

**BOLING
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011



Boling Independent School District

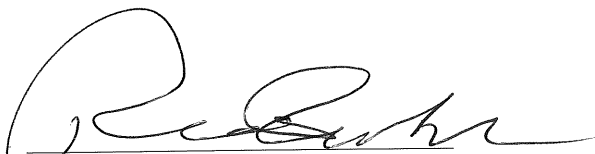
CERTIFICATE OF BOARD

Boling Independent School District
Name of School District

WHARTON
County

241-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2011, at a meeting of the board of trustees of such school district on the 11 day of October, 2011.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)



Boling Independent School District

Boling Independent School District
Annual Financial Report
For The Year Ended August 31, 2011

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Boling Independent School District
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For The Year Ended August 31, 2011

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Financial Section



Boling Independent School District

Reed & Associates, PC

Certified Public Accountants

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Bay City, Texas 77414

(979) 245-7361 Fax (979) 245-3081

Independent Auditor's Report on Financial Statements

Board of Trustees
Boling Independent School District
P.O. Box 160
Boling, Texas 77420

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boling Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Boling Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Boling Independent School District as of August 31, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011, on our consideration of Boling Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
September 28, 2011

Management's Discussion and Analysis

This discussion and analysis of the Boling Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2011. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Boling Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

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. Increases or decreases in net assets over time may serve as a useful indicator of whether the financial position of Boling Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year using full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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. Boling Independent School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental 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, governmental fund financial statements focus on *current sources and uses 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 district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-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 district's near-term financing decisions. Both the governmental funds 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*.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a district's financial position. In the case of Boling Independent School District, assets exceeded liabilities by \$9,587,483 at the close of the most recent fiscal year, August 31, 2011.

Approximately 49 percent reflects the District's investment in capital assets. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. Less than 1 percent represents amounts restricted for specific uses by outside sources while the remaining balance is unrestricted and available to meet the District's ongoing obligations to educate the school age children of Boling.

The District's net assets at August 31, 2011 and 2010 are summarized as follows:

BOLING INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	8/31/11	8/31/10	Variance
Current and other assets	\$ 5,122,763	\$ 4,981,323	\$ 141,440
Capital assets	4,721,133	4,819,694	(98,561)
Total assets	<u>9,843,896</u>	<u>9,801,017</u>	<u>42,879</u>
Current and other liabilities	<u>256,413</u>	<u>265,776</u>	<u>(9,363)</u>
Net assets			
Invested in capital assets, net of related debt	4,721,133	4,819,694	(98,561)
Restricted	21,905	58,061	(36,156)
Unrestricted	<u>4,844,445</u>	<u>4,657,486</u>	<u>186,959</u>
Total net assets	<u>\$ 9,587,483</u>	<u>\$ 9,535,241</u>	<u>\$ 52,242</u>

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The District's changes in net assets for the fiscal years end August 31, 2011 and 2010 are summarized as follows:

BOLING INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	8/31/11	8/31/10	Variance
Revenues			
Program revenues			
Charges for services	\$ 216,063	\$ 179,540	\$ 36,523
Operating grants and contributions	1,235,313	1,258,579	(23,266)
General revenues			
Property taxes	2,111,617	1,972,688	138,929
Investment earnings	6,532	9,750	(3,218)
Grants, contributions, not program restricted	5,713,423	5,469,141	244,282
Miscellaneous	<u>49,382</u>	<u>36,001</u>	<u>13,381</u>
Total revenues	<u>9,332,330</u>	<u>8,925,699</u>	<u>406,631</u>

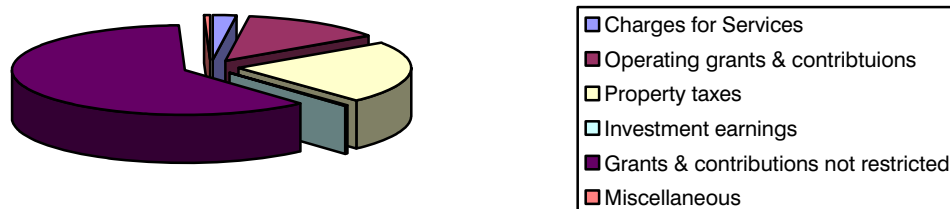
BOLING INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	8/31/11	8/31/10	Variance
Expenses			
Instruction	4,577,565	4,686,802	(109,237)
Instructional resources and media	158,953	162,796	(3,843)
Curriculum and staff development	59,544	68,682	(9,138)
Instructional leadership	38,522	78,745	(40,223)
School leadership	546,986	519,832	27,154
Guidance, counseling and evaluation	190,043	148,635	41,408
Health services	85,846	60,711	25,135
Student transportation	536,198	553,628	(17,430)
Food service	475,973	479,944	(3,971)
Extracurricular	473,187	451,670	21,517
General administration	486,148	376,682	109,466
Plant maintenance and operations	1,117,651	1,319,356	(201,705)
Security and monitoring	22,465	28,258	(5,793)
Data processing services	39,247	42,335	(3,088)
Payments related to shared services	229,864	217,000	12,864
Other intergovernmental charges	33,130	24,506	8,624
Total expenses	9,071,322	9,219,582	(148,260)
Increase (decrease in net assets)	261,008	(293,883)	554,891
Net assets - beginning	9,535,241	9,829,124	(293,883)
Prior period adjustment	(208,765)	-	(208,765)
Net assets - ending	\$ 9,587,484	\$ 9,535,241	\$ 52,243

