

**BROWNWOOD INDEPENDENT  
SCHOOL DISTRICT**

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Annual Financial and Compliance Report

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Year Ended August 31, 2009

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2009**

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CERTIFICATE OF BOARD

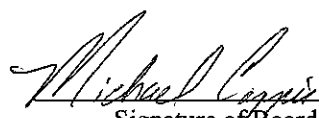
Brownwood Independent School District  
Name of School District

Brown  
County

025-902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved ✓ disapproved \_\_\_\_\_ for the year ended August 31, 2009, at a meeting of the Board of Trustees of such school district on the 14 day of December, 2009.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
**Brownwood Independent School District:**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Brownwood Independent School District** (the District) as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 **Brownwood Independent School District** as of August 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison information on pages 3 through 9 and 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, the combining nonmajor fund financial statements and the TEA required schedules (except for Exhibit J-3, The Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Davis Kinard & Co, PC*

DAVIS KINARD & CO, PC

Abilene, Texas  
December 7, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brownwood Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2009.

### FUND STATEMENT FINANCIAL HIGHLIGHTS

- The District's total combined governmental fund balances at August 31, 2009 were \$4,309,839, compared to \$7,760,084 at August 31, 2008.
- During the year, the District's expenditures were \$3,450,245 less than the \$33.4 million generated from taxes, state funding, and other revenues for governmental activities and the \$1,504,688 generated in other resources. The general fund expenditures were greater than revenues by \$3,060,111 and all other governmental fund expenditures were greater than their corresponding revenues by \$390,134, with re-roofing and construction projects being the primary drivers.
- The total cost of the District's programs decreased approximately 11.1% versus the prior year, as 2009 reflected a ramp-down in construction projects versus 2008. The District's revenues increased approximately 1.4% due to slightly higher federal revenues.
- In the general fund, the resources available for appropriation were approximately \$129,636 more than originally budgeted, not including extraordinary revenues related to insurance proceeds for re-roofing. Expenditures were \$4,692,935 more than the original budget due to re-roofing and construction projects which were amended through the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that presents combining statements for nonmajor governmental funds and other TEA required schedules.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
  - The governmental fund statements present how general government services were financed in the short term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

## OVERVIEW OF THE FINANCIAL STATEMENTS - continued

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. The Texas Education Agency also requires certain schedules be included as other supplementary information. The following summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

<b>Major Features of the District's Government-wide and Fund Financial Statements</b>			
<i>Type of Statement</i>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government  (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's accounts
<i>Required financial statements</i>	Statement of net assets	Balance sheet	Statement of fiduciary net assets
	Statement of activities	Statement of revenues expenditures & changes in fund balances	Statement of changes in fiduciary net assets
		Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or 60 days thereafter, no capital assets included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
<i>Type of in flow/out flow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter	All revenues and expenses during year regardless of when cash is received or paid

## **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include:

- Governmental activities – Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, state aid, and grants finance most of these activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law or by bond covenants.
- The Board of Trustees established other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- Governmental funds- Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on a subsequent page that explains the relationship (or differences) between them.
- Proprietary funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The District would use Internal Service Funds to report activities in this category such as a Self-Insurance Fund. The District currently has no Internal Service Funds.
- Fiduciary funds- The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are agency funds and are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.



**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

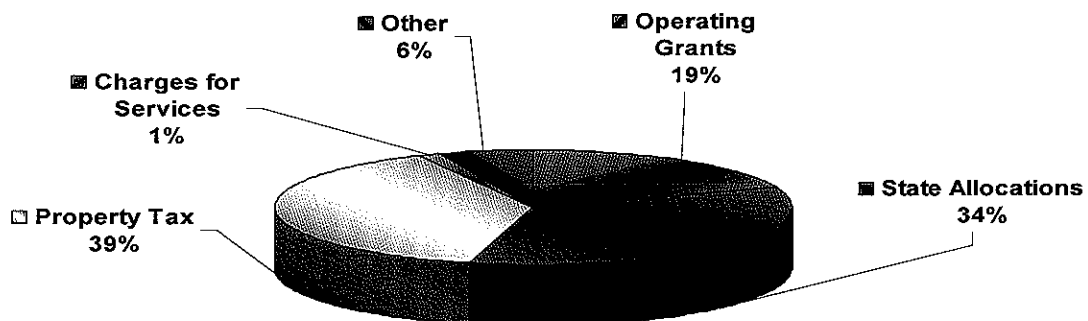
**Net assets.** The District's combined net assets were \$16,563,271 at August 31, 2009.

	2009	2008
Current Assets	\$ 6,970,953	\$ 9,810,811
Capital Assets	48,109,205	44,280,696
Restricted Assets	-	924,871
<b>Total Assets</b>	<b>55,080,158</b>	<b>55,016,378</b>
Current Liabilities	1,179,011	2,109,706
Long-Term Liabilities	37,337,876	37,990,451
<b>Total Liabilities</b>	<b>38,516,887</b>	<b>40,100,157</b>
Invested in Capital Assets net of related debt	11,244,942	6,286,831
Restricted	143,384	503,784
Unrestricted	5,174,945	8,125,606
<b>Total Net Assets</b>	<b>\$ 16,563,271</b>	<b>\$ 14,916,221</b>

Net assets of the District's governmental activities increased by \$1,647,050 in 2009 to \$16,563,271. Unrestricted net assets were \$5,174,945 at the end of this year; this amount reflects approximately 4.6 months of operating expenses for the District.

**Changes in net assets.** The District's total fiscal year 2009 revenues, including extraordinary items, were \$35,044,283 at August 31, 2009. Approximately 39% of the District's revenue came from property taxes, 34% came from state allocations, and the remainder came from charges for services, federal and state grants, and miscellaneous other revenue (see the chart "Sources of Revenue for Fiscal Year 2009").

**Sources of Revenue for Fiscal Year 2009**



The total cost of all programs and services was \$33,397,233 of which 57% was for direct instruction program costs compared to 55% in the previous year. The District's expenses cover a range of programs including instruction, counseling services, health services, student transportation, food services, plant maintenance and operations, and various other areas of service to students.

## Governmental Activities

### Changes in the District's Net Assets

	Governmental Activities	
	2009	2008
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	\$ 492,543	\$ 496,077
Local Operating Grants	7,427	8,270
State Operating Grants	2,350,648	2,211,459
Federal Grants	4,469,102	3,969,862
<u>General Revenues</u>		
Property Taxes	13,627,703	12,568,244
State Aid-Formula Grants	12,078,517	12,809,888
Other Non-restricted Grants & Contributions	311,825	351,966
Other	226,890	504,827
<b>Total Revenues</b>	<u>33,564,655</u>	<u>32,920,593</u>
<b>Expenses</b>		
Instruction	18,945,444	17,969,645
Extracurricular activities	1,283,798	1,215,524
General Administration	652,688	679,672
Plant Maintenance and Operations	3,437,636	3,737,769
School leadership	1,495,736	1,321,756
Food services	1,792,475	1,714,417
Interest on long-term debt	1,812,936	1,887,986
Other functions	3,976,520	3,870,098
<b>Total Expenses</b>	<u>33,397,233</u>	<u>32,396,867</u>
<b>Excess before extraordinary item</b>	167,422	523,726
Extraordinary item - insurance proceeds	1,479,628	2,215,085
<b>Increase in Net Assets</b>	1,647,050	2,738,811
<b>Beginning Net Assets</b>	14,916,221	12,437,682
<b>Prior Period Entry</b>	-	(260,272)
<b>Ending Net Assets</b>	<u>\$ 16,563,271</u>	<u>\$ 14,916,221</u>

## Governmental Activities – continued

The following table presents the cost of each of the District's largest programs as well as each program's net cost (total cost less fees generated by program activities). The net cost shows the financial burden that was placed on the District's taxpayers and state aid funding by each of these functions.

