from \$939,486 to \$752,271, a decrease of 20%.
- Revenues decreased \$45,123, from \$2,140,099 to \$2,114,976, a decrease of 1%. Most of this decrease was due to declines in student average daily attendance and investment earnings.
- Total cost of all District programs decreased \$6,585, from \$2,296,752 to \$2,290,167.
- The General Fund ended the year with a fund balance of \$707,364, a decrease of \$210,015 from the prior year balance of \$917,379.

## 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 sixteen 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 fifteen 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 net assets of the District decreased \$175,191 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 \$939,486 at August 31, 2009 to \$752,271 at August 31, 2010; this is a decrease of \$187,215, or 20%.

Total assets decreased \$46,927. \$23,791 of this decrease was in current and other assets, which includes cash and cash equivalents, and capital assets decreased \$23,136 due to depreciation of capital assets. The decrease in assets was less than the decrease in total net assets due to the increase in other liabilities of \$168,947. State aid is paid to the District based on projected average daily attendance of students. The District's average daily attendance declined and as a result the District was paid more state aid than was earned. The State will recover this overpayment by reducing state aid payments for 2010-11.

The District's net investment in capital assets increased \$16,864, from \$928,766 to \$945,630. The net investment in capital assets increased due to the repayment of \$40,000 in outstanding debt principal and additions of buildings and equipment of \$72,521, less ongoing depreciation of \$95,657.

**Table I  
Buckholts Independent School District's Net Assets**

	Government Activities		Change 2009 to 2010
	2010	2009	
<b>Assets:</b>			
Current and other assets	\$ 1,048,416	\$ 1,072,207	\$ (23,791)
Capital assets	1,905,630	1,928,766	(23,136)
Total Assets	2,954,046	3,000,973	(46,927)
<b>Liabilities:</b>			
Long-term liabilities	961,905	1,002,588	(40,683)
Other liabilities	266,364	97,417	168,947
Total Liabilities	1,228,269	1,100,005	128,264
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	945,630	928,766	16,864
Restricted for other purposes	27,876	32,716	(4,840)
Unrestricted	752,271	939,486	(187,215)
Total Net Assets	\$ 1,725,777	\$ 1,900,968	\$ (175,191)

# Buckholts Independent School District Management's Discussion and Analysis

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

	Government Activities		Change 2009 to 2010
	2010	2009	
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 63,089	\$ 44,455	\$ 18,634
Operating grants & contributions	494,153	327,093	167,060
General Revenues			
Property taxes levied for general purposes	283,817	272,038	11,779
Property taxes levied for debt service	19,037	16,357	2,680
State aide - formula grants	1,245,681	1,452,357	(206,676)
Investment earnings	4,829	17,048	(12,219)
Miscellaneous	4,370	10,751	(6,381)
<b>Total Revenues</b>	<b>2,114,976</b>	<b>2,140,099</b>	<b>(25,123)</b>
<b>Expenses</b>			
Instruction, curriculum & library services	1,386,283	1,391,399	(5,116)
Instructional & school leadership	136,821	135,724	1,097
Counseling, health & social services	29,592	29,680	(88)
Transportation & food services	148,426	159,271	(10,845)
Extracurricular activities	93,759	79,892	13,867
General administration	211,392	214,821	(3,429)
Maintenance & operations	230,361	230,082	279
Interest on debt service	53,533	55,883	(2,350)
<b>Total Expenses</b>	<b>2,290,167</b>	<b>2,296,752</b>	<b>(6,585)</b>
Increase in net assets	(175,191)	(156,653)	(18,538)
Net assets, beginning of year	1,900,968	2,057,621	(156,653)
Net assets, end of year	\$ 1,725,777	\$ 1,900,968	\$ (175,191)

The District's revenues decreased \$25,123, from \$2,140,099 to \$2,114,976, a decrease of 1%. 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 decreased \$6,585 from the prior year, from \$2,296,752 to \$2,290,167.

The cost of all governmental activities this year was \$2,290,167; 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 \$1,732,925, which compares to \$1,925,204 in the prior year. \$494,153 of costs in the year ending August 31, 2010, were paid by operating grants and contributions, which is primarily federal and state grant funding, and \$63,089 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 \$740,954, which is a decrease of \$208,414 from last year's total of \$949,368. The District's fund balance in the General Fund decreased from \$917,379 to \$707,364, which is a decrease of \$210,015.

# Buckholts Independent School District Management's Discussion and Analysis

The fund balances in "Other Funds" includes \$12,365 in the Debt Service Fund, which will be used for debt payments that come due in the future, and \$13,745 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 \$115,575. The amended budget provided for a decrease in fund balance of \$133,821, which is a change of \$18,246 from the adopted budget. Significant amendments and their impact on the budgeted change in fund balance were as follows:

- The following amendments affected the budgeted change in fund balance:
  - The District amended the budget for Function 11 – Instruction and Function 13 – Curriculum and Staff Development to move expenditures from the General Fund to the Title XIV SFSF Fund for \$20,162.
  - The District amended the budget for Function 81 – Facilities Acquisition & Construction to provide \$20,678 for the purchase of a lot and \$7,630 for the purchase of bleachers.
  - The District amended the budget for Function 51 – Plant Maintenance to provide \$10,100 for repair work on the gymnasium.
- The District amended the budgeted expenditures in various functions for a total of \$106,950 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 \$1,832,774 compared to the budget of \$1,921,626, for a favorable variance of \$88,852. Actual revenues were 1,621,609 compared to the budget of \$1,787,805, for an unfavorable variance of \$166,196. This unfavorable variance was due primarily to the decline in students and resulting state aid revenues.