Revenues increased \$406,631 and expenditures decreased by \$148,260. The result was an increase in fund balance of \$261,008 before a prior period adjustment of \$208,765 resulting in a net increase of \$52,243 compared to a prior year net decrease of \$293,883. Some of the key elements of these variances are as follows:

- Operating grants increased \$244,282 primarily due to the state funding of per capita apportionment increasing from \$220 per ADA to \$446 per ADA.
- Property tax revenue increased \$133,829 due to an increase in property values of over \$15,000,000.
- Instructional costs decreased \$109,237 due to reduced payroll (did not replace personnel that left during the year).
- General administration costs were up \$109,466 primarily due to the buy-out of the prior superintendent's contract.
- The most significant cost decrease was in maintenance and repair due to several large maintenance projects in the prior year such as band hall renovations, air conditioning, boiler and compressor repairs, a new sport court and Junior High sidewalk covers.

The following chart shows the revenues by major source:



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balances of \$4,718,440, an increase of \$371,946 before a prior period adjustment of \$208,765 resulting in a net increase of \$163,181. \$2,250,000 of this balance constitutes unassigned fund balance, which is available for spending at the District's discretion. \$2,446,535 of the fund balance is committed for construction, capital equipment and campus activities. \$21,905 is restricted by grantors and donors for specific purposes.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,250,000. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents 28% of total general fund expenditures or slightly more than three months of operations.

The net increase in the general fund balance is \$155,628 (which includes \$208,765 in a prior period adjustment) compared to the prior year decrease of \$159,206. Key factors in this increase are the same as some of those noted above for governmental activities.

General Fund Budgetary Highlights. The Board of Trustees approved budget amendments throughout the year with no affect on the net change in fund balance.

Overall, actual revenues were exceeded budgetary estimates by \$315,166 and actual expenditures were less than appropriations by \$832,527. The following areas are the more significant areas noted:

- State funding exceeded estimated revenues by \$256,907 due primarily to the increase per capita apportionment from \$220 per ADA to \$446 per ADA.
- Instructional costs were less than estimated amounts by \$435,035 primarily in the area of estimated payroll costs.

Capital Asset Highlights

	<u>8/31/2011</u>	<u>8/31/2010</u>	<u>Variance</u>
Land	\$ 485,269	\$ 485,269	\$ -
Buildings & Improvements	9,478,142	9,453,996	24,146
Equipment	523,962	515,463	8,499
Vehicles	1,308,074	1,209,105	98,969
Totals	<u>11,795,447</u>	<u>11,663,833</u>	<u>131,614</u>
Less accumulated depreciation	<u>(7,074,315)</u>	<u>(6,844,140)</u>	<u>(230,175)</u>
	<u>\$ 4,721,132</u>	<u>\$ 4,819,693</u>	<u>\$ (98,561)</u>

Some of the more significant capital events during the year include the following:

- Completion of Ag barn at a cost of \$42,624
- Addition of a bus at a cost of \$90,828
- Depreciation expense for the year of \$262,438.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The District adopted a 2012 general fund expenditure budget of \$9,070,364 and revenue budget of \$8,548,861, a deficit of \$521,503 compared to the prior year adopted budget deficit of \$750,935. Factors affecting the 2012 Budget were as follows:

- Decreased state revenue as a result of the 82nd Texas Legislative Session
- Increased enrollment
- Reduction of expenditures by 7.13% when compared to prior year
- Reduction of 16 full time positions when compared to prior year
- Maintained step increases for teachers and non-professional employees

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Administrative Office of the Boling Independent School District, 301 Texas Avenue, Boling, Texas 77420, or call 979-657-2770.