- The cost of all governmental activities in 2009 was \$33,397,233 compared to \$32,396,867 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$13,627,703 for the 2009 year and \$12,568,244 for the 2008 year. This increase is due mainly to an increase in taxable property values, as there was no change in tax rates from 2008 to 2009.

	Total Cost of Services	Program Revenues	Net Costs
Instruction	\$18,945,444	\$4,175,031	(\$14,770,413)
Plant Maintenance/Ops	\$3,437,636	\$68,486	(\$3,369,150)
School leadership	1,495,736	121,162	(\$1,374,574)
Extracurricular	1,283,798	165,809	(\$1,117,989)
Food services	1,792,475	1,693,633	(\$98,842)
Other programs	6,442,144	1,095,599	(\$5,346,545)
<b>Total</b>	<b>\$33,397,233</b>	<b>\$7,319,720</b>	<b>(\$26,077,513)</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$33,400,411. Local revenues increased \$601,849 from the prior year, due to the aforementioned increase in taxable property values. State revenue decreased \$623,071, as State funding guidelines require an offsetting adjustment versus local tax revenue. Federal revenue increased \$491,870 due to higher Title program activity.

### Governmental Funds Budgetary Highlights

The original budget for the general fund reflected a balanced budget. Over the course of the year, the District amended its budget as needed. The final amended budget reflected an excess of expenditures over revenues and other resources of \$2,411,281 due to re-roofing related to storm damage and other construction projects, which were amended through the year. Versus the original budget, there was an actual excess of expenditures over revenues and other resources of \$3,060,111 primarily due to the re-roofing and construction projects, and a decrease in actual state revenues received at August 31, 2009.

In the District's child nutrition program, the final amended budget reflected an excess of revenues over expenditures of \$2,887. Actual results included an excess of revenues over expenditures of \$11,994.

In the District's debt service fund, there was an actual excess of expenditures over revenues of \$134,429 as compared to the original deficit budget of \$150,465.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the District had invested \$76,560,948 in a broad range of capital assets, including land, equipment, and buildings, and construction in progress. Accumulated depreciation on these assets was \$28,451,743 at year-end. The above included current-year capital asset additions of \$5,591,580 and associated accumulated depreciation of \$1,763,071.

	Governmental Activities	
	2009	2008
Land	\$ 305,596	\$ 305,596
Buildings and improvements	71,945,062	66,581,872
Furniture and equipment	4,310,290	4,081,900
Totals at historical costs	<u>76,560,948</u>	<u>70,969,368</u>
Less accumulated depreciation for:		
Buildings and improvements	(25,799,671)	(24,296,777)
Furniture and equipment	(2,652,072)	(2,391,895)
Total accumulated depreciation	<u>(28,451,743)</u>	<u>(26,688,672)</u>
Net capital assets	<u>\$ 48,109,205</u>	<u>\$ 44,280,696</u>

### Long-Term Debt

#### District's Long-Term Debt

	Governmental Activities	
	2009	2008
Bonds Payable:		
Unlimited Tax Refunding Bonds Series 1998	3,635,000	3,635,000
Series 1998 Capital Appreciation Bonds	105,889	229,989
Unlimited Tax Refunding Bonds Series 2005	31,370,000	31,370,000
Series 2005 Capital Appreciation Bonds	-	375,480
Total bonds payable	<u>\$ 35,110,889</u>	<u>\$ 35,610,469</u>

At year-end the District had \$35,110,889 in bonds outstanding which represents a decrease of \$499,580 since last year.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Services Office at 325-643-5644.

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2009

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 4,427,470
1210 Property Taxes - Current	508,989
1220 Property Taxes Receivable (Delinquent)	872,504
1230 Allowance for Uncollectible Taxes	(373,003)
1240 Due from Other Governments	1,055,704
1290 Other Receivables, net	5,202
1410 Deferred Expenses	474
1420 Capitalized Bond and Other Debt Issuance Costs	473,613
Capital Assets:	
1510 Land	305,596
1520 Buildings, Net	46,145,391
1530 Furniture and Equipment, Net	1,658,218
1000 Total Assets	55,080,158
<b>LIABILITIES</b>	
2110 Accounts Payable	388,953
2150 Payroll Deductions & Withholdings	9,009
2160 Accrued Wages Payable	603,068
2300 Deferred Revenues	177,981
Noncurrent Liabilities	
2501 Due Within One Year	560,889
2502 Due in More Than One Year	36,776,987
2000 Total Liabilities	38,516,887
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	11,244,942
3840 Restricted for Food Service	143,384
3900 Unrestricted Net Assets	5,174,945
3000 Total Net Assets	\$ 16,563,271

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
<b>GOVERNMENTAL ACTIVITIES:</b>					
11	Instruction	\$ 18,945,444	\$ 22,603	\$ 4,152,428	\$ (14,770,413)
12	Instructional Resources and Media Services	404,316	-	15,890	(388,426)
13	Curriculum and Instructional Staff Development	291,310	-	136,848	(154,462)
21	Instructional Leadership	312,469	-	115,118	(197,351)
23	School Leadership	1,495,736	-	121,162	(1,374,574)
31	Guidance, Counseling and Evaluation Services	972,408	-	75,325	(897,083)
32	Social Work Services	213,631	-	149,163	(64,468)
33	Health Services	199,251	-	41,365	(157,886)
34	Student (Pupil) Transportation	374,119	-	45,381	(328,738)
35	Food Services	1,792,475	329,162	1,364,471	(98,842)
36	Extracurricular Activities	1,283,798	140,778	25,031	(1,117,989)
41	General Administration	652,688	-	14,854	(637,834)
51	Plant Maintenance and Operations	3,437,636	-	68,486	(3,369,150)
52	Security and Monitoring Services	138,278	-	1,378	(136,900)
53	Data Processing Services	695,573	-	129,143	(566,430)
72	Debt Service - Interest on Long Term Debt	1,812,936	-	371,134	(1,441,802)
73	Debt Service - Bond Issuance Cost and Fees	1,431	-	-	(1,431)
99	Other Intergovernmental Charges	373,734	-	-	(373,734)
	<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 33,397,233</b>	<b>\$ 492,543</b>	<b>\$ 6,827,177</b>	<b>(26,077,513)</b>