The actual change in fund balance for the year ended August 31, 2010, for the General Fund, was a decrease of \$210,015, compared to the amended budget decrease of \$133,821.

No expenditure budgets were exceeded at the function level.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, the District had \$1,905,630 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, 2010, the District incurred \$72,521 in costs for additions to capital assets. The District acquired a lot for \$20,638 as a location for a portable building and incurred cost of \$8,355 to complete the portable building, it spent \$21,296 for computer labs, and it spent \$22,232 for equipment, which included gym bleachers, a

# Buckholts Independent School District Management's Discussion and Analysis

grounds tractor and a cooking range for Food Service. Additional depreciation expense of \$95,657 was recorded for the year.

	Historical Cost		Net of Depreciation	
	2010	2009	2010	2009
Land	\$ 38,550	\$ 17,872	\$ 38,550	\$ 17,872
Buildings & improvements	2,767,463	2,723,368	1,745,930	1,769,923
Furniture & equipment	418,751	375,263	121,150	105,231
Construction in process	-	35,740	-	35,740
<b>Total</b>	<b>\$3,224,764</b>	<b>\$3,152,243</b>	<b>\$1,905,630</b>	<b>\$1,928,766</b>

## Debt

The District has bonds outstanding from the 2000 Series Bond Program. The scheduled debt payment of \$40,000 was made for the year ending August 31, 2010, leaving a remaining balance of \$960,000.

## 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 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.

District student data for past years is as follows:

	2007-08	2008-09	2009-10
Enrollment	200	186	172
Refined ADA	188	172	155
Refined ADA, Adjusted	188	182	166
WADA	347	334	301

The decline in ADA and WADA has had a negative impact on revenues over recent years. The full impact of the declines have been cushioned because the Texas Education Agency was able to fund districts with declines in average daily attendance to roughly 97% of their prior year average daily attendance. In the table above, "refined ADA" was the actual ADA and "refined ADA, adjusted" was the level used by TEA for funding. To the extent that ADA does not increase from the actual ADA of 155 to the ADA of 166 used in the funding formula, the District will lose additional state aid in 2010-11.

Management is not able to predict future growth or decline in students, which will affect revenues. Management is working on plans to address the deficits by increasing the Maintenance and Operations tax rate, or by reducing staffing and other expenditure budgets, or both.

## **Buckholts Independent School District Management's Discussion and Analysis**

Property values decreased in 2010 due to the recession in the economy and decline in real estate values. Values have generally increased over the prior years due partly to increases in valuations. The taxable values for 2008, 2009 and 2010 fiscal years was \$25,382,885, \$27,059,499, and \$26,698,264, respectively. The tax rate for the 2009-10 fiscal year was \$1.04 and \$0.07 per \$100 of value for Maintenance and Operations and Debt Service, respectively, compared to \$1.0401 and \$0.062, respectively, for 2008-09.

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

This financial report is designed to provide our citizens, taxpayers, customers 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, Dr. James Bartosh, Superintendent, or Mrs. Susie Hubnik, Business Manager, at P. O. Box 248, Buckholts, Texas 76518.

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## **Basic Financial Statements**

**Buckholts Independent School District**  
**Statement of Net Assets**  
**August 31, 2010**

Exhibit A - 1

Data Control Codes		Primary Government  1 Governmental Activities
<b>ASSETS</b>		
1110	Cash & Cash Equivalents	\$ 980,612
1220	Delinquent Property Taxes Receivable	35,643
1230	Allowance for Uncollectable Taxes	(6,088)
1240	Due from Other Governments	30,698
1290	Other Receivables	7,551
		<u>1,048,416</u>
	Capital Assets:	
1510	Land	38,550
1520	Buildings & Improvements, Net	1,745,930
1530	Furniture & Equipment, Net	121,150
1580	Construction in Progress	-
		<u>1,905,630</u>
1000	Total Assets	<u>2,954,046</u>
<b>LIABILITIES</b>		
2110	Accounts Payable	52,189
2150	Payroll Deductions and Withholdings	3,128
2160	Accrued Wages Payable	58,067
2180	Due to Other Governments	152,980
		<u>266,364</u>
	Noncurrent Liabilities:	
2120	Bond Payments Due within a Year	40,000
2502	Debt & Lease Payments Due in More Than One Year	921,905
2000	Total Liabilities	<u>1,228,269</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	945,630
	Restricted for:	
3840	Food Service	13,745
3850	Debt Service	14,131
3900	Unrestricted	752,271
3000	Total Net Assets	<u>\$ 1,725,777</u>

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Activities**  
**For the Year Ended August 31, 2010**