Boling Independent School District

Basic Financial Statements



Boling Independent School District

BOLING INDEPENDENT SCHOOL DISTRICT*STATEMENT OF NET ASSETS*

AUGUST 31, 2011

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 97,383
1120	<i>Current Investments</i>	4,408,671
1225	<i>Property Taxes Receivable (Net)</i>	147,910
1240	<i>Due from Other Governments</i>	419,418
1300	<i>Inventories</i>	32,207
1410	<i>Deferred Expenses</i>	17,174
Capital Assets:		
1510	<i>Land</i>	485,269
1520	<i>Buildings and Improvements, Net</i>	3,655,690
1530	<i>Furniture and Equipment, Net</i>	580,174
1000	Total Assets	<u>9,843,896</u>
LIABILITIES:		
2165	<i>Accrued Liabilities</i>	253,505
2300	<i>Unearned Revenue</i>	2,908
2000	Total Liabilities	<u>256,413</u>
NET ASSETS		
3200	Invested in Capital Assets	4,721,133
Restricted For:		
3820	State and Federal Programs	11,662
	Restricted for Medical Program	
3890	Expendable	243
3890	Nonexpendable	10,000
3900	Unrestricted	4,844,445
3000	Total Net Assets	<u>\$ 9,587,483</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 4,577,565	\$ 8,434	\$ 606,853	\$ (3,962,278)	
12	<i>Instructional Resources and Media Services</i>	158,953	--	50,552	(108,401)	
13	<i>Curriculum and Staff Development</i>	59,544	--	26,395	(33,149)	
21	<i>Instructional Leadership</i>	38,522	--	18,211	(20,311)	
23	<i>School Leadership</i>	546,986	17,466	87,773	(441,747)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	190,043	--	84,619	(105,424)	
33	<i>Health Services</i>	85,846	--	4,086	(81,760)	
34	<i>Student Transportation</i>	536,198	--	18,479	(517,719)	
35	<i>Food Service</i>	475,973	140,227	291,728	(44,018)	
36	<i>Cocurricular/Extracurricular Activities</i>	473,187	46,720	10,059	(416,408)	
41	<i>General Administration</i>	486,148	--	14,981	(471,167)	
51	<i>Plant Maintenance and Operations</i>	1,117,651	--	21,537	(1,096,114)	
52	<i>Security and Monitoring Services</i>	22,465	3,216	40	(19,209)	
53	<i>Data Processing Services</i>	39,247	--	--	(39,247)	
93	<i>Payments Related to Shared Services Arrangements</i>	229,864	--	--	(229,864)	
99	<i>Other Intergovernmental Charges</i>	33,130	--	--	(33,130)	
TG	Total Governmental Activities	9,071,322	216,063	1,235,313	(7,619,946)	
TP	Total Primary Government	\$ 9,071,322	\$ 216,063	\$ 1,235,313	(7,619,946)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				2,111,617	
IE	<i>Investment Earnings</i>				6,532	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				5,713,423	
MI	<i>Miscellaneous</i>				49,382	
TR	Total General Revenues				7,880,954	
CN	Change in Net Assets				261,008	
NB	Net Assets - Beginning				9,535,240	
PA	Prior Period Adjustment				(208,765)	
	Net Assets - Beginning, as Restated				9,326,475	
NE	Net Assets - Ending				\$ 9,587,483	

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	10 General Fund	24 National School Breakfast/Lunch Program	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 36,406	\$ 5,364	\$ 55,613	\$ 97,383
1120	Current Investments	4,398,671	--	10,000	4,408,671
1225	Taxes Receivable, Net	147,910	--	--	147,910
1240	Due from Other Governments	358,088	10,890	50,440	419,418
1260	Due from Other Funds	76,057	--	--	76,057
1300	Inventories	--	32,207	--	32,207
1410	Deferred Expenditures	17,174	--	--	17,174
1000	Total Assets	<u>\$ 5,034,306</u>	<u>\$ 48,461</u>	<u>\$ 116,053</u>	<u>\$ 5,198,820</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 229,368	\$ 8,364	\$ 10,491	\$ 248,223
2170	Due to Other Funds	--	37,034	39,023	76,057
2200	Accrued Expenditures	4,201	155	926	5,282
2300	Unearned Revenue	147,910	2,908	--	150,818
2000	Total Liabilities	<u>381,479</u>	<u>48,461</u>	<u>50,440</u>	<u>480,380</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3425	Endowment Principal	--	--	10,000	10,000
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	11,662	11,662
3490	Other Restrictions of Fund Balance	--	--	243	243
Committed Fund Balances:					
3510	Construction	1,980,827	--	--	1,980,827
3530	Capital Expenditures for Equipment	422,000	--	--	422,000
3545	Other Committed Fund Balance	--	--	43,708	43,708
3600	Unassigned	2,250,000	--	--	2,250,000
3000	Total Fund Balances	<u>4,652,827</u>	<u>--</u>	<u>65,613</u>	<u>4,718,440</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,034,306</u>	<u>\$ 48,461</u>	<u>\$ 116,053</u>	<u>\$ 5,198,820</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2011*

Total fund balances - governmental funds balance sheet	\$ 4,718,440
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,721,133
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>147,910</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 9,587,483</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	24 National School Breakfast/Lunch Program	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 2,232,676	\$ 140,227	\$ 25,414	\$ 2,398,317
5800 <i>State Program Revenues</i>	6,061,187	2,162	27,097	6,090,446
5900 <i>Federal Program Revenues</i>	--	289,566	566,378	855,944
5020 Total Revenues	<u>8,293,863</u>	<u>431,955</u>	<u>618,889</u>	<u>9,344,707</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	4,068,391	--	372,175	4,440,566
0012 <i>Instructional Resources and Media Services</i>	109,944	--	44,250	154,194
0013 <i>Curriculum and Staff Development</i>	31,308	--	26,228	57,536
0021 <i>Instructional Leadership</i>	19,273	--	16,947	36,220
0023 <i>School Leadership</i>	457,753	--	74,038	531,791
0031 <i>Guidance, Counseling, & Evaluation Services</i>	109,890	--	75,808	185,698
0033 <i>Health Services</i>	84,071	--	--	84,071
0034 <i>Student Transportation</i>	632,769	--	--	632,769
0035 <i>Food Service</i>	--	461,944	--	461,944
0036 <i>Cocurricular/Extracurricular Activities</i>	458,094	--	1,890	459,984
0041 <i>General Administration</i>	475,137	--	--	475,137
0051 <i>Plant Maintenance and Operations</i>	1,130,208	--	--	1,130,208
0052 <i>Security and Monitoring Services</i>	21,639	--	--	21,639
0053 <i>Data Processing Services</i>	38,010	--	--	38,010
0093 <i>Payments to Shared Service Arrangements</i>	229,864	--	--	229,864
0099 <i>Other Intergovernmental Charges</i>	33,130	--	--	33,130
6030 Total Expenditures	<u>7,899,481</u>	<u>461,944</u>	<u>611,336</u>	<u>8,972,761</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>394,382</u>	<u>(29,989)</u>	<u>7,553</u>	<u>371,946</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	29,989	--	29,989
8911 <i>Transfers Out</i>	(29,989)	--	--	(29,989)
7080 Total Other Financing Sources and (Uses)	<u>(29,989)</u>	<u>29,989</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>364,393</u>	<u>--</u>	<u>7,553</u>	<u>371,946</u>
0100 Fund Balances - Beginning	4,497,199	--	58,060	4,555,259
1300 Prior Period Adjustment	(208,765)	--	--	(208,765)
Fund Balances - Beginning, as Restated	<u>4,288,434</u>	<u>--</u>	<u>58,060</u>	<u>4,346,494</u>
3000 Fund Balances - Ending	<u>\$ 4,652,827</u>	<u>\$ --</u>	<u>\$ 65,613</u>	<u>\$ 4,718,440</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011*