Data Control Codes		
	<b>General Revenues:</b>	
	<b>Taxes:</b>	
MT	Property Taxes, Levied for General Purposes	11,153,992
DT	Property Taxes, Levied for Debt Service	2,473,711
SF	State Aid - Formula Grants	12,078,517
GC	Grants and Contributions not Restricted	311,825
IE	Investment Earnings	78,828
MI	Miscellaneous Local and Intermediate Revenue	148,062
E1	Extraordinary Item - resource	1,479,628
TR	<b>Total General Revenues and Extraordinary Items</b>	<b>27,724,563</b>
CN	Change in Net Assets	1,647,050
NB	Net Assets--Beginning	14,916,221
NE	Net Assets--Ending	<b>\$ 16,563,271</b>

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

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**



BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2009

EXHIBIT C-1

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 4,241,213	\$ 186,257	\$ 4,427,470
1210 Property Taxes - Current	416,580	92,409	508,989
1220 Property Taxes - Delinquent	714,098	158,406	872,504
1230 Allowance for Uncollectible Taxes (Credit)	(305,283)	(67,720)	(373,003)
1240 Due from Other Governments	706,905	348,799	1,055,704
1260 Due from Other Funds	257,706	-	257,706
1290 Other Receivables	5,202	-	5,202
1410 Deferred Expenditures	474	-	474
1000 Total Assets	<u>\$ 6,036,895</u>	<u>\$ 718,151</u>	<u>\$ 6,755,046</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 259,274	\$ 129,679	\$ 388,953
2150 Payroll Deductions and Withholdings Payable	9,009	-	9,009
2160 Accrued Wages Payable	603,068	-	603,068
2170 Due to Other Funds	6,900	250,806	257,706
2300 Deferred Revenues	962,455	224,016	1,186,471
2000 Total Liabilities	<u>1,840,706</u>	<u>604,501</u>	<u>2,445,207</u>
Fund Balances:			
Reserved For:			
3450 Food Service	-	143,384	143,384
Unreserved Designated For:			
3590 Other Purposes	796,189	-	796,189
Unreserved and Undesignated:			
3600 Reported in the General Fund	3,400,000	-	3,400,000
3610 Reported in Special Revenue Funds	-	(29,734)	(29,734)
3000 Total Fund Balances	<u>4,196,189</u>	<u>113,650</u>	<u>4,309,839</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,036,895</u>	<u>\$ 718,151</u>	<u>\$ 6,755,046</u>

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2009

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	4,309,839
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$70,969,368 and the accumulated depreciation was \$26,688,672. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, total long-term debt was \$38,490,031. Additionally, bond issuance costs are expensed as incurred and not reported as an asset in the governmental funds. Capitalized bond issuance costs at the beginning of the year were \$496,166. The net effect of including the beginning balances for capital assets (net of depreciation), long-term debt and capitalized bond issuance costs in the governmental activities is to increase net assets.		6,286,831
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays of \$5,591,580 and debt principal payments of \$1,190,000 is to increase net assets.		6,781,580
<b>3</b> The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,763,071)
<b>4</b> Governmental funds report the effect of bond proceeds, issuance costs, premiums, discounts and similar items debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of amortization of bond issuance costs of \$22,553, amortization of bond premium of \$18,849 and accretion of bond discounts of \$56,694 is to decrease net assets.		(60,398)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue of \$1,008,490 as revenue and eliminating interfund receivables and payables of \$257,706. The net effect of these reclassifications and recognitions is to increase net assets.		1,008,490
<b>19 Net Assets of Governmental Activities</b>	<b>\$</b>	<b>16,563,271</b>

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 11,414,211	\$ 2,786,865	\$ 14,201,076
5800	State Program Revenues	13,143,548	1,339,119	14,482,667
5900	Federal Program Revenues	247,566	4,469,102	4,716,668
5020	Total Revenues	24,805,325	8,595,086	33,400,411
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	14,398,910	3,407,119	17,806,029
0012	Instructional Resources and Media Services	346,989	2,089	349,078
0013	Curriculum and Instructional Staff Development	156,445	134,865	291,310
0021	Instructional Leadership	204,819	107,076	311,895
0023	School Leadership	1,306,845	77,791	1,384,636
0031	Guidance, Counseling and Evaluation Services	927,391	39,978	967,369
0032	Social Work Services	68,021	145,610	213,631
0033	Health Services	166,344	32,907	199,251
0034	Student (Pupil) Transportation	350,649	31,114	381,763
0035	Food Services	23,175	1,683,131	1,706,306
0036	Extracurricular Activities	1,250,162	-	1,250,162
0041	General Administration	642,710	-	642,710
0051	Facilities Maintenance and Operations	3,312,842	2,949	3,315,791
0052	Security and Monitoring Services	138,278	-	138,278
0053	Data Processing Services	599,815	95,758	695,573
<b>Debt Service:</b>				
0071	Debt Service - Principal on Long Term Debt	-	499,581	499,581
0072	Debt Service - Interest on Long Term Debt	-	2,442,957	2,442,957
0073	Debt Service - Bond Issuance Cost and Fees	-	1,431	1,431
<b>Capital Outlay:</b>				
0081	Facilities Acquisition and Construction	5,101,495	282,364	5,383,859
<b>Intergovernmental:</b>				
0099	Other Intergovernmental Charges	373,734	-	373,734
6030	Total Expenditures	29,368,624	8,986,720	38,355,344
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,563,299)	(391,634)	(4,954,933)
<b>OTHER FINANCING SOURCES (USES):</b>				
7912	Sale of Real and Personal Property	23,560	1,500	25,060
7080	Total Other Financing Sources (Uses)	23,560	1,500	25,060
<b>EXTRAORDINARY ITEMS:</b>				
7919	Extraordinary Item - Resource	1,479,628	-	1,479,628
1200	Net Change in Fund Balances	(3,060,111)	(390,134)	(3,450,245)
0100	Fund Balance - September 1 (Beginning)	7,256,300	503,784	7,760,084
3000	Fund Balance - August 31 (Ending)	\$ 4,196,189	\$ 113,650	\$ 4,309,839

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

EXHIBIT C-4

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(3,450,245)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays of \$5,591,580 and debt principal payments of \$1,190,000 is to increase net assets.		6,781,580
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,763,071)
Governmental funds report the effect of bond proceeds, issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of amortization of bond issuance cost of \$22,553, amortization of bond premium of \$18,849 and accretion of bond discounts of \$56,694 is to decrease net assets.		(60,398)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue of \$1,008,490 as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy of \$869,306 and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.		139,184
<b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>1,647,050</u>

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2009

EXHIBIT E-1

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 99,683
Total Assets	<u>99,683</u>
LIABILITIES	
Due to Student Groups	\$ 99,683
Total Liabilities	<u>99,683</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

# BROWNWOOD INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements

August 31, 2009

## NOTE 1: Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the **Brownwood Independent School District** (the District). The public elects the members of the Board of Trustees. The Trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the Trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The basic financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

## NOTE 2: Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## NOTE 3: Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.