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	
<b>Primary government:</b>					
Governmental Activities:					
11	Instruction	\$ 1,307,860	\$ 9,125	\$ 280,025	\$ (1,018,710)
12	Library & Instructional Resources	27,162	3,714	1,070	(22,378)
13	Curriculum & Staff Development	38,048	-	29,082	(8,966)
21	Instructional Leadership	503	-	-	(503)
23	School Leadership	136,318	-	3,410	(132,908)
31	Guidance & Counseling	26,924	-	-	(26,924)
33	Health Services	2,668	-	188	(2,480)
34	Student Transportation	36,863	-	1,218	(35,645)
35	Food Services	111,563	20,122	87,930	(3,511)
36	Extracurricular Activities	93,759	14,779	1,547	(77,433)
41	General Administration	205,025	-	9,722	(195,303)
51	Plant Maintenance & Operations	230,361	15,349	4,906	(210,106)
72	Debt Service - Interest	53,210	-	75,055	21,845
73	Debt Service - Bond Issuance Costs & Fees	323	-	-	(323)
93	Payments Related To Shared Services Arrangements	13,213	-	-	(13,213)
99	Other Governmental Charges	6,367	-	-	(6,367)
TP	Total Primary Government	<u>\$ 2,290,167</u>	<u>\$ 63,089</u>	<u>\$ 494,153</u>	<u>(1,732,925)</u>

**Data Control Codes**

MT	Property Taxes Levied for General Purposes	283,817
DT	Property Taxes Levied for Debt Service	19,037
SF	State Aid - Formula Grants	1,245,681
IE	Investment Earnings	4,829
MI	Miscellaneous	4,370
TR	Total General Revenues	<u>1,557,734</u>
CN	Change in Net Assets	(175,191)
NB	Net Assets, Beginning	1,900,968
NE	Net Assets, Ending	<u>\$ 1,725,777</u>

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District  
Balance Sheet  
Governmental Funds  
August 31, 2010**

**Exhibit C - 1**

Data Control Codes	10		98	
	General Fund	Other Funds	Total Governmental Funds	
<b>ASSETS</b>				
1110	Cash & Cash Equivalents	\$ 919,795	\$ 59,653	\$ 979,448
1220	Delinquent Property Taxes Receivable	33,657	1,986	35,643
1230	Allowance for Uncollectable Taxes	(5,868)	(220)	(6,088)
1240	Due from Other Governments	-	30,698	30,698
1260	Due from Other Funds	39,324	-	39,324
1290	Other Receivables	7,551	-	7,551
1000	Total Assets	<u>\$ 994,459</u>	<u>\$ 92,117</u>	<u>\$ 1,086,576</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110	Accounts Payable	\$ 36,132	\$ 16,057	\$ 52,189
2150	Payroll Deductions and Withholdings	3,128	-	3,128
2160	Accrued Wages Payable	55,987	1,380	57,367
2170	Due to Other Funds	11,079	39,324	50,403
2180	Due to Other Governments	152,980	-	152,980
2300	Deferred Revenue	27,789	1,766	29,555
2000	Total Liabilities	<u>287,095</u>	<u>58,527</u>	<u>345,622</u>
Fund Balances:				
Reserved For:				
3420	Retirement of Long-Term Debt	-	12,365	12,365
3450	Food Service	-	13,745	13,745
Designated for:				
3510	Construction	200,000	-	200,000
3600	Unreserved & Undesignated, Major Funds	507,364	-	507,364
Unreserved & Undesignated, Nonmajor Funds				
3610	Special Revenue Funds	-	7,480	7,480
3000	Total Fund Balances	<u>707,364</u>	<u>33,590</u>	<u>740,954</u>
4000	Total Liabilities & Fund Balances	<u>\$ 994,459</u>	<u>\$ 92,117</u>	<u>\$ 1,086,576</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	\$ 740,954
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.	9,638
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,905,630
3	Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(960,000)
4	Revenue in governmental activities is recognized in the period received.	29,555
19	Total Net Assets of Governmental Activities (Exhibit A - 1)	<u>\$ 1,725,777</u>

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Revenues, Expenditures & Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended August 31, 2010**

Exhibit C - 2

Data Control Codes	10		98
	General Fund	Other Funds	Total Governmental Funds
<b>REVENUES</b>			
5700	\$ 297,482	\$ 60,324	\$ 357,806
5800	1,324,127	84,623	1,408,750
5900	-	331,086	331,086
5020	<u>1,621,609</u>	<u>476,033</u>	<u>2,097,642</u>
<b>EXPENDITURES</b>			
Current:			
0011	1,032,885	228,705	1,261,590
0012	24,959	-	24,959
0013	10,990	27,057	38,047
0021	503	-	503
0023	133,664	-	133,664
0031	26,780	-	26,780
0033	2,668	-	2,668
0034	29,950	-	29,950
0035	2,865	110,741	113,606
0036	72,850	14,221	87,071
0041	205,025	-	205,025
0051	186,014	-	186,014
Debt Service:			
0071	-	40,000	40,000
0072	-	53,210	53,210
0073	-	323	323
Capital Outlay:			
0081	28,308	-	28,308
Intergovernmental:			
0093	68,946	-	68,946
0099	6,367	-	6,367
6030	<u>1,832,774</u>	<u>474,257</u>	<u>2,307,031</u>
1100	<u>(211,165)</u>	<u>1,776</u>	<u>(209,389)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
7912	975	-	975
7915	175	-	175
8911	-	(175)	(175)
7080	<u>1,150</u>	<u>(175)</u>	<u>975</u>
1200	(210,015)	1,601	(208,414)
0100	917,379	31,989	949,368
3000	<u>\$ 707,364</u>	<u>\$ 33,590</u>	<u>\$ 740,954</u>

The accompanying notes are an integral part of these financial statements.