Net change in fund balances - total governmental funds	\$ 371,946
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	164,878
The depreciation of capital assets used in governmental activities is not reported in the funds.	(263,439)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	<u>(12,377)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 261,008</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2011

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Funds	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 13,232	\$ 72,292
1000	Total Assets	<u>\$ 13,232</u>	<u>\$ 72,292</u>
	LIABILITIES:		
	Current Liabilities:		
2110	<i>Accounts Payable</i>	\$ 13,232	\$ --
2190	<i>Due to Student Groups</i>	--	72,292
2000	Total Liabilities	<u>13,232</u>	<u>72,292</u>
	NET ASSETS		
3000	Total Net Assets	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Private- Purpose Trusts
Additions:	
Gifts and bequests	\$ 50,870
Total Additions	<u>50,870</u>
Deductions:	
Scholarship Awards	<u>53,558</u>
Total Deductions	<u>53,558</u>
Change in Net Assets	(2,688)
Net Assets-Beginning of the Year	2,688
Net Assets-End of the Year	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies

The basic financial statements of Boling Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District allocates indirect expenses in the statement of activities based on functional totals at the government-wide level for the prior year. Program revenues include (a) fees, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category which include governmental, proprietary and fiduciary. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

National School Breakfast and Lunch Program: This fund classification is to be used for programs using federal reimbursement revenues originating from the United States Department of Agriculture (USDA).

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

In addition, the District reports the following fund types:

Fiduciary funds are reported in the fiduciary fund financial statements. However, 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 the government-wide statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements for scholarships under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

3. Measurement Focus and Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statement, except for the agency funds which have no measurement focus are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

4. Financial Statement Amounts

a. Deposits and Investments

The Public Funds Investment Act and local policy authorizes the County to invest in obligations of the US Treasury, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public funds investment pools.

Investments for the District are reported at fair value. Public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The First Public Lone Star Investment Pool is a 2a7-like pool managed by a board of eleven trustees consisting of current pool participants.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 1 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.

Allowances for uncollectible tax receivables within the General Fund is based upon 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.

c. Inventories and Prepaid Items

Inventories on the balance sheet represent food commodities which are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	75
Building Improvements	10-75
Vehicles	15
Equipment	5-50

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

f. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

g. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

h. Fund Balances

Governmental Funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form or legally required to remain intact.

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The District governing board has retained the authority to assign fund balance.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The governing board committed the fund balances as follows:

	General Fund	Aggregate Remaining
Construction	\$ 1,980,827	\$
Equipment	422,000	
Campus Activities		43,708
	<u>\$ 2,402,827</u>	<u>\$ 43,708</u>

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$203,404 and the bank balance was \$252,891. The District's cash deposits at August 31, 2011 and during the year ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. The District's investments at August 31, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>
TexPool	N/A	AAAm	\$ 4,387,595
Certificate of Deposit	< 1 year	N/A	10,000
Vista Bank Savings Account	N/A	N/A	11,076
Total Investments			<u>\$ 4,408,671</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy is to invest in authorized investments that are rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

C. Capital Assets

Capital asset activity for the year ended August 31, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 485,269	\$ --	\$ --	\$ 485,269
Total capital assets not being depreciated	<u>485,269</u>	<u>--</u>	<u>--</u>	<u>485,269</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,453,996	42,624	18,478	9,478,142
Equipment	515,463	8,499	--	523,962
Vehicles	1,209,105	113,754	14,785	1,308,074
Total capital assets being depreciated	<u>11,178,564</u>	<u>164,877</u>	<u>33,263</u>	<u>11,310,178</u>

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

Less accumulated depreciation for:				
Buildings and improvements	(5,655,869)	(185,062)	(18,478)	(5,822,453)
Equipment	(422,795)	(17,432)	--	(440,227)
Vehicles	(765,476)	(59,944)	(13,785)	(811,635)
Total accumulated depreciation	<u>(6,844,140)</u>	<u>(262,438)</u>	<u>(32,263)</u>	<u>(7,074,315)</u>
Total capital assets being depreciated, net	4,334,424	(97,561)	1,000	4,235,863
Governmental activities capital assets, net	<u>\$ 4,819,693</u>	<u>\$ (97,561)</u>	<u>\$ 1,000</u>	<u>\$ 4,721,132</u>