**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 3: Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The government reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* track revenue sources legally restricted to specific uses. For example, some districts place their federal aid in various special revenue funds, depending on the program the aid finances.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental activities.

The *Capital Projects Fund* accounts for the resources restricted for the planned capital acquisitions of the District.

*Agency Funds*, a fiduciary fund type, account for resources held for others in a custodial capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

**NOTE 4: Assets, Liabilities and Net Assets or Equity**

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Investment Pool is operated 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.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 4: Assets, Liabilities and Net Assets or Equity (continued)**

Capital assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the government wide statements, property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & improvements	30 - 45
Furniture & equipment	5 - 20

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

Fund equity

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

Use of estimates

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

**NOTE 5: Stewardship, Compliance and Accountability**

Budgetary information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 5: Stewardship, Compliance and Accountability (continued)**

Budgetary information (continued)

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Child Nutrition Special Revenue Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

**NOTE 6: Detailed Notes on All Funds**

Deposits and investments

Under Texas state law, 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.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

*Custodial credit risk – deposits* – At August 31, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$1,105,502 and the bank balance was \$1,690,036. The District's cash deposits at August 31, 2009, were entirely covered by FDIC insurance and by pledged collateral held by the District's agent bank in the District's name. On the date of the highest cash balance, the District was entirely covered by FDIC insurance and by pledged collateral held by the District's agent bank in the District's name.

Temporary investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; and 6) fully collateralized repurchase agreements. Temporary investments are reported at cost that approximates market and the certificates of deposit are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-3 above at 102% of the investment's market value. TexPool is a local government investment pool under the oversight of the Texas Comptroller of Public Accounts.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 6: Detailed Notes on All Funds (continued)**

Temporary investments (continued)

The District's temporary investments at August 31, 2009, are shown below:

<u>Name</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days) *</u>
TexPool	\$ 3,417,613	69

\* To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

*Interest rate risk.* In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

*Credit risk.* State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2009, the District's investment in TexPool was rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve.

*Concentration of credit risk.* The District's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

Property tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2009, upon which the levy for the August 31, 2009, fiscal year was based, was \$1,329,771,952. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2009 were 96% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2009, property taxes receivable, net of estimated uncollectible taxes of \$373,003, totaled \$1,008,490.

The tax rate to finance general governmental services was \$1.04 per \$100 for the year ended August 31, 2009, and a tax rate of \$0.2307 per \$100 was assessed to finance the payment of principal and interest on long-term obligations.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 6: Detailed Notes on All Funds (continued)**

Due from other governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2009, are summarized below.

<u>Fund</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General fund	\$ 706,905	\$ -	\$ 706,905
Nonmajor funds	<u>60,594</u>	<u>288,205</u>	<u>348,799</u>
	<u>\$ 767,499</u>	<u>\$ 288,205</u>	<u>\$ 1,055,704</u>

Interfund receivables and payables

The composition of interfund balances as of August 31, 2009, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund:		
Nonmajor governmental funds	\$ 257,706	\$ 6,900
Nonmajor governmental funds:		
General fund	<u>-</u>	<u>250,806</u>
Totals	<u>\$ 257,706</u>	<u>\$ 257,706</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of various funds or to record a receivable for reimbursement of expenditures.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 6: Detailed Notes on All Funds (continued)**

Capital assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 305,596	\$ _____	\$ _____	\$ 305,596
Total capital assets, not being depreciated	<u>305,596</u>	<u>-</u>	<u>-</u>	<u>305,596</u>
Capital assets, being depreciated:				
Buildings and improvements	66,581,872	5,363,190		71,945,062
Furniture and equipment	4,081,900	228,390		4,310,290
Total capital assets, being depreciated	<u>70,663,772</u>	<u>5,591,580</u>	<u>-</u>	<u>76,255,352</u>
Less accumulated depreciation for:				
Buildings and improvements	24,296,777	1,502,894		25,799,671
Furniture and equipment	2,391,895	260,177		2,652,072
Total accumulated depreciation	<u>26,688,672</u>	<u>1,763,071</u>	<u>-</u>	<u>28,451,743</u>
Total capital assets, being depreciated, net	<u>43,975,100</u>	<u>3,828,509</u>	<u>-</u>	<u>47,803,609</u>
Total capital assets, net	\$ <u>44,280,696</u>	\$ <u>3,828,509</u>	\$ <u>-</u>	\$ <u>48,109,205</u>

Depreciation expense was charged to the District's functions as follows:

Instruction	\$ 1,190,464
Instructional Resources and Media Services	55,238
Instructional Leadership	574
School Leadership	111,100
Guidance, Counseling and Evaluation Services	5,039
Student (Pupil) Transportation	77,541
Food Services	104,786
Cocurricular/Extracurricular activities	33,636
General Administration	9,978
Plant Maintenance and Operations	<u>174,715</u>
Total depreciation expense - governmental activities	\$ <u>1,763,071</u>

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 7: Bonds Payable**

Bonded indebtedness of the District is reflected in the Government Wide Statement of Net Assets. In the Fund Financial Statements, the current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of the changes in bonds payable and other long-term debt follows:

Description	Rate Payable	Original Issue	Outstanding 8/31/2008	Issued	Refunded / Retired	Outstanding 8/31/2009
Unlimited Tax Refunding Bonds Series 1998	4.51%	\$ 4,730,000	\$ 3,635,000	\$ -	\$ -	\$ 3,635,000
Series 1998 Capital Appreciation Bonds	4.45%	229,989	229,989	-	124,100	105,889
Unlimited Tax Refunding Bonds Series 2005	5.25%	31,370,000	31,370,000	-	-	31,370,000
Series 2005 Capital Appreciation Bonds	3.64%	375,480	375,480	-	375,480	-
<b>Total Bonds Payable</b>		<b>\$ 36,705,469</b>	<b>\$ 35,610,469</b>	<b>\$ -</b>	<b>\$ 499,580</b>	<b>\$ 35,110,889</b>

Description	Outstanding 8/31/2008	Accretion	Amortization	Outstanding 8/31/2009
Accretion on 1998 CAB	\$ 1,239,137	\$ 49,007	\$ 635,900	\$ 652,244
Accretion on 2005 CAB	46,833	7,687	54,520	-
Unamortized premium on 2005 Bonds	1,593,592	-	18,849	1,574,743
<b>Total Other Long-Term Debt</b>	<b>\$ 2,879,562</b>	<b>\$ 56,694</b>	<b>\$ 709,269</b>	<b>\$ 2,226,987</b>

The current portion of each bond at August 31, 2009 was as follows:

	Due in 2010
Unlimited Tax Refunding Bond Series 1998	\$ -
Series 1998 Capital Appreciation	105,889
Unlimited Tax Refunding Bond Series 2005	455,000
Series 2005 Capital Appreciation	-
	<b>\$ 560,889</b>

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 7: Bonds Payable (continued)**