**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, 2010**

Net change in fund balances - total governmental funds (from Exhibit C-2) \$ (208,414)

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 statement of activities.   | 3        |
| 2 | Capital outlays are reported as expenditures in the governmental funds financial statements but not in the statement of activities; they are added to capitalized assets in the governmental-wide financial statements.                                   | 72,521   |
| 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.                                      | (95,657) |
| 4 | Payments of debt principal are reported as expenditures in the governmental funds financial statements but not in the statement of activities; they reduce outstanding debt liabilities in the governmental-wide financial statements.                    | 40,000   |
| 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. | 16,356   |

Change in net assets of governmental activities (see Exhibit B - 1) \$ (175,191)

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**August 31, 2010**

Exhibit D - 1

	<b>Governmental Activities -</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 1,164
Due from Other Funds	11,079
Total Assets	<u>\$ 12,243</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accrued Expenses	\$ 700
Noncurrent Liabilities:	
Accrued Expenses	1,905
Total Liabilities	<u>2,605</u>
<b>NET ASSETS</b>	
Unrestricted Net Assets	<u>9,638</u>
Total Liabilities & Net Assets	<u>\$ 12,243</u>

The accompanying notes are an integral part of these financial statements.

**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, 2010**

	Governmental Activities -
	Internal Service Fund
<b>NONOPERATING REVENUES</b>	
Interest Income	\$ 3
Total Nonoperating Revenues	3
Change in Net Assets	3
Total Net Assets, Beginning	9,635
Total Net Assets, Ending	\$ 9,638

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended August 31, 2010**

Exhibit D - 3

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Claims Paid	\$ (683)
<b>Cash Flows from Investing Activities:</b>	
Investment Income	3
Net Increase (Decrease) in Cash & Cash Equivalents	(680)
Cash & Cash Equivalents at Beginning of Year	1,844
Cash & Cash Equivalents at End of Year	<u>\$ 1,164</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	(683)
Net Cash Used by Operating Activities	<u>\$ (683)</u>

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
August 31, 2010**

Exhibit E - 1

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 33,750	\$ 14,242
Total Assets	<u>33,750</u>	<u>14,242</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 1,907
Due to Student Groups	-	12,335
Total Liabilities	<u>-</u>	<u>\$ 14,242</u>
<b>NET ASSETS</b>		
Restricted for Scholarships	<u>\$ 33,750</u>	

The accompanying notes are an integral part of these financial statements.

**Buckholts Independent School District**  
**Statement of Changes in Fiduciary Fund Net Assets**  
**Fiduciary Funds**  
**For the Year Ended August 31, 2010**

Exhibit E - 2

	Private Purpose Trust Fund
<b>ADDITIONS</b>	
Contributions	\$ 1,064
Investment Earnings	619
Total Additions	<u>1,683</u>
<b>DEDUCTIONS</b>	
Scholarships	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Assets	683
Net Assets, Beginning	<u>33,067</u>
Net Assets, Ending	<u><u>\$ 33,750</u></u>

The accompanying notes are an integral part of these financial statements.

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

**For the Year Ended August 31, 2010**

### **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 "operating 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, 2010**

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, 2010

**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.

### Proprietary Fund

**Internal Service Fund** – The District accounts for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis in an internal service fund. The District's Internal Service Fund is a Worker's Compensation 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 student 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" reflects amounts intended to be permanent transfers of resources from one fund to another fund 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

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
For the Year Ended August 31, 2010

Other vehicles	6
Furniture & equipment	10
Technology equipment	5

**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.

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

**For the Year Ended August 31, 2010**

### **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.

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.

Budgets amendments are necessary to meet unforeseen needs throughout the year. Amendments within a function do not require Board approval. Many amendments are considered routine in nature and are generally transfers between functions that reflect changes in account coding or changes in planning. Non-routine amendments generally involve additional appropriations to fund capital expenditures or major purchases. Several amendments were recommended to the Board and adopted during the year. The more significant amendments were in the General Fund and were to move expenditures to Fund 266, Title XIV SFSF, to acquire a lot, and to make improvements to the gym.

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.

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

**For the Year Ended August 31, 2010**

### **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.

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, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,028,604, and the bank balance was \$1,069,119. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010 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.

### **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.

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
For the Year Ended August 31, 2010

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.

Amounts due from other governments as of August 31, 2010, 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, 2010 consisted of the following individual fund balances:

Fund	Due from Other Funds	Due to Other Funds
General Fund:		
Special Revenue Funds	\$ 13,281	\$ -
Debt Service Fund	26,043	-
Internal Service Fund	-	11,079
Special Revenue Funds:		
General Fund	-	13,281
Debt Service Fund:		
General Fund	-	26,043
Internal Service Fund		
General Fund	11,079	-
	<u>\$ 50,403</u>	<u>\$ 50,403</u>

**Note 6 – Capital Asset Activity**

Capital asset activity for the District for the period ended August 31, 2010, was as follows:

	Beginning Balance	Additions & Transfers	Retirements, Removals & Transfers	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,872	\$ 20,678	\$ -	\$ 38,550
Construction in Process	35,740	8,355	(44,095)	-
Total Capital Assets Not Being Depreciated	53,612	29,033	(44,095)	38,550
Capital Assets Being Depreciated				
Buildings & Improvements	2,723,368	44,095	-	2,767,463
Furniture & Equipment	375,263	43,488	-	418,751
Total Capital Assets Being Depreciated	3,098,631	87,583	-	3,186,214

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
For the Year Ended August 31, 2010

Less Accumulated Depreciation:				
Buildings & Improvements	953,445	68,088	-	1,021,533
Furniture & Equipment	270,032	27,569	-	297,601
Total Accumulated Depreciation	1,223,477	95,657	-	1,319,134
Total Capital Assets Being Depreciated, Net	1,875,154	(8,074)	-	1,867,080
Governmental Activities Capital Assets, Net	\$ 1,928,766	\$ 20,959	\$ (44,095)	\$ 1,905,630

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 67,567
Library & Instructional Resources	2,203
School Leadership	2,654
Guidance, Counseling & Evaluation	144
Student Transportation	6,913
Food Services	4,777
Extracurricular Activities	6,687
Plant Maintenance & Operations	4,712
	<u>\$ 95,657</u>

**Note 7 – General Obligation Bonds Payable**

A summary of changes in general long-term debt principal for the year ended August 31, 2010 is as follows:

Description	Interest Rate	Amount of Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Unlmd Tax Sch Building Bonds, Series 2000	5.0% to 7.0%	\$ 1,275,000	\$ 1,000,000	\$ -	\$ 40,000	\$ 960,000	\$ 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
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	50,000	41,445	91,445
2016-2020	310,000	160,023	470,023
2021-2025	420,000	60,500	480,500
Totals	<u>\$ 960,000</u>	<u>\$ 452,800</u>	<u>\$ 1,412,800</u>

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
For the Year Ended August 31, 2010

**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, 2010. The required future lease payments are as follows:

Year Ending August 31,	Lease Payments
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. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

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

**Funding Policy**

Contribution requirements are not actuarially determined but are legally established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2010, 2009 and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January through August 2010.

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
For the Year Ended August 31, 2010

**Contributions**

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
2008	\$ 73,587	\$ 10,755	\$ 82,037	\$ 1,281,795
2009	72,646	18,166	83,226	1,300,397
2010	64,585	24,229	72,519	1,129,991

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 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 1575.052 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 [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**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 2010, 2009, and 2008. 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
2008	\$ 11,953	\$ 7,915	\$ 8,331	\$ 1,281,795
2009	12,095	13,022	8,453	1,300,397
2010	9,506	14,774	6,204	1,129,991

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

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
For the Year Ended August 31, 2010

drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$2,820, \$2,925, and \$2,858, 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, 2010, 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-ActiveCare are available for the year ended August 31, 2009, 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	\$ 27,789	\$ 1,766	\$ 29,555
	<u>\$ 27,789</u>	<u>\$ 1,766</u>	<u>\$ 29,555</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	\$ 268,500	\$ -	\$ 17,998	\$ 286,498
Property Tax Penalties & Interest	3,194	-	200	3,394
Interest Income	3,839	856	130	4,825
Food Sales	-	20,122	-	20,122
Extra-curricular Activities	6,585	-	-	6,585
E-rate Revenues	14,629	-	-	14,629
Other	735	21,018	-	21,753
Total	<u>\$ 297,482</u>	<u>\$ 41,996</u>	<u>\$ 18,328</u>	<u>\$ 357,806</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

# **Buckholts Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended August 31, 2010**

or obligations that would give rise to a future additional benefit or burden to the District. Member districts 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, 2010, was \$13,213.

#### **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 \$3,745 for the year ended August 31, 2010, 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 \$55,733 for the year ended August 31, 2010, 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 share 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.

#### **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, 2010, 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, 2010, 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, 2009, 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 Agreement, the District is liable for claims up to a calculated maximum loss amount. Stop-loss insurance coverage is provided to cover catastrophic losses.

**Buckholts Independent School District**  
**Notes to the Financial Statements**  
For the Year Ended August 31, 2010

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 \$3,288 as of September 1, 2009; \$683 in claims was paid leaving a balance of \$2,605 as of August 31, 2010, which the District believes will be sufficient to satisfy all future claims.

## **Required Supplemental Information**

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**Buckholts Independent School District**  
**Statement of Revenues, Expenditures & Changes in Fund Balance -**  
**Budget & Actual - General Fund**  
**For the Year Ended August 31, 2010**

Exhibit G - 1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 297,502	\$ 297,502	\$ 297,482	\$ (20)
5800	State Program Revenues	1,383,353	1,490,303	1,324,127	(166,176)
5020	Total Revenues	1,680,855	1,787,805	1,621,609	(166,196)
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	995,842	1,079,260	1,032,885	46,375
0012	Library & Instructional Resources	27,931	27,926	24,959	2,967
0013	Curriculum & Staff Development	44,295	12,765	10,990	1,775
0021	Instructional Leadership	8,171	1,906	503	1,403
0023	School Leadership	122,471	138,139	133,664	4,475
0031	Guidance & Counseling	27,619	27,619	26,780	839
0033	Health Services	3,250	3,400	2,668	732
0034	Student Transportation	38,623	40,170	29,950	10,220
0035	Food Services	-	3,197	2,865	332
0036	Extracurricular Activities	73,172	75,667	72,850	2,817
0041	General Administration	207,874	219,748	205,025	14,723
0051	Plant Maintenance & Operations	172,245	187,584	186,014	1,570
Capital Outlay:					
0081	Facilities Acquisition & Construction	-	28,308	28,308	-
Intergovernmental:					
0093	Payments Related To Shared Services Arrangements	68,214	69,214	68,946	268
0099	Other Intergovernmental Charges	6,723	6,723	6,367	356
6030	Total Expenditures	1,796,430	1,921,626	1,832,774	88,852
1100	Excess (Deficiency) of Revenues over Expenditures	(115,575)	(133,821)	(211,165)	(77,344)
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale Of Real & Personal Property	-	-	975	975
7915	Operating Transfers In	-	-	175	175
7080	Total Other Financing Sources (Uses)	-	-	1,150	1,150
1200	Net Change in Fund Balance	(115,575)	(133,821)	(210,015)	(76,194)
0100	Fund Balance, Beginning	917,379	917,379	917,379	-
3000	Fund Balance, Ending	\$ 801,804	\$ 783,558	\$ 707,364	\$ (76,194)

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## **Other Supplemental Information**

**Buckholts Independent School District**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**August 31, 2010**

	211	240	255	266	279	283	285
Data Control Codes	ESEA Title I, Part A	School Brkfst / Lunch Program	ESEA Title II Part A	ARRA St Fiscal Stabilization	ARRA Title II Part A	ARRA IDEA-B	ARRA Title I, Part A
<b>ASSETS</b>							
1110 Cash & Cash Equivalents	\$ -	\$ 13,596	\$ -	\$ -	\$ -	\$ -	\$ -
1220 Delinquent Property Taxes Receivable	-	-	-	-	-	-	-
1230 Allowance for Uncollectable Taxes	-	-	-	-	-	-	-
1240 Due from Other Governments	-	9,562	-	10,654	-	2,977	4,798
Total Assets	\$ -	\$ 23,158	\$ -	\$ 10,654	\$ -	\$ 2,977	\$ 4,798
<b>LIABILITIES</b>							
2110 Accounts Payable	\$ -	\$ 8,033	\$ -	\$ 618	\$ -	\$ -	\$ 4,627
2160 Accrued Wages Payable	-	1,380	-	-	-	-	-
2170 Due to Other Funds	-	-	-	10,036	-	2,977	171
2300 Deferred Revenue	-	-	-	-	-	-	-
Total Liabilities	-	9,413	-	10,654	-	2,977	4,798
<b>FUND BALANCE</b>							
Reserved for:							
3420 Retirement of Long-Term Debt	-	-	-	-	-	-	-
3450 Food Service	-	13,745	-	-	-	-	-
Unreserved & Undesignated:							
3610 Reported in Special Revenue Funds	-	-	-	-	-	-	-
Total Fund Balances	-	13,745	-	-	-	-	-
Total Liabilities & Fund Balances	\$ -	\$ 23,158	\$ -	\$ 10,654	\$ -	\$ 2,977	\$ 4,798

Exhibit H - 1

289	401	404	411	428	429	461		599	Total
Small Rural School Grant	Optional Extended Year Program	Student Success Initiative	State Technology Allotment	High School Allotment	Texas Fitness Now	Campus Activity Funds	Total Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,649	\$ 21,245	\$ 38,408	\$ 59,653
-	-	-	-	-	-	-	-	1,986	1,986
-	-	-	-	-	-	-	-	(220)	(220)
-	50	47	-	-	2,610	-	30,698	-	30,698
\$ -	\$ 50	\$ 47	\$ -	\$ -	\$ 2,610	\$ 7,649	\$ 51,943	\$ 40,174	\$ 92,117
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,610	\$ 169	\$ 16,057	\$ -	\$ 16,057
-	-	-	-	-	-	-	1,380	-	1,380
-	50	47	-	-	-	-	13,281	26,043	39,324
-	-	-	-	-	-	-	-	1,766	1,766
-	50	47	-	-	2,610	169	30,718	27,809	58,527
-	-	-	-	-	-	-	-	12,365	12,365
-	-	-	-	-	-	-	13,745	-	13,745
-	-	-	-	-	-	7,480	7,480	-	7,480
-	-	-	-	-	-	7,480	21,225	12,365	33,590
\$ -	\$ 50	\$ 47	\$ -	\$ -	\$ 2,610	\$ 7,649	\$ 51,943	\$ 40,174	\$ 92,117

# Buckholts Independent School District

## Combining Statement of Revenues, Expenditures & Changes in Fund Balances

### Nonmajor Governmental Funds

For the Year Ended August 31, 2010

Data Control Codes		211	240	255	266	279	283	285
		ESEA Title I, Part A	School Brkfst / Lunch Program	ESEA Title II Part A	ARRA St Fiscal Stabilization	ARRA Title II Part A	ARRA IDEA-B	ARRA Title I, Part A
<b>REVENUES</b>								
5700	Local & Intermediate Sources	\$ -	\$ 20,295	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	737	-	-	-	-	-
5900	Federal Program Revenues	70,012	84,155	10,575	67,961	1,362	32,906	43,251
	Total Revenues	70,012	105,187	10,575	67,961	1,362	32,906	43,251
<b>EXPENDITURES</b>								
Current:								
0011	Instruction	70,012	-	10,575	40,938	1,362	32,906	43,217
0013	Curriculum & Staff Development	-	-	-	27,023	-	-	34
0035	Food Services	-	110,741	-	-	-	-	-
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	110,741	10,575	67,961	1,362	32,906	43,251
	Excess (Deficiency) of Revenues Over Expenditures	-	(5,554)	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>								
8911	Operating Transfers Out	-	-	-	-	-	-	-
	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
	Net Change in Fund Balances	-	(5,554)	-	-	-	-	-
	Fund Balances, Beginning	-	19,299	-	-	-	-	-
	Fund Balances, Ending	\$ -	\$ 13,745	\$ -	\$ -	\$ -	\$ -	\$ -

Exhibit H - 2

289 Small Rural School	401 Optional Extended Year Prog	404 Student Success Initiative	411 State Technology Allotment	428 High School Allotment	429 Texas Fitness Now	461 Campus Activity Funds	Total Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,701	\$ 41,996	\$ 18,328	\$ 60,324
-	502	465	5,254	-	2,610	-	9,568	75,055	84,623
20,864	-	-	-	-	-	-	331,086	-	331,086
20,864	502	465	5,254	-	2,610	21,701	382,650	93,383	476,033
20,864	502	465	5,254	-	2,610	-	228,705	-	228,705
-	-	-	-	-	-	-	27,057	-	27,057
-	-	-	-	-	-	-	110,741	-	110,741
-	-	-	-	-	-	14,221	14,221	-	14,221
-	-	-	-	-	-	-	-	40,000	40,000
-	-	-	-	-	-	-	-	53,210	53,210
-	-	-	-	-	-	-	-	323	323
20,864	502	465	5,254	-	2,610	14,221	380,724	93,533	474,257
-	-	-	-	-	-	7,480	1,926	(150)	1,776
-	-	-	-	(175)	-	-	(175)	-	(175)
-	-	-	-	(175)	-	-	(175)	-	(175)
-	-	-	-	(175)	-	7,480	1,751	(150)	1,601
-	-	-	-	175	-	-	19,474	12,515	31,989
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,480	\$ 21,225	\$ 12,365	\$ 33,590

**Buckholts Independent School District  
 Schedule of Delinquent Taxes Receivable  
 For the Year Ended August 31, 2010**

Fiscal Year Ended August 31,	1		2		3	
	Tax Rate				Net Assessed/Appraised Value for School Tax Purposes	
	Maintenance		Debt Service			
2001 & prior		Various		Various		Various
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
2010		1.0400		0.0700		26,698,264
1000 TOTALS						

EXHIBIT J - 1

10	20	31	32	40	50
Beginning Balance September 1, 2009	Current Year's Total Levy	Total Collections		Entire Year's Adjustments	Ending Balance August 31, 2010
		Maintenance	Debt Service		
\$ 2,135		\$ -	\$ -	\$ 29	\$ 2,164
675		-	-	-	675
454		-	-	-	454
460		-	-	-	460
887		81	4	-	802
1,391		110	5	(3)	1,273
2,095		136	6	(5)	1,948
3,064		1,468	89	665	2,172
6,627		3,907	206	3,921	6,435
-	\$ 289,181	262,797	17,688	10,564	19,260
\$ 17,788	\$ 289,181	\$ 268,499	\$ 17,998	\$ 15,171	\$ 35,643

**Buckholts Independent School District**

**EXHIBIT J - 2**

**Schedule of Expenditures for Computations of Indirect Cost for 2010-2011**

**GENERAL AND SPECIAL REVENUE FUNDS**

**For the Year Ended August 31, 2010**

**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	\$ -	\$ 7,350	\$ 85,863	\$ 66,377	\$ -	\$ -	\$ 159,590
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	-	-	827		-		827
6212	Audit Services				9,800			9,800
6213	Tax Appraisal and Collection		7,498					7,498
621X	Other Prof. Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	-	-	4,268	-	-	-	4,268
6240	Contr. Maint. and Repair							-
6250	Utilities							-
6260	Rentals	-	-	2,648	-	-	200	2,848
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	684	208	2,502	1,106	-	-	4,500
6410	Travel, Subsistence, Stipends	3,588	367	963	-	-	-	4,918
6420	Ins. and Bonding Costs	-	245	-	4,840	-	-	5,085
6430	Election Costs	878						878
6490	Miscellaneous Operating	3,162	320	7,698	-	-	-	11,180
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 8,312	\$ 15,988	\$ 104,769	\$ 82,123	\$ -	\$ 200	\$ 211,392

FISCAL YEAR

Total expenditures/expenses for General and Special Revenue Funds	9	\$ 2,213,498
LESS: Deductions of Unallowable Costs		
Total Capital Outlay (6600)	10	\$ 72,521
Total Debt & Lease (6500)	11	-
Plant Maintenance (Function 51, 6100-6400)	12	169,917
Food (Function 35, 6341 and 6499)	13	46,829
Stipends (6413)	14	-
Column 4 (above) - Total Indirect Cost		<u>82,123</u>
Subtotal		371,390
Net Allowed Direct Cost		<u>\$ 1,842,108</u>

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	15	\$2,767,463
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	418,751
Historical Cost of Furniture & Equipment over 16 years old	19	38,502
Amount of Federal Money in Furniture & Equipment (Net of #19)	20	41,812
Function 99 Expenditures Included in this Report	8a	6,367

**Buckholts Independent School District**  
**Fund Balance & Cash Flow Calculation Worksheet - General Fund**  
**August 31, 2010**

Exhibit J - 3

**UNAUDITED**

Data Control Codes	Explanation	Amount
1	Total General Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 707,364</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)	200,000
4	Estimated amount needed to cover fall cash flow deficits in the General Fund, net of borrowed funds and funds representing deferred revenues (Unaudited)	5,000
5	Estimate of one month's average cash disbursements during the regular school session, September 1, 2009 through May 31, 2010 (Unaudited)	160,437
6	Estimate of delayed payments from state sources (58XX) including August payment delays, if any (Unaudited)	172,558
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)	29,000
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>566,995</u>
11	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 - 10)	<u><u>\$ 140,369</u></u>

The excess fund balance will be used to fund an expected deficit in operations for 2010-11.

**Buckholts Independent School District**  
**Schedule of Revenues, Expenditures & Changes in Fund Balance -**  
**Budget & Actual - Food Service Fund**  
**For the Year Ended August 31, 2010**

Exhibit J - 4

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 23,150	\$ 23,150	\$ 20,295	\$ (2,855)
5800	State Program Revenues	750	750	737	(13)
5900	Federal Program Revenues	86,400	93,400	84,155	(9,245)
5020	Total Revenues	110,300	117,300	105,187	(12,113)
<b>EXPENDITURES</b>					
Current:					
0035	Food Services	110,300	117,300	110,741	6,559
6030	Total Expenditures	110,300	117,300	110,741	6,559
1100	Excess (Deficiency) of Revenues over Expenditures	-	-	(5,554)	(5,554)
1200	Net Change in Fund Balance	-	-	(5,554)	(5,554)
0100	Fund Balance, Beginning	19,299	19,299	19,299	-
3000	Fund Balance, Ending	\$ 19,299	\$ 19,299	\$ 13,745	\$ (5,554)

**Buckholts Independent School District**  
**Schedule of Revenues, Expenditures & Changes in Fund Balance -**  
**Budget & Actual - Debt Service Fund**  
**For the Year Ended August 31, 2010**

Exhibit J - 5

Data Control Codes	Budgeted Amounts			Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final			
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 18,450	\$ 18,450	\$ 18,328	\$ (122)
5900	Federal Program Revenues	69,746	69,746	75,055	5,309
5020	Total Revenues	88,196	88,196	93,383	5,187
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal On Long-Term Debt	40,000	40,000	40,000	-
0072	Interest On Long-Term Debt	53,210	53,210	53,210	-
0073	Bond Issuance Costs & Fees	350	350	323	27
6030	Total Expenditures	93,560	93,560	93,533	27
1100	Excess (Deficiency) of Revenues over Expenditures	(5,364)	(5,364)	(150)	5,214
1200	Net Change in Fund Balance	(5,364)	(5,364)	(150)	5,214
0100	Fund Balance, Beginning	12,515	12,515	12,515	-
3000	Fund Balance, Ending	\$ 7,151	\$ 7,151	\$ 12,365	\$ 5,214

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**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, 2010, which collectively comprise the District's basic financial statements and have issued my report thereon dated December 8, 2010. 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 a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

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 number 2010-01 to be a significant deficiency.

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, I believe the significant deficiency described above is not 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain other matters that I reported to management of the District in a separate letter dated December 8, 2010.

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 8, 2010

# Buckholts Independent School District

## Schedule of Findings and Questioned Costs

### For the Year Ended August 31, 2010

#### 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?	No

#### B. Financial Statement Findings

<b><u>2010-01</u></b>	<b><u>Controls over Property Tax Revenues</u></b>
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

<b><u>2009-01</u></b>	<b><u>Account coding</u></b>
Finding	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.
Corrective Action Taken	The Business Manager corrected coding in the 2009-10 accounts. TEA coding requirements are reviewed and followed in establishing new accounts and monitoring the coding of all transactions.
<b><u>2009-02</u></b>	<b><u>Budgetary Compliance</u></b>
Finding	The expenditure budgets were exceeded at the function level in the General Fund in Function 11 - Instruction and Function 81 - Facilities Acquisition and Construction, and in the Food Service Fund in Function 35 - Food Services. Management and the Board had been careful not to overspend budgets when purchases are made; the budget overrages were attributable to corrections of account coding made after the fiscal year ended and underestimating the impact of accrued salaries at year end.
Corrective Action Taken	Account coding was corrected prior to year end and budgets were appropriately amended during the year to cover all estimated accrued expenditures made at year end.
<b><u>2009-03</u></b>	<b><u>Controls over Property Tax Revenues</u></b>
Finding	Segregation of duties, or mitigating controls, should exist to insure proper billing and collection of all property tax revenues. One person is responsible for preparing tax statements, mailing tax notices, and maintaining receivable records.
Corrective Action Taken	The Business Manager is working on revised procedures and structuring duties to enhance controls over property tax revenues. This item was repeated as a finding 2010-01.

# Buckholts Independent School District

## Corrective Action Plan

August 31, 2010

Finding   Corrective Action

2010-01   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

2011 tax year

**Buckholts Independent School District  
Required Responses to Selected School First Indicators  
For the Year Ended August 31, 2010**

**Exhibit L - 1**

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	<u>\$ -</u>