Depreciation was charged to functions as follows:

Instruction	\$ 137,000
Instructional Resources and Media Services	4,759
Curriculum and Staff Development	2,008
Instructional Leadership	2,302
School Leadership	15,195
Guidance, Counseling, & Evaluation Services	4,345
Health Services	1,775
Student Transportation	16,183
Food Services	14,029
Extracurricular Activities	13,203
General Administration	11,011
Plant Maintenance and Operations	38,566
Security and Monitoring Services	826
Data Processing Services	1,237
	<u>\$ 262,438</u>

D. Interfund Balances and Activities

1. Balances due to and due from other funds at August 31, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ <u>76,057</u>	Short-term loans

All amounts due are scheduled to be repaid within one year.

2. Transfers to and from other funds at August 31, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ <u>29,989</u>	Supplement other fund sources

E. 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. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Worker's Compensation Insurance

During the year ended August 31, 2011, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund). The Fund was created and is operated under provisions of the Interlocal Cooperation Act of the Texas Government Code. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The fund pays all administrative costs and administers all claims for its members. The District pays a fixed fee for this coverage under a three year contract, and is not liable for any additional costs other than this fixed amount.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

Unemployment Compensation Pool

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for unemployment compensation pool members.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year, August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The fund's audited financial statements as of August 31, 2010, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), 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. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2011, 2010 and 2009 were \$323,908, \$321,922 and \$319,979, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2011, 2010 and 2009 were \$57,800, \$55,320 and \$47,544, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$285,028 for the year ended August 31, 2011.

G. Retiree Health Care Plan

1. 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 the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

2. 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 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$47,907, \$47,681, and \$48,275, respectively, the active member contributions were \$32,897, \$32,695, and \$32,498, respectively, and the District's contributions were \$30,539, \$30,285, and \$29,220, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$13,792, \$12,747, and \$11,822, respectively.

H. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

I. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

J. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education with the following school districts:

Member Districts

Wharton ISD

Boling ISD

East Bernard ISD

BOLING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Wharton ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. A copy of the audit of the fiscal agent, Wharton ISD is available from their business office at 2100 N. Fulton, Wharton, TX 77488.

The district participates in a shared services arrangement ("SSA") for federal programs in drug prevention, career and technology, and other vocational grants with the Region III Service Center.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region III, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the district. The fiscal agent manager is responsible for all financial activities of the SSA. Information regarding the shared service arrangement may be obtained by contacting the Region III ESC Executive Director at (361) 573-0731.

K. Disaggregated Receivables

Receivables at year end for the District's major fund and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Food Service Program	Aggregated Funds	Totals
Property taxes	\$ 296,643	\$ --	\$ --	\$ 296,643
Less allowance for uncollectible	(148,733)	--	--	(148,733)
Total taxes receivable	<u>\$ 147,910</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 147,910</u>
Due from State	\$ 358,088	\$ 10,890	\$ 11,417	\$ 380,395
Due from Wharton ISD	--	--	39,023	39,023
Total due from other governments	<u>\$ 366,890</u>	<u>\$ 10,890</u>	<u>\$ 50,440</u>	<u>\$ 428,220</u>

There are no significant receivables that are not scheduled for collection within one year of year end.

L. Disaggregated Revenue

Local revenues received by the District consist of the following:

	General	Food Service Program	Aggregate Funds	Totals
Property taxes	\$ 2,123,994	\$ --	\$ --	\$ 2,123,994
Tuition & fees	5,229	--	--	5,229
Investment earnings	6,511	--	264	6,775
Rent	16,109	--	--	16,109
Athletic activities	47,560	--	--	47,560
Enterprising activities	--	--	16,102	16,102
Gifts & bequests	--	--	2,346	2,346
Food service sales	--	140,227	--	140,227
Other miscellaneous	33,273	--	6,704	39,977
	<u>\$ 2,232,676</u>	<u>\$ 140,227</u>	<u>\$ 25,416</u>	<u>\$ 2,398,319</u>

M. Prior Period Adjustment

The general fund unassigned fund balance was restated by \$208,765 to exclude prior year state revenue accrual for August days of school attendance. Per State guidance, the funds have not been appropriated and therefore do not meet the definition of available for modified accrual purposes.