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2010	\$ 560,889	\$ 2,413,118	\$ 2,974,007
2011	1,305,000	1,706,933	3,011,933
2012	1,395,000	1,647,659	3,042,659
2013	1,495,000	1,585,383	3,080,383
2014	1,590,000	1,520,038	3,110,038
2015-2019	6,545,000	6,610,745	13,155,745
2020-2024	8,550,000	4,637,925	13,187,925
2025-2029	11,095,000	2,097,762	13,192,762
2030-2031	2,575,000	64,375	2,639,375
	<u>\$ 35,110,889</u>	<u>\$ 22,283,938</u>	<u>\$ 57,394,827</u>

The District issued refunding bonds, Unlimited Tax Refunding Bonds, Series 1998, for the purpose of refunding a portion of the District's outstanding Unlimited Tax School Building and Refunding Bonds, Series 1994 in order to lower the overall debt service requirements of the District, and to pay costs associated with the issuance of the bonds. The bonds are issued as \$4,959,989 Unlimited Tax Refunding Bonds, Series 1998. The Current Interest Bonds will mature on each February 15, in the years 2000 through 2008 and on each February 15 in the years 2011 through 2014. The Premium Capital Appreciation Bonds will mature February 15, 2009 and February 15, 2010.

The District issued refunding bonds, Unlimited Tax Refunding Bonds, Series 2005, for the purpose of refunding the District's remaining outstanding Unlimited Tax School Building and Refunding Bonds, Series 1995 in order to construct, renovate and equip school buildings within the District and to pay costs associated with the issuance of the bonds. The bonds are issued as \$31,745,480 Unlimited Tax Refunding Bonds, Series 2005. The Current Interest Bonds will mature on each February 15, in the years 2010 through 2030. The Premium Capital Appreciation Bonds matured on February 15, 2009.

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2009.

The 1998 and 2005 capital appreciation bonds are discounted bonds with payment of all principal and interest at maturity. These bonds are included in the financial statements at their discounted value. The 1998 bonds are included as bonds payable of \$105,889 and amortized discount of \$652,244. The amortized discount is included as other long term debt in the financial statements. The District also received \$1,593,592 as a premium on the 2005 bond issuance. This is also reported with other long term debt and will be amortized over the life of the bonds utilizing a method that approximates the percentage of principal reductions made during the year. During the year ended August 31, 2009, the District recognized amortization expense on the bond discount of \$18,849.



## BROWNWOOD INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements

August 31, 2009

### NOTE 8: Pension Plan Obligations

#### Plan description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C, Chapters 802 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

#### Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2009, 2008 and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.00% for fiscal year 2007. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2009, 2008 and 2007 were \$779,771, \$790,973, and \$829,142, respectively. The District paid additional state contributions for the years ended August 31, 2009, 2008 and 2007 in the amount of \$391,311, \$345,741, and \$310,315, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

### NOTE 9: Retiree Health Plan

#### Plan description

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

#### Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. 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, 2009, 2008 and 2007, the State's contributions to the TRS-Care were \$177,976, \$171,861, and \$177,327, respectively, the active member contributions were \$115,684, \$111,710, and \$115,263, respectively, and the District's contributions were \$97,887, \$94,524, and \$97,530, respectively, which equaled the required contributions each year.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 10: Medicare Part D On-Behalf Payments**

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. These on-behalf payments have been recognized as equal revenues and expenditures by the District. For the years ended August 31, 2009, 2008 and 2007, Medicare Part D on-behalf payments of \$43,025, \$41,012, and \$38,852, respectively, were recognized in the General Fund as revenues and expenditures.

**NOTE 11: Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, 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.

**NOTE 12: Health Care Coverage**

During the year ended August 31, 2009, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77<sup>th</sup> Texas Legislature. The program is administered by the Teacher Retirement System of Texas, with Blue Cross Blue Shield of Texas as the health plan administrator and Merck-Medco Managed Care as the pharmacy benefits manager. The District contributes \$225 per month per active employee to the plan, of which \$150 is paid by the District and \$75 is paid by the State. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS-ActiveCare.

**NOTE 13: Contingencies**

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in state and federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2009, 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 statement for such contingencies.

**NOTE 14: Accumulated Unpaid Sick Leave Benefits**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 15: Deferred Revenue**

Deferred revenue in the fund financial statements at August 31, 2009 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net tax revenue	\$ 825,395	\$	\$ 184,015	\$ 1,009,410
Athletic revenue	47,206			47,206
Local special revenue		8,001		8,001
Miscellaneous	89,854		32,000	121,854
	<u>\$ 962,455</u>	<u>\$ 8,001</u>	<u>\$ 216,015</u>	<u>\$ 1,186,471</u>

**NOTE 16: Revenues from Local and Intermediate Sources**

For the year ended August 31, 2009, revenues from local and intermediate sources for governmental fund types consisted of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property taxes	\$ 10,908,768	\$	\$	\$ 2,409,377	\$ 13,318,145
Athletic activities	140,315				140,315
Tuition and fees	4,769				4,769
Food service			329,162		329,162
Investment income	74,407	1,121	2,026	3,300	80,854
Revenues from foundations, other non-profit organizations, gifts and bequests	3,000		16,067		19,067
Penalties, interest and other tax-related income	144,645			25,729	170,374
Other	138,307		83		138,390
Total	<u>\$ 11,414,211</u>	<u>\$ 1,121</u>	<u>\$ 347,338</u>	<u>\$ 2,438,406</u>	<u>\$ 14,201,076</u>

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2009

**NOTE 17: General Fund Federal Source Revenues**

Revenues from federal sources, which are reported in the General Fund, consist of:

<u>Program or Source</u>	<u>CFDA Number</u>		<u>Amount</u>
Medicaid reimbursement	93.778	\$	216,236
Federal in lieu of taxes	N/A		6,774
Indirect costs:			
Title I, Part A	84.010A		9,061
IDEA-B Formula	84.027		9,713
IDEA-B Preschool	84.173		519
Career and Technical - Basic Grant	84.048		886
Title II, Part A	84.367A		4,377
		\$	<u>247,566</u>

**NOTE 18: Designation and Reservation of Fund Balances**

Unreserved and undesignated fund equity for governmental funds indicates available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Board resolution for specific purposes and are therefore not available for general expenditures. Reserved fund balance is that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes. As of August 31, 2009, Special Revenue Fund reserves total \$143,384 for food service.

**NOTE 19: Insurance Recovery**

During the year ended August 31, 2009, the District received insurance proceeds amounting to \$1,479,628 as a recovery for damages incurred during a hail storm. The proceeds were used to repair damaged roofs of the buildings of the District. The repairs were expensed during the current year.

**REQUIRED SUPPLEMENTARY INFORMATION**

EXHIBIT G-1

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 11,411,162	\$ 11,407,000	\$ 11,414,211	\$ 7,211
5800	State Program Revenues	13,145,527	13,420,600	13,143,548	(277,052)
5900	Federal Program Revenues	119,000	244,500	247,566	3,066
5020	Total Revenues	24,675,689	25,072,100	24,805,325	(266,775)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	14,468,678	14,196,000	14,398,910	(202,910)
0012	Instructional Resources and Media Services	346,322	344,800	346,989	(2,189)
0013	Curriculum and Instructional Staff Development	176,928	159,820	156,445	3,375
0021	Instructional Leadership	174,629	203,100	204,819	(1,719)
0023	School Leadership	1,262,889	1,301,645	1,306,845	(5,200)
0031	Guidance, Counseling and Evaluation Services	944,778	921,650	927,391	(5,741)
0032	Social Work Services	67,950	67,288	68,021	(733)
0033	Health Services	180,318	164,584	166,344	(1,760)
0034	Student (Pupil) Transportation	406,263	465,000	350,649	114,351
0035	Food Services	32,074	23,175	23,175	-
0036	Extracurricular Activities	1,187,701	1,159,500	1,250,162	(90,662)
0041	General Administration	645,662	645,700	642,710	2,990
0051	Facilities Maintenance and Operations	3,512,215	3,350,000	3,312,842	37,158
0052	Security and Monitoring Services	136,930	138,900	138,278	622
0053	Data Processing Services	581,352	593,000	599,815	(6,815)
Capital Outlay:					
0081	Facilities Acquisition and Construction	185,000	5,101,495	5,101,495	-
Intergovernmental:					
0099	Other Intergovernmental Charges	366,000	373,468	373,734	(266)
6030	Total Expenditures	24,675,689	29,209,125	29,368,624	(159,499)
1100	Excess (Deficiency) of Revenues Over Expenditures	-	(4,137,025)	(4,563,299)	(426,274)
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	-	23,560	23,560
7080	Total Other Financing Sources (Uses)	-	-	23,560	23,560
<b>EXTRAORDINARY ITEMS:</b>					
7919	Extraordinary Item - Resource	-	1,725,744	1,479,628	(246,116)
1200	Net Change in Fund Balances	-	(2,411,281)	(3,060,111)	(648,830)
0100	Fund Balance - September 1 (Beginning)	7,256,300	7,256,300	7,256,300	-
3000	Fund Balance - August 31 (Ending)	\$ 7,256,300	\$ 4,845,019	\$ 4,196,189	\$ (648,830)

**OTHER SUPPLEMENTARY INFORMATION**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1210	Property Taxes - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	-	84,856	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 84,856</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	84,856	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>84,856</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 84,856</u>	<u>\$ -</u>	<u>\$ -</u>



240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant	255 ESEA II.A Training and Recruiting	262 Title II, D Education Technology	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	283 IDEA, Pt. B ARRA Formula
\$ 162,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
32,324	32,287	14,214	14,309	-	-	-	24,955
<u>\$ 194,690</u>	<u>\$ 32,287</u>	<u>\$ 14,214</u>	<u>\$ 14,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,955</u>
\$ 51,306	\$ 2,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	30,085	14,214	14,309	-	-	-	24,955
-	-	-	-	-	-	-	-
51,306	32,287	14,214	14,309	-	-	-	24,955
143,384	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
143,384	-	-	-	-	-	-	-
<u>\$ 194,690</u>	<u>\$ 32,287</u>	<u>\$ 14,214</u>	<u>\$ 14,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,955</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2009

Data Control Codes	285 ESEA I,A Improving Basic Program	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 574	\$ -	\$ -
1210	Property Taxes - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	85,260	-	13,471	8,531
1000	Total Assets	<u>\$ 85,260</u>	<u>\$ 574</u>	<u>\$ 13,471</u>	<u>\$ 8,531</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ 76,171	\$ -	\$ -	\$ -
2170	Due to Other Funds	9,089	-	13,471	8,531
2300	Deferred Revenues	-	574	-	-
2000	Total Liabilities	<u>85,260</u>	<u>574</u>	<u>13,471</u>	<u>8,531</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 85,260</u>	<u>\$ 574</u>	<u>\$ 13,471</u>	<u>\$ 8,531</u>

411 Technology Allotment	415 Kindergarten and Pre-K Grants	426 Texas Educator Excellence	428 High School Allotment	429 Other State Special Revenue Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund
\$ 10,246	\$ -	\$ -	\$ -	\$ -	\$ 7,427	\$ 180,613	\$ 5,644
-	-	-	-	-	-	-	92,409
-	-	-	-	-	-	-	158,406
-	-	-	-	-	-	-	(67,720)
3,298	-	15,982	-	12,297	-	341,784	7,015
<u>\$ 13,544</u>	<u>\$ -</u>	<u>\$ 15,982</u>	<u>\$ -</u>	<u>\$ 12,297</u>	<u>\$ 7,427</u>	<u>\$ 522,397</u>	<u>\$ 195,754</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,679	\$ -
-	-	15,982	-	12,297	-	227,789	23,017
-	-	-	-	-	7,427	8,001	216,015
-	-	15,982	-	12,297	7,427	365,469	239,032
-	-	-	-	-	-	143,384	-
13,544	-	-	-	-	-	13,544	(43,278)
<u>13,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,928</u>	<u>(43,278)</u>
<u>\$ 13,544</u>	<u>\$ -</u>	<u>\$ 15,982</u>	<u>\$ -</u>	<u>\$ 12,297</u>	<u>\$ 7,427</u>	<u>\$ 522,397</u>	<u>\$ 195,754</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2009

EXHIBIT H-1

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110	Cash and Cash Equivalents	\$ 186,257
1210	Property Taxes - Current	92,409
1220	Property Taxes - Delinquent	158,406
1230	Allowance for Uncollectible Taxes (Credit)	(67,720)
1240	Due from Other Governments	348,799
1000	Total Assets	<u>\$ 718,151</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110	Accounts Payable	\$ 129,679
2170	Due to Other Funds	250,806
2300	Deferred Revenues	224,016
2000	Total Liabilities	<u>604,501</u>
Fund Balances:		
Reserved For:		
3450	Food Service	143,384
Unreserved and Undesignated:		
3610	Reported in Special Revenue Funds	(29,734)
3000	Total Fund Balances	<u>113,650</u>
4000	Total Liabilities and Fund Balances	<u>\$ 718,151</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I. A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	20,908	1,783,456	613,153	32,836
5020 Total Revenues	<u>20,908</u>	<u>1,783,456</u>	<u>613,153</u>	<u>32,836</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	20,074	1,267,763	613,153	32,836
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	834	51,194	-	-
0021 Instructional Leadership	-	107,076	-	-
0023 School Leadership	-	67,612	-	-
0031 Guidance, Counseling and Evaluation Services	-	27,028	-	-
0032 Social Work Services	-	143,746	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	31,114	-	-
0035 Food Services	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	87,923	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>20,908</u>	<u>1,783,456</u>	<u>613,153</u>	<u>32,836</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	283 IDEA, Pt. B ARRA Formula
\$ 331,180	\$ 91	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,805	-	-	-	-	-	-	-
1,299,818	47,451	64,450	282,548	14,156	174,158	25,953	24,955
1,642,803	47,542	64,450	282,548	14,156	174,158	25,953	24,955
-	-	56,406	215,950	14,156	174,158	-	24,955
-	-	8,044	66,598	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	25,953	-
-	-	-	-	-	-	-	-
1,632,309	47,542	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,632,309	47,542	64,450	282,548	14,156	174,158	25,953	24,955
10,494	-	-	-	-	-	-	-
1,500	-	-	-	-	-	-	-
1,500	-	-	-	-	-	-	-
11,994	-	-	-	-	-	-	-
131,390	-	-	-	-	-	-	-
\$ 143,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	285 ESEA I,A Improving Basic Program	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	1,720	13,471	51,836
5900 Federal Program Revenues	85,260	-	-	-
5020 Total Revenues	<u>85,260</u>	<u>1,720</u>	<u>13,471</u>	<u>51,836</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	77,944	-	13,471	51,836
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	212	1,720	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	7,104	-	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>85,260</u>	<u>1,720</u>	<u>13,471</u>	<u>51,836</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	415 Kindergarten and Pre-K Grants	426 Texas Educator Excellence	428 High School Allotment	429 Other State Special Revenue Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,067	\$ 347,338	\$ 2,438,406
94,253	258,840	246,510	228,207	61,343	-	967,985	371,134
-	-	-	-	-	-	4,469,102	-
<u>94,253</u>	<u>258,840</u>	<u>246,510</u>	<u>228,207</u>	<u>61,343</u>	<u>16,067</u>	<u>5,784,425</u>	<u>2,809,540</u>
80,709	258,840	211,581	228,207	55,080	10,000	3,407,119	-
-	-	2,089	-	-	-	2,089	-
-	-	-	-	6,263	-	134,865	-
-	-	-	-	-	-	107,076	-
-	-	10,179	-	-	-	77,791	-
-	-	12,950	-	-	-	39,978	-
-	-	1,554	-	-	310	145,610	-
-	-	1,197	-	-	5,757	32,907	-
-	-	-	-	-	-	31,114	-
-	-	3,280	-	-	-	1,683,131	-
-	-	2,949	-	-	-	2,949	-
-	-	731	-	-	-	95,758	-
-	-	-	-	-	-	-	499,581
-	-	-	-	-	-	-	2,442,957
-	-	-	-	-	-	-	1,431
-	-	-	-	-	-	-	-
<u>80,709</u>	<u>258,840</u>	<u>246,510</u>	<u>228,207</u>	<u>61,343</u>	<u>16,067</u>	<u>5,760,387</u>	<u>2,943,969</u>
<u>13,544</u>	-	-	-	-	-	<u>24,038</u>	<u>(134,429)</u>
-	-	-	-	-	-	1,500	-
-	-	-	-	-	-	1,500	-
<u>13,544</u>	-	-	-	-	-	<u>25,538</u>	<u>(134,429)</u>
-	-	-	-	-	-	131,390	91,151
<u>\$ 13,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,928</u>	<u>\$ (43,278)</u>



BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	699 Capital Projects Fund	Total Nonmajor Governmental Funds	
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 1,121	\$ 2,786,865
5800	State Program Revenues	-	1,339,119
5900	Federal Program Revenues	-	4,469,102
5020	Total Revenues	<u>1,121</u>	<u>8,595,086</u>
EXPENDITURES:			
Current:			
0011	Instruction	-	3,407,119
0012	Instructional Resources and Media Services	-	2,089
0013	Curriculum and Instructional Staff Development	-	134,865
0021	Instructional Leadership	-	107,076
0023	School Leadership	-	77,791
0031	Guidance, Counseling and Evaluation Services	-	39,978
0032	Social Work Services	-	145,610
0033	Health Services	-	32,907
0034	Student (Pupil) Transportation	-	31,114
0035	Food Services	-	1,683,131
0051	Facilities Maintenance and Operations	-	2,949
0053	Data Processing Services	-	95,758
Debt Service:			
0071	Debt Service - Principal on Long Term Debt	-	499,581
0072	Debt Service - Interest on Long Term Debt	-	2,442,957
0073	Debt Service - Bond Issuance Cost and Fees	-	1,431
Capital Outlay:			
0081	Facilities Acquisition and Construction	<u>282,364</u>	<u>282,364</u>
6030	Total Expenditures	<u>282,364</u>	<u>8,986,720</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(281,243)</u>	<u>(391,634)</u>
OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	-	1,500
7080	Total Other Financing Sources (Uses)	-	1,500
1200	Net Change in Fund Balance	(281,243)	(390,134)
0100	Fund Balance - September 1 (Beginning)	<u>281,243</u>	<u>503,784</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 113,650</u>

## **REQUIRED TEA SCHEDULES**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2009

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	\$ 1.350600	\$ 0.180000	\$ 783,053,261
2001	1.490600	0.080000	830,559,775
2002	1.480000	0.110000	849,747,835
2003	1.480000	0.124500	878,421,652
2004	1.490000	0.114500	973,999,668
2005	1.490000	0.114500	991,691,675
2006	1.460000	0.287500	1,054,012,539
2007	1.334500	0.262500	1,169,036,913
2008	1.040000	0.230700	1,232,131,680
2009 (School year under audit)	1.040000	0.230700	1,329,771,952
100 TOTALS			

(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
\$ 241,036	\$ -	\$ 6,473	\$ 1,432	\$ (7,009)	\$ 226,122
35,675	-	3,253	175	(744)	31,503
43,849	-	3,679	273	(1,203)	38,694
73,003	-	6,639	559	(1,539)	64,266
57,164	-	9,841	756	(2,062)	44,505
77,912	-	14,889	1,144	(1,939)	59,940
112,454	-	19,179	3,777	(3,362)	86,136
188,635	-	37,434	7,363	(3,784)	140,054
299,980	-	88,530	19,638	(10,528)	181,284
-	13,619,065	10,699,792	2,373,502	(36,782)	508,989
<u>\$ 1,129,708</u>	<u>\$ 13,619,065</u>	<u>\$ 10,889,709</u>	<u>\$ 2,408,619</u>	<u>\$ (68,952)</u>	<u>\$ 1,381,493</u>

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011  
GENERAL AND SPECIAL REVENUE FUNDS  
AUGUST 31, 2009**

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 222,115	\$ 327,893	\$ -	\$ -	\$ 550,008
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	15,631	-	-	-	15,631
6212	Audit Services	-	-	-	18,500	-	-	18,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	373,734	-	-	-	-	373,734
621X	Other Professional Services	-	-	3,402	-	-	-	3,402
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	1,000	40,409	-	-	41,409
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	15,151	-	-	15,151
6290	Miscellaneous Contr.	-	-	2,380	3,500	-	-	5,880
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	951	-	8,154	18,213	-	-	27,318
6410	Travel, Subsistence, Stipends	9,728	-	13,114	9,186	-	-	32,028
6420	Ins. and Bonding Costs	-	-	6,047	10,064	-	-	16,111
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	7,008	-	32,966	9,581	-	-	49,555
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 17,687</b>	<b>\$ 373,734</b>	<b>\$ 304,809</b>	<b>\$ 452,497</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,148,727</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 35,129,011

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 5,309,216
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 3,262,921
Food (Function 35, 6341 and 6499)	(13) 736,111
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	452,497

SubTotal: 9,760,745

Net Allowed Direct Cost \$ 25,368,266

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 71,945,062
Historical Cost of Building over 50 years old	(16) \$ 5,217,682
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 4,310,290
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 265,693
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$132,283 in Function 53 expenditures are included in this report on administrative costs.  
\$373,734 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2009

**UNAUDITED**

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 4,196,191
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	796,191	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	3,250,000	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>4,046,191</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ 150,000</u>

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

Excess funds are need to satisfy future cash requirements of the District.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT J-4

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 363,000	\$ 339,852	\$ 331,180	\$ (8,672)
5800	State Program Revenues	12,000	11,805	11,805	-
5900	Federal Program Revenues	1,180,460	1,279,145	1,299,818	20,673
5020	Total Revenues	1,555,460	1,630,802	1,642,803	12,001
<b>EXPENDITURES:</b>					
0035	Food Services	1,555,460	1,627,915	1,632,309	(4,394)
6030	Total Expenditures	1,555,460	1,627,915	1,632,309	(4,394)
1100	Excess (Deficiency) of Revenues Over Expenditures	-	2,887	10,494	7,607
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	-	1,500	1,500
7080	Total Other Financing Sources (Uses)	-	-	1,500	1,500
1200	Net Change in Fund Balances	-	2,887	11,994	9,107
0100	Fund Balance - September 1 (Beginning)	131,390	131,390	131,390	-
3000	Fund Balance - August 31 (Ending)	\$ 131,390	\$ 134,277	\$ 143,384	\$ 9,107

BROWNWOOD INDEPENDENT SCHOOL DISTRICT /  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT J-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,470,575	\$ 2,436,066	\$ 2,438,406	\$ 2,340
5800	State Program Revenues	325,000	403,134	371,134	(32,000)
5020	Total Revenues	2,795,575	2,839,200	2,809,540	(29,660)
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	2,946,040	499,581	499,581	-
0072	Debt Service - Interest on Long Term Debt	-	2,442,957	2,442,957	-
0073	Debt Service - Bond Issuance Cost and Fees	-	1,431	1,431	-
6030	Total Expenditures	2,946,040	2,943,969	2,943,969	-
1200	Net Change in Fund Balances	(150,465)	(104,769)	(134,429)	(29,660)
0100	Fund Balance - September 1 (Beginning)	91,151	91,151	91,151	-
3000	Fund Balance - August 31 (Ending)	\$ (59,314)	\$ (13,618)	\$ (43,278)	\$ (29,660)



**FEDERAL AWARDS SECTION**

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of School Trustees of the  
**Brownwood Independent School District:**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Brownwood Independent School District** (the "District"), as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect material misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the District in a separate letter dated December 7, 2009.

This report is intended solely for the information and use of management and the Texas Education Agency and is not intended to be and should not be used by anyone other than these specified parties.

*Davis Kinard & Co, PC*  
DAVIS KINARD & CO, PC

Abilene, Texas  
December 7, 2009

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

To the Board of School Trustees of the  
**Brownwood Independent School District:**

Compliance

We have audited the compliance of **Brownwood Independent School District** ("District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Internal Control Over Compliance - continued

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

This report is intended solely for the information and use of management and the Texas Education Agency and is not intended to be and should not be used by anyone other than these specified parties.

*Davis Kinard & Co, PC*

DAVIS KINARD & CO, PC

Abilene, Texas  
December 7, 2009

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 Year Ended August 31, 2009

**A. Summary of Auditor's Results**

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No significant deficiencies or material weaknesses required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies or material weaknesses required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:
 

ESEA Title I, Part A Cluster	
ESEA, Title I, Part A – Improving Basic Programs	CFDA #84.010A
ESEA, Title I, Part A – ARRA – Improving Basic Programs	CFDA #84.389
IDEA-B Cluster	
IDEA – Part B, Formula	CFDA #84.027
IDEA – Part B, Preschool	CFDA #84.173
IDEA, Part B, Formula – ARRA	CFDA #84.391
Title II, Part A	CFDA #84.367A
ESEA, Title VI, Part B – Rural & Low Income Program	CFDA #84.358B
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: Yes

**B. Findings Required to be Reported in Accordance with *Government Auditing Standards***

None

**C. Findings and Questioned Costs Related to Major Federal Award Programs**

None

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
Schedule of Status of Prior Year Findings  
Year Ended August 31, 2009

Status of Prior Year's Finding/Noncompliance

None

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs *	84.010A	09610101025902	\$ 1,707,662
ESEA, Title I, Part A - Improving Basic Programs *	84.010A	10610101025902	84,856
Total CFDA Number 84.010A			<u>1,792,518</u>
IDEA - Part B, Formula **	84.027	096600040259026604	622,866
Career and Technical - Basic Grant	84.048	09420006025902	56,798
Career and Technical - Basic Grant	84.048	10420006025902	8,538
Total CFDA Number 84.048			<u>65,336</u>
IDEA - Part B Preschool **	84.173	096610010259026610	33,355
ESEA, Title IV - Safe & Drug-Free Schools	84.186A	09691001025902	20,908
Title II, Part D - Enhancing Ed. Through Technology	84.318X	09630001025902	14,156
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	09696001025902	174,158
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	09694501025902	272,616
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	10694501025902	14,309
Total CFDA Number 84.367A			<u>286,925</u>
ARRA - ESEA Title I, A - Improving Basic Programs *	84.389	10610101025902	85,260
ARRA - IDEA, Part B, Formula **	84.391	10660006025902	24,955
Total passed through Texas Education Agency			<u>3,120,437</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<u>3,120,437</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through Texas Education Agency			
School Breakfast Program ***	10.553	09140501	355,828
National School Lunch Program ***	10.555	09130501	860,871
Summer Food Service Program for Children ***	10.559	0911005	47,451
Total passed through Texas Education Agency			<u>1,264,150</u>
Passed through San Angelo Packing Co:			
Commodity Supplemental Food Program	10.565		83,118
Total passed through San Angelo Packing Co.			<u>83,118</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>1,347,268</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,467,705</u>

\* Clustered Programs as required by OMB A-133 Compliance Supplement, Addendum #1, June, 2009

\*\* Clustered Programs as required by OMB A-133 Compliance Supplement, Addendum #1, June, 2009

\*\*\* Clustered Programs as required by OMB A-133 Compliance Supplement, March, 2009

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
Notes to the Schedule of Expenditures of Federal Awards  
August 31, 2009

**NOTE 1:** The District utilizes the fund types specified in the Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

**NOTE 2:** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Government Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund Type.

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

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

**NOTE 4:** Medicaid revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-3 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures of Federal Awards	\$	4,467,705
Medicaid Reimbursements		242,189
Federal-Miscellaneous		<u>6,774</u>
Total Federal Program Revenues-Exhibit C-3	\$	<u>4,716,668</u>