Boling Independent School District

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



Boling Independent School District

BOLING INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,174,407	\$ 2,174,407	\$ 2,232,676	\$ 58,269
5800	State Program Revenues	5,804,280	5,804,280	6,061,187	256,907
5900	Federal Program Revenues	10	10	--	(10)
5020	Total Revenues	<u>7,978,697</u>	<u>7,978,697</u>	<u>8,293,863</u>	<u>315,166</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,698,426	4,503,426	4,068,391	435,035
0012	Instructional Resources and Media Services	135,547	135,547	109,944	25,603
0013	Curriculum and Staff Development	45,003	45,003	31,308	13,695
	Total Instruction & Instr. Related Services	<u>4,878,976</u>	<u>4,683,976</u>	<u>4,209,643</u>	<u>474,333</u>
Instructional and School Leadership:					
0021	Instructional Leadership	23,570	33,570	19,273	14,297
0023	School Leadership	496,501	496,501	457,753	38,748
	Total Instructional & School Leadership	<u>520,071</u>	<u>530,071</u>	<u>477,026</u>	<u>53,045</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	93,806	118,806	109,890	8,916
0033	Health Services	81,337	91,337	84,071	7,266
0034	Student (Pupil) Transportation	703,407	703,407	632,769	70,638
0036	Cocurricular/Extracurricular Activities	483,766	513,766	458,094	55,672
	Total Support Services - Student (Pupil)	<u>1,362,316</u>	<u>1,427,316</u>	<u>1,284,824</u>	<u>142,492</u>
Administrative Support Services:					
0041	General Administration	422,627	522,627	475,137	47,490
	Total Administrative Support Services	<u>422,627</u>	<u>522,627</u>	<u>475,137</u>	<u>47,490</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,177,816	1,177,816	1,130,208	47,608
0052	Security and Monitoring Services	28,470	28,470	21,639	6,831
0053	Data Processing Services	51,232	51,232	38,010	13,222
	Total Support Services - Nonstudent Based	<u>1,257,518</u>	<u>1,257,518</u>	<u>1,189,857</u>	<u>67,661</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	270,000	270,000	229,864	40,136
0099	Other Intergovernmental Charges	40,500	40,500	33,130	7,370
	Total Intergovernmental Charges	<u>310,500</u>	<u>310,500</u>	<u>262,994</u>	<u>47,506</u>
6030	Total Expenditures	<u>8,752,008</u>	<u>8,732,008</u>	<u>7,899,481</u>	<u>832,527</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(773,311)</u>	<u>(753,311)</u>	<u>394,382</u>	<u>1,147,693</u>
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	100	100	--	(100)
7949	Other Resources	100	100	--	(100)
8911	Transfers Out	(126,342)	(146,342)	(29,989)	116,353
7080	Total Other Financing Sources and (Uses)	<u>(126,142)</u>	<u>(146,142)</u>	<u>(29,989)</u>	<u>116,153</u>
1200	Net Change in Fund Balance	<u>(899,453)</u>	<u>(899,453)</u>	<u>364,393</u>	<u>1,263,846</u>

BOLING INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
0100 Fund Balance - Beginning	4,497,199	4,497,199	4,497,199	--
1300 Prior Period Adjustment	--	--	(208,765)	(208,765)
0100 Fund Balance - Beginning, as Restated	<u>4,497,199</u>	<u>4,497,199</u>	<u>4,288,434</u>	<u>(208,765)</u>
3000 Fund Balance - Ending	<u>\$ 3,597,746</u>	<u>\$ 3,597,746</u>	<u>\$ 4,652,827</u>	<u>\$ 1,055,081</u>

BOLING INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 132,230	\$ 132,230	\$ 140,227	\$ 7,997
5800	<i>State Program Revenues</i>	2,625	2,625	2,162	(463)
5900	<i>Federal Program Revenues</i>	223,890	223,890	289,566	65,676
5020	Total Revenues	<u>358,745</u>	<u>358,745</u>	<u>431,955</u>	<u>73,210</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	<i>Food Services</i>	485,087	505,087	461,944	43,143
	Total Support Services - Student (Pupil)	<u>485,087</u>	<u>505,087</u>	<u>461,944</u>	<u>43,143</u>
6030	Total Expenditures	<u>485,087</u>	<u>505,087</u>	<u>461,944</u>	<u>43,143</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(126,342)</u>	<u>(146,342)</u>	<u>(29,989)</u>	<u>116,353</u>
Other Financing Sources (Uses):					
7915	<i>Transfers In</i>	126,342	146,342	29,989	(116,353)
7080	Total Other Financing Sources and (Uses)	<u>126,342</u>	<u>146,342</u>	<u>29,989</u>	<u>(116,353)</u>
0100	Fund Balance - Beginning	--	--	--	--
3000	Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

BOLING INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2011

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The District adopts annual operating budgets for the general fund and food service fund in accordance with State law. No other special revenue fund budgets were adopted by the District.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



Boling Independent School District

BOLING INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	Special Revenue Funds	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 55,370	\$ 243	\$ 55,613
1120	Current Investments	--	10,000	10,000
1240	Due from Other Governments	50,440	--	50,440
1000	Total Assets	<u>\$ 105,810</u>	<u>\$ 10,243</u>	<u>\$ 116,053</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 10,491	\$ --	\$ 10,491
2170	Due to Other Funds	39,023	--	39,023
2200	Accrued Expenditures	926	--	926
2000	Total Liabilities	<u>50,440</u>	<u>--</u>	<u>50,440</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3425	Endowment Principal	--	10,000	10,000
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	11,662	--	11,662
3490	Other Restrictions of Fund Balance	--	243	243
Committed Fund Balances:				
3545	Other Committed Fund Balance	43,708	--	43,708
3000	Total Fund Balances	<u>55,370</u>	<u>10,243</u>	<u>65,613</u>
4000	Total Liabilities and Fund Balances	<u>\$ 105,810</u>	<u>\$ 10,243</u>	<u>\$ 116,053</u>



Boling Independent School District

BOLING INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Special Revenue Funds	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 25,393	\$ 21	\$ 25,414
5800 <i>State Program Revenues</i>	27,097	--	27,097
5900 <i>Federal Program Revenues</i>	566,378	--	566,378
5020 Total Revenues	<u>618,868</u>	<u>21</u>	<u>618,889</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	372,175	--	372,175
0012 <i>Instructional Resources and Media Services</i>	44,250	--	44,250
0013 <i>Curriculum and Staff Development</i>	26,228	--	26,228
0021 <i>Instructional Leadership</i>	16,947	--	16,947
0023 <i>School Leadership</i>	74,038	--	74,038
0031 <i>Guidance, Counseling, & Evaluation Services</i>	75,808	--	75,808
0036 <i>Cocurricular/Extracurricular Activities</i>	1,890	--	1,890
6030 Total Expenditures	<u>611,336</u>	<u>--</u>	<u>611,336</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	7,532	21	7,553
1200 Net Change in Fund Balances	<u>7,532</u>	<u>21</u>	<u>7,553</u>
0100 Fund Balances - Beginning	47,838	10,222	58,060
3000 Fund Balances - Ending	<u>\$ 55,370</u>	<u>\$ 10,243</u>	<u>\$ 65,613</u>

BOLING INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes	211 ESEA Title I Improving Basic Programs	283 IDEA - Part B Formula - ARRA
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --
1240 <i>Due from Other Governments</i>	5,207	39,023
1000 Total Assets	<u>\$ 5,207</u>	<u>\$ 39,023</u>
LIABILITIES:		
Current Liabilities:		
2160 <i>Accrued Wages Payable</i>	\$ 4,785	\$ --
2170 <i>Due to Other Funds</i>	--	39,023
2200 <i>Accrued Expenditures</i>	422	--
2000 Total Liabilities	<u>5,207</u>	<u>39,023</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
Committed Fund Balances:		
3545 <i>Other Committed Fund Balance</i>	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,207</u>	<u>\$ 39,023</u>

287 Education Jobs Fund	411 Technology Allotment	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ 11,662	\$ 43,708	\$ 55,370
6,210	--	--	50,440
<u>\$ 6,210</u>	<u>\$ 11,662</u>	<u>\$ 43,708</u>	<u>\$ 105,810</u>
\$ 5,706	\$ --	\$ --	\$ 10,491
--	--	--	39,023
504	--	--	926
<u>6,210</u>	<u>--</u>	<u>--</u>	<u>50,440</u>
--	11,662	--	11,662
--	--	43,708	43,708
<u>--</u>	<u>11,662</u>	<u>43,708</u>	<u>55,370</u>
<u>\$ 6,210</u>	<u>\$ 11,662</u>	<u>\$ 43,708</u>	<u>\$ 105,810</u>

BOLING INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA Title I Improving Basic Programs	255 ESEA Title II Training & Recruiting	266 ARRA of 2009 Title XIV State Fiscal Stabilizati
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	154,771	43,960	294,282
5020 Total Revenues	<u>154,771</u>	<u>43,960</u>	<u>294,282</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	151,381	16,894	101,762
0012 <i>Instructional Resources and Media Services</i>	--	--	44,250
0013 <i>Curriculum and Staff Development</i>	--	26,228	--
0021 <i>Instructional Leadership</i>	3,390	838	12,719
0023 <i>School Leadership</i>	--	--	60,148
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	75,403
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
6030 Total Expenditures	<u>154,771</u>	<u>43,960</u>	<u>294,282</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

on	283 IDEA - Part B Formula - ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	287 Education Jobs Fund	397 Advanced Placement Incentives
	\$ --	\$ --	\$ --	\$ --
	--	--	--	--
	<u>65,417</u>	<u>1,738</u>	<u>6,210</u>	<u>--</u>
	<u>65,417</u>	<u>1,738</u>	<u>6,210</u>	<u>--</u>
	65,417	1,738	6,210	--
	--	--	--	--
	--	--	--	--
	--	--	--	--
	--	--	--	405
	<u>65,417</u>	<u>1,738</u>	<u>6,210</u>	<u>405</u>
	--	--	--	(405)
	--	--	--	(405)
	--	--	--	405
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

BOLING INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	411 Technology Allotment	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 25,393	\$ 25,393
5800 <i>State Program Revenues</i>	27,097	--	27,097
5900 <i>Federal Program Revenues</i>	--	--	566,378
5020 Total Revenues	<u>27,097</u>	<u>25,393</u>	<u>618,868</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	26,224	2,549	372,175
0012 <i>Instructional Resources and Media Services</i>	--	--	44,250
0013 <i>Curriculum and Staff Development</i>	--	--	26,228
0021 <i>Instructional Leadership</i>	--	--	16,947
0023 <i>School Leadership</i>	--	13,890	74,038
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	75,808
0036 <i>Cocurricular/Extracurricular Activities</i>	--	1,890	1,890
6030 Total Expenditures	<u>26,224</u>	<u>18,329</u>	<u>611,336</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	873	7,064	7,532
1200 Net Change in Fund Balances	<u>873</u>	<u>7,064</u>	<u>7,532</u>
0100 Fund Balances - Beginning	10,789	36,644	47,838
3000 Fund Balances - Ending	<u>\$ 11,662</u>	<u>\$ 43,708</u>	<u>\$ 55,370</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BOLING INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2011*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.50		--		140,440,067
2004		1.50		--		123,675,400
2005		1.50		--		140,691,400
2006		1.50		--		147,720,905
2007		1.37		--		176,119,343
2008		1.04		--		169,199,808
2009		1.04		--		193,862,500
2010		1.04		--		184,140,577
2011 (School Year Under Audit)		1.04		--		199,934,135

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 71,639	\$ --	\$ 3,059	\$ --	\$ (6,381)	\$ 62,199
8,269	--	198	--	(487)	7,585
9,169	--	716	--	(265)	8,188
11,422	--	1,253	--	(1,406)	8,764
14,359	--	1,858	--	(70)	12,430
22,267	--	4,265	--	413	18,415
23,364	--	8,262	--	(1,460)	13,643
57,180	--	13,416	--	(2,797)	40,967
83,885	--	43,266	--	(13)	40,606
--	2,079,316	1,991,493	--	(3,976)	83,847
<u>\$ 301,555</u>	<u>\$ 2,079,316</u>	<u>\$ 2,067,786</u>	<u>\$ --</u>	<u>\$ (16,441)</u>	<u>\$ 296,644</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BOLING INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011*

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ 533	\$ --	\$ 228,353	\$ 146,127	\$ --	\$ --	\$ 375,013
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	--	--	8,385	--	--	--	8,385
6212	Audit Services	--	--	--	16,336	--	--	16,336
6213	Tax Appraisal and Collection	--	33,130	--	--	--	--	33,130
621X	Other Prof. Services	--	--	--	3,460	--	--	3,460
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	4,789	1,350	--	6,139
6240	Contr. Maint. and Repair	--	--	--	--	12,023	--	12,023
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	5,492	2,176	--	7,668
6290	Miscellaneous Contr.	2,849	--	--	1,055	--	--	3,904
6310	Operational Supplies, Materials	--	--	51	--	3,464	--	3,515
6320	Textbooks and Reading	--	--	1,900	--	--	--	1,900
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	3,803	9,051	--	--	12,854
6410	Travel, Subsistence, Stipends	11,385	--	1,654	2,480	--	--	15,519
6420	Ins. and Bonding Costs	--	--	--	6,784	--	--	6,784
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	2,000	--	16,522	5,093	--	--	23,615
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 16,767 \$ 33,130 \$ 260,668 \$ 200,667 \$ 19,013 \$ -- \$ 530,245

Total Expenditures for General and Special Revenue Funds (9) \$ 8,972,761

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 157,217
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,086,745
Food (Function 35, 6341 and 6499)	(13)	\$ 194,163
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 200,667</u>

Subtotal 1,638,792

Net Allowed Direct Cost \$ 7,333,969

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 9,478,142
Historical Cost of Buildings over 50 years old	(16)	721,244
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,832,036
Historical Cost of Furniture & Equipment over 16 years old	(19)	168,223
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$21,978 in Function 53 expenditures and \$33,130 in Function 99 expenditures are included in this report on administrative costs.

Reed & Associates, PC

Certified Public Accountants

1717 8th Street, Suite 5

Bay City, Texas 77414

(979) 245-7361 Fax (979) 245-3081

auditors@swbell.net

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Boling Independent School District
P.O. Box 160
Boling, Texas 77420

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boling Independent School District as of and for the year ended August 31, 2011, which collectively comprise the Boling Independent School District's basic financial statements and have issued our report thereon dated September 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
September 28, 2011

Reed & Associates, PC

Certified Public Accountants

1717 8th Street, Suite 5

Bay City, Texas 77414

(979) 245-7361 Fax (979) 245-3081

auditors@swbell.net

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees
Boling Independent School District
P.O. Box 160
Boling, Texas 77420

Members of the Board of Trustees:

Compliance

We have audited Boling Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Boling Independent School District's major federal programs for the year ended August 31, 2011. Boling Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Boling Independent School District's management. Our responsibility is to express an opinion on Boling Independent School District's compliance based on our audit.

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

In our opinion, Boling Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
September 28, 2011

BOLING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 & 84.389	Title I Cluster
84.394	State Fiscal Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

BOLING INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

BOLING INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

N/A

BOLING INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through Wharton ISD: <i>ARRA - IDEA-Part B Formula *</i>	84.391	10554001241904	\$ <u>65,417</u>
Passed Through State Department of Education: <i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	11610101241901	149,564
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	12610101241901	<u>5,207</u>
Total CFDA Number 84.010			<u>154,771</u>
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	11694501241901	43,960
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001241901	1,738
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	11557001241901	294,282
<i>Education Jobs Fund</i>	84.410	11550101241901	<u>6,210</u>
Total Passed Through State Department of Education			<u>500,961</u>
Total U. S. Department of Education			<u>566,378</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education: School Breakfast Program *	10.553	71401101	79,818
National School Lunch Program *	10.555	71301101	<u>192,200</u>
Total Passed Through State Department of Education			<u>272,018</u>
Passed Through State Department of Agriculture: Commodity Supplemental Food Program (Non-cash)	10.565	241001A	<u>17,549</u>
Total U. S. Department of Agriculture			<u>289,567</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 855,945</u></u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

BOLING INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boling Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

BOLING INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2011*

<u>Data Control Codes</u>	<u>Responses</u>
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 What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --