

**BROWNWOOD INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2014

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014**

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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, 2014, at a meeting of the Board of Trustees of such school district on the _____ day of January, 2015.

Signature of Board Secretary

Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Brownwood Independent School District

Report on Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Brownwood Independent School District as of August 31, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the 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, Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. Exhibit J-3, The Fund Balance and Cash Flow Calculation Worksheet, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and in considering Brownwood Independent School District's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 16, 2015

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, 2014.

FUND STATEMENT FINANCIAL HIGHLIGHTS

- The District's total combined governmental fund balances at August 31, 2014 were \$5,128,267, compared to \$5,332,740 at August 31, 2013.
- During the year, the District's revenues of \$34,289,466 generated from taxes, state funding, and other revenues for governmental activities, were \$204,473 less than the \$34,493,939 in expenditures. The general fund revenues and other financial resources were less than expenditures by \$9,996. The debt service fund revenues were more than expenditures by \$29,668. All other governmental fund revenues were less than their corresponding expenditures by \$224,145.
- The total cost of the District's programs increased approximately 6% versus the prior year, due to increase in Foundation and tax revenue in 2014 versus 2013. The District's revenues increased approximately 5% primarily due to an increase in state and tax revenues.
- In the general fund, the resources available for appropriation, including extraordinary items, were approximately \$216,083 less than originally budgeted. The district received approximately \$78,944 over budget in miscellaneous revenue which included the \$52,439 in laptop user fees. The district also received \$9,001 under budget in SHARS revenue. Expenditures were \$529,888 less than the original budget due to 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.

Major Features of the District's Government-wide and Fund Financial Statements			
<i>Type of Statement</i>	Government-wide	Governmental Funds	Fiduciary Funds
<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 position	Balance sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues expenditures & changes in fund balances	Statement of changes in fiduciary net position
		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 position 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 position and how they have changed. Net position, 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 position 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 position. 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**

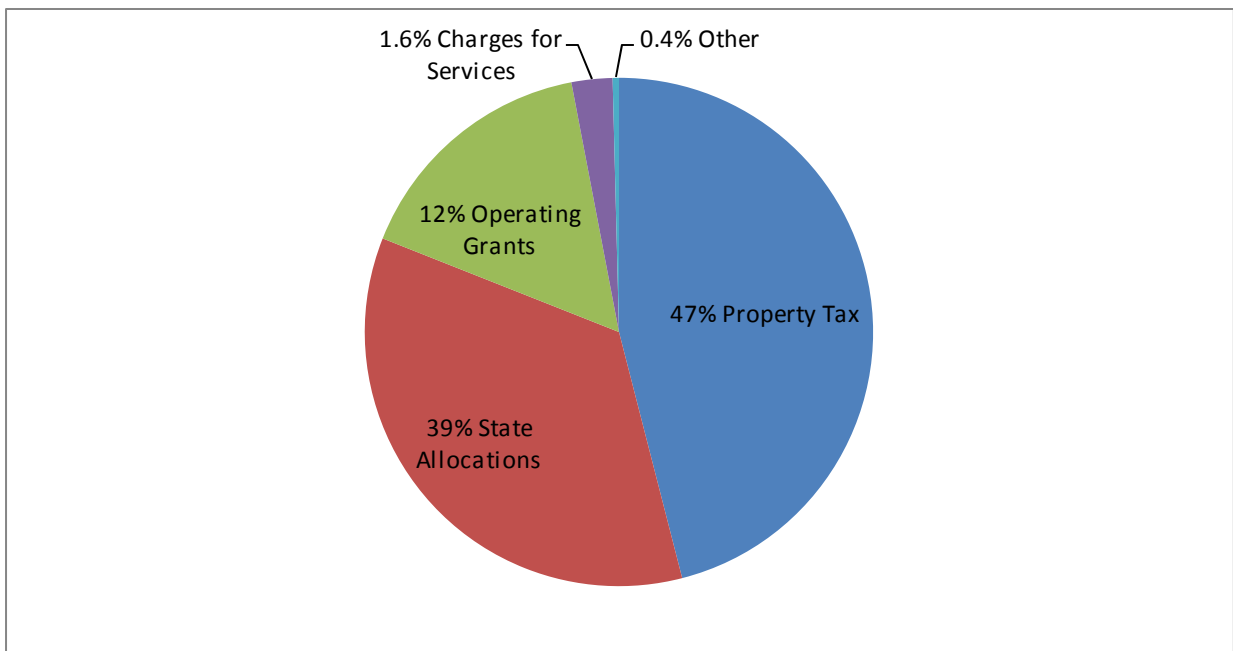
Net position. The District's combined net position were \$19,391,514 at August 31, 2014.

	Governmental Activities	
	2014	2013
Current Assets	\$ 7,174,222	\$ 6,729,236
Capital Assets	43,696,311	44,839,924
Restricted Assets	490,706	586,708
Total Assets	51,361,239	52,155,868
Current Liabilities	1,817,815	1,239,776
Long-Term Liabilities	30,151,910	31,838,936
Total Liabilities	31,969,725	33,078,712
Net investment in Capital Assets	13,544,401	13,000,988
Restricted for Federal and State Programs	59,847	283,992
Restricted for Debt Service	350,123	320,485
Restricted Other	293,579	0
Unrestricted	5,143,534	5,471,691
Total Net Position	\$ 19,391,514	\$ 19,077,156

During the year, net position of the District's governmental activities increased by \$314,358 to \$19,391,514. Unrestricted net position was \$5,143,534 at the end of this year; this amount reflects approximately 1.5 months of operating expenses for the District.

Changes in net position. The District's total fiscal year 2014 revenues, including extraordinary items, were \$34,261,945 at August 31, 2014. Approximately 47% of the District's revenue came from property taxes, 39% 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 2014").

Sources of Revenue for Fiscal Year 2014



The total cost of all programs and services was \$33,947,587 of which 55% 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

	Governmental Activities	
	2014	2013
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 833,964	\$ 843,101
Local Operating Grants	306,828	14,253
State Operating Grants	1,503,059	1,281,603
Federal Grants	4,070,585	3,985,823
<u>General Revenues</u>		
Property Taxes	15,365,291	14,643,598
State Aid-Formula Grants	12,085,679	11,262,940
Other Non-restricted Grants & Contributions	7,223	14,253
Other	89,316	75,365
Total Revenues	34,261,945	32,120,396
Expenses		
Instruction	18,679,006	18,163,974
Extracurricular Activities	1,155,193	1,070,626
General Administration	839,287	737,472
Facilities Maintenance and Operations	3,222,725	3,167,417
School Leadership	1,628,680	1,566,786
Food Services	2,162,191	1,889,252
Guidance Counseling, and Evaluation Services	1,242,545	1,163,476
Interest on Long Term Debt	1,430,710	1,637,494
Other Functions	3,587,250	3,529,718
Total Expenses	33,947,587	32,926,215
Decrease in Net Position	314,358	(805,279)
Beginning Net Position	19,077,156	19,882,435
Ending Net Position	\$ 19,391,514	\$ 19,077,156

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 2014 was \$33,947,587 compared to \$32,926,215 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$15,365,291 for the 2014 year and \$14,643,598 for the 2013 year.

	Total Cost of Services	Program Revenues	Net Cost
Instruction	\$ 18,679,006	\$ 3,193,067	\$ (15,485,939)
Facilities Maintenance/Ops	3,222,725	89,739	(3,132,986)
Food Services	2,162,191	1,863,890	(298,301)
Debt Service	1,430,710	16,598	(1,414,112)
School Leadership	1,628,680	76,160	(1,552,520)
Extracurricular	1,155,193	440,511	(714,682)
Counseling	1,242,545	386,874	(855,671)
General Administrative	839,287	27,832	(811,455)
Other Programs	3,587,250	619,765	(2,967,485)
Total	\$ 33,947,587	\$ 6,714,436	\$ (27,233,151)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$34,289,466. Local revenues increased \$844,219 from the prior year, primarily due to the increase in tax collections. State revenue increased \$1,067,524 due to a increase due to district is no longer a target revenue district. Federal revenue increased \$45,104 due to changes in federal grant calculations.

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 continuing to reflect a balanced budget; however, the actual decrease of revenue over expenditures was \$9,996 at August 31, 2014.

- Local funding increased \$448,265 from the original budget, state revenue increased \$101,002 from the original budget, and federal revenue decreased \$22,889 from the original budget.
- The final amended budget reflected an excess of expenditures over revenues and other financial resources of \$755,367 primarily due to board approved capital asset projects.

In the District's child nutrition program, the final amended budget reflected a balanced budget. Actual results included an excess of expenditures over revenues of \$224,145, due to upfront payment to begin contracted food service program.

In the District's debt service fund, there was an actual increase of revenues over expenditures of \$29,668 versus the original balanced budget. The increase was caused primarily by a increase in the existing debt allotment allocation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had invested \$82,266,768 in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation on these assets was \$38,570,457 at year-end. The above included current-year capital asset additions of \$715,886 and associated accumulated depreciation of \$1,878,012.

	Governmental Activities	
	2014	2013
Land	\$ 333,870	\$ 305,596
Construction in Progress	63,363	73,124
Buildings and Improvements	75,760,116	75,229,343
Furniture and Equipment	6,109,419	5,924,306
Totals at Historical Costs	82,266,768	81,532,364
Less Accumulated Depreciation for:		
Buildings and Improvements	(33,585,844)	(32,047,149)
Furniture and Equipment	(4,984,613)	(4,645,296)
Total Accumulated Depreciation	(38,570,457)	(36,692,445)
Net Capital Assets (Net)	\$ 43,696,311	\$ 44,839,924

Long-Term Debt

	Governmental Activities	
	2014	2013
Bonds Payable:		
Unlimited Tax Refunding Bonds Series 1998	\$ 0	\$ 1,000,000
Unlimited Tax Refunding Bonds Series 2005	28,765,000	29,355,000
Total Bonds Payable	\$ 28,765,000	\$ 30,355,000

At year-end the District had \$28,765,000 in bonds outstanding which represents a decrease of \$1,590,000 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 Brownwood ISD Business Manager at 325-643-5644.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,184,750
1120 Investments - Current	5,150,271
1210 Property Taxes Receivable - Current	333,157
1220 Property Taxes Receivable (Delinquent)	672,260
1230 Allowance for Uncollectible Taxes	(221,192)
1240 Due from Other Governments	54,976
Capital Assets:	
1510 Land	333,870
1520 Buildings, Net	42,174,272
1530 Furniture and Equipment, Net	1,124,806
1580 Construction in Progress	63,363
1800 Restricted Assets	<u>490,706</u>
1000 Total Assets	<u>51,361,239</u>
DEFERRED OUTFLOWS OF RESOURCES	
1700 Deferred Outflows	<u>-</u>
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
2110 Accounts Payable	218,892
2140 Interest Payable	65,379
2160 Accrued Wages Payable	768,599
2180 Due to Other Governments	48,600
2300 Unearned Revenues	716,345
Noncurrent Liabilities	
2501 Due Within One Year	1,241,682
2502 Due in More Than One Year	<u>28,910,228</u>
2000 Total Liabilities	<u>31,969,725</u>
DEFERRED INFLOWS OF RESOURCES	
2600 Deferred Inflows	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
3200 Net Investment in Capital Assets	13,544,401
3820 Restricted for Federal Programs	59,847
3850 Restricted for Debt Service	350,153
3890 Restricted - Other	293,579
3900 Unrestricted Net Position	<u>5,143,534</u>
3000 Total Net Position	<u>\$ 19,391,514</u>

The accompanying notes are an integral part of this statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 18,679,006	\$ 376,152	\$ 2,816,915
12	Instructional Resources and Media Services	388,102	-	13,697
13	Curriculum and Instructional Staff Development	183,658	-	102,856
21	Instructional Leadership	438,734	-	184,984
23	School Leadership	1,628,680	-	76,160
31	Guidance, Counseling, and Evaluation Services	1,242,545	-	386,874
32	Social Work Services	212,915	-	144,967
33	Health Services	269,636	-	40,351
34	Student Transportation	819,426	-	-
35	Food Services	2,162,191	329,553	1,534,337
36	Extracurricular Activities	1,155,193	114,156	26,355
41	General Administration	839,287	-	27,832
51	Facilities Maintenance and Operations	3,222,725	14,103	75,636
52	Security and Monitoring Services	82,307	-	1,040
53	Data Processing Services	759,650	-	131,870
72	Debt Service - Interest on Long Term Debt	1,430,710	-	16,598
73	Debt Service - Bond Issuance Costs and Fees	431	-	-
99	Other Intergovernmental Charges	432,391	-	-
TG	Total Governmental Activities	<u>33,947,587</u>	<u>833,964</u>	<u>5,580,472</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 33,947,587</u>	<u>\$ 833,964</u>	<u>\$ 5,580,472</u>
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
SF	State Aid - Formula Grants			
GC	Grants and Contributions not Restricted			
IE	Investment Earnings			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

		Net (Expense) Revenue and Changes in Net Position	
5	6		
Capital Grants and Contributions	Primary Gov. Governmental Activities	Total	
\$ -	\$ (15,485,939)	\$	(15,485,939)
-	(374,405)		(374,405)
-	(80,802)		(80,802)
-	(253,750)		(253,750)
-	(1,552,520)		(1,552,520)
-	(855,671)		(855,671)
-	(67,948)		(67,948)
-	(229,285)		(229,285)
-	(819,426)		(819,426)
-	(298,301)		(298,301)
300,000	(714,682)		(714,682)
-	(811,455)		(811,455)
-	(3,132,986)		(3,132,986)
-	(81,267)		(81,267)
-	(627,780)		(627,780)
-	(1,414,112)		(1,414,112)
-	(431)		(431)
-	(432,391)		(432,391)
<u>300,000</u>	<u>(27,233,151)</u>		<u>(27,233,151)</u>
\$ <u>300,000</u>	<u>(27,233,151)</u>		<u>(27,233,151)</u>
	12,246,173		12,246,173
	3,119,118		3,119,118
	12,085,679		12,085,679
	7,223		7,223
	2,662		2,662
	86,654		86,654
	<u>27,547,509</u>		<u>27,547,509</u>
	314,358		314,358
	<u>19,077,156</u>		<u>19,077,156</u>
\$	<u>19,391,514</u>	\$	<u>19,391,514</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	599 Debt Service Fund
ASSETS		
1110 Cash and Cash Equivalents	\$ 1,131,307	\$ -
1120 Investments - Current	5,150,271	-
1210 Property Taxes - Current	265,565	67,592
1220 Property Taxes - Delinquent	535,871	136,389
1230 Allowance for Uncollectible Taxes (Credit)	(176,316)	(44,876)
1240 Receivables from Other Governments	-	-
1260 Due from Other Funds	16,562	-
1800 Restricted Assets	<u>-</u>	<u>398,753</u>
1000 Total Assets	<u>6,923,260</u>	<u>557,858</u>
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	<u>-</u>	<u>-</u>
1000a Total Assets and Deferred Outflows	<u>\$ 6,923,260</u>	<u>\$ 557,858</u>
LIABILITIES		
2110 Accounts Payable	\$ 145,464	\$ -
2160 Accrued Wages Payable	768,599	-
2170 Due to Other Funds	-	-
2180 Due to Other Governments	-	48,600
2300 Unearned Revenues	<u>665,810</u>	<u>-</u>
2000 Total Liabilities	<u>1,579,873</u>	<u>48,600</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	<u>625,120</u>	<u>159,105</u>
Total Deferred Inflows of Resources	<u>625,120</u>	<u>159,105</u>
FUND BALANCE		
3450 Restricted - Federal or State Funds Grant	-	-
3480 Restricted - Retirement of Long Term Debt	-	350,153
3490 Restricted - Other	293,579	-
3600 Unassigned Fund Balance	<u>4,424,688</u>	<u>-</u>
3000 Total Fund Balances	<u>4,718,267</u>	<u>350,153</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 6,923,260</u>	<u>\$ 557,858</u>

The accompanying notes are an integral part of this statement.

	Other Funds	98 Total Governmental Funds
\$	53,443	\$ 1,184,750
	-	5,150,271
	-	333,157
	-	672,260
	-	(221,192)
	54,976	54,976
	11,214	27,776
	91,953	490,706
	<u>211,586</u>	<u>7,692,704</u>
	-	-
\$	<u>211,586</u>	<u>\$ 7,692,704</u>
\$	73,428	\$ 218,892
	-	768,599
	27,776	27,776
	-	48,600
	50,535	716,345
	<u>151,739</u>	<u>1,780,212</u>
	-	784,225
	-	784,225
	59,847	59,847
	-	350,153
	-	293,579
	-	4,424,688
	<u>59,847</u>	<u>5,128,267</u>
\$	<u>211,586</u>	<u>\$ 7,692,704</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$	5,128,267
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$81,532,369 and the accumulated depreciation was \$36,692,445. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period. At the beginning of the year, total long-term debt was \$31,907,254. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		12,932,670
2 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 2014 capital outlays of \$734,399, debt principal payments of \$1,590,000 and principal payments on capital leases of \$10,344 is to increase net position.		2,334,743
3 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,878,012)
4 Governmental funds report the effect of bond proceeds, 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 premium of \$86,682 is to increase net position.		86,682
5 Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The decrease in the current year accrual is \$2,939. The net effect is to increase net position.		2,939
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable property taxes of \$784,225 and eliminating interfund receivables and payables. The net effect of these reclassifications and recognitions is to increase net position.		784,225
 19 Net Position of Governmental Activities (See A-1)	 \$	 <u><u>19,391,514</u></u>

The accompanying notes 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, 2014

Data Control Codes		10 General Fund	599 Debt Service Fund
	REVENUES		
5700	Total Local and Intermediate Sources	\$ 12,809,870	\$ 3,123,539
5800	State Program Revenues	13,332,576	16,598
5900	Federal Program Revenues	267,111	-
5020	Total Revenues	<u>26,409,557</u>	<u>3,140,137</u>
	EXPENDITURES		
	Current:		
0011	Instruction	15,401,741	-
0012	Instructional Resources and Media Services	334,190	-
0013	Curriculum and Instructional Staff Development	81,944	-
0021	Instructional Leadership	266,815	-
0023	School Leadership	1,520,234	-
0031	Guidance, Counseling, and Evaluation Services	910,516	-
0032	Social Work Services	71,703	-
0033	Health Services	239,641	-
0034	Student (Pupil) Transportation	832,715	-
0035	Food Services	33,638	-
0036	Extracurricular Activities	1,087,801	-
0041	General Administration	825,581	-
0051	Facilities Maintenance and Operations	3,073,185	-
0052	Security and Monitoring Services	82,307	-
0053	Data Processing Services	665,229	-
	Debt Service:		
0071	Principal on Long Term Debt	10,344	1,590,000
0072	Interest on Long Term Debt	293	1,520,038
0073	Bond Issuance Cost and Fees	-	431
	Capital Outlay:		
0081	Facilities Acquisition and Construction	549,285	-
	Intergovernmental:		
0099	Other Intergovernmental Charges	432,391	-
6030	Total Expenditures	<u>26,419,553</u>	<u>3,110,469</u>
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	<u>(9,996)</u>	<u>29,668</u>
1200	Net Change in Fund Balances	(9,996)	29,668
0100	Fund Balance - September 1 (Beginning)	<u>4,728,263</u>	<u>320,485</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,718,267</u>	<u>\$ 350,153</u>

The accompanying notes are an integral part of this statement.

		98
		Total
Other		Governmental
Funds		Funds
\$ 337,254	\$	16,270,663
331,933		13,681,107
<u>4,070,585</u>		<u>4,337,696</u>
<u>4,739,772</u>		<u>34,289,466</u>
2,044,174		17,445,915
-		334,190
101,714		183,658
171,919		438,734
-		1,520,234
328,429		1,238,945
141,212		212,915
29,995		269,636
-		832,715
2,055,377		2,089,015
-		1,087,801
-		825,581
-		3,073,185
-		82,307
91,097		756,326
-		1,600,344
-		1,520,331
-		431
-		549,285
-		<u>432,391</u>
<u>4,963,917</u>		<u>34,493,939</u>
<u>(224,145)</u>		<u>(204,473)</u>
(224,145)		(204,473)
<u>283,992</u>		<u>5,332,740</u>
<u>\$ 59,847</u>	\$	<u>5,128,267</u>

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ (204,473)
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 2014 capital outlays of \$734,399, debt principal payments of \$1,590,000 and principal payments on capital leases of \$10,344 is to increase net position.	2,334,743
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 position.	(1,878,012)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is \$2,939. The net effect is to increase net position.	2,939
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 premium of \$86,682 is to increase net position.	86,682
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable property taxes of \$784,225 as revenue, reversing prior year's tax collection of \$811,746, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to decrease net position.	(27,521)
Change in Net Position of Governmental Activities (See B-1)	\$ <u><u>314,358</u></u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ <u>247,915</u>
Total Assets	\$ <u><u>247,915</u></u>
LIABILITIES	
Due to Student Groups	\$ <u>247,915</u>
Total Liabilities	\$ <u><u>247,915</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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 position 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 THE FINANCIAL STATEMENTS

*Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)*

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

The government reports the following major governmental fund:

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.

The *Debt Service Fund*, a governmental fund type, accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest on long-term debt of governmental activities.

Additionally, the government reports the following fund types:

The *Special Revenue Funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

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, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION 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 THE FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION 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 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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.

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, 2014, the District's deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

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; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost that approximates market and the certificates of deposit are secured, when necessary, by the 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 THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

The fair value of investments at August 31, 2014, is shown below:

Name	Fair Value	Weighted Average Maturity (Days) *
TexPool	\$ 5,150,271	85
	\$ 5,150,271	

* 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.

Concentration of Credit Risk – The District’s investment policy is for the investment portfolio to 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.

Interest Rate Risk – The District’s investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other 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.

TexPool

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

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. TexPool is rated AAAM by Standard & Poor’s.

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, 2012, upon which the levy for the August 31, 2014, fiscal year was based, was \$1,591,586,921. 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, 2014 were 99.4% 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, 2014, property taxes receivable, net of estimated uncollectible taxes of \$221,192, totaled \$784,225.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

The tax rate to finance general governmental services was \$1.04 per \$100 for the year ended August 31, 2014, and a tax rate of \$0.2647 per \$100 was assessed to finance the payment of principal and interest on long-term obligations.

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, 2014, are summarized below.

<u>Fund</u>	<u>Federal Grants</u>	<u>Total</u>
Nonmajor funds	\$ <u>54,976</u>	\$ <u>54,976</u>
	\$ <u>54,976</u>	\$ <u>54,976</u>

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2014, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Nonmajor Governmental Funds	\$ 16,562	\$ -
Nonmajor Governmental Funds:		
General Fund	-	16,562
Other Nonmajor Governmental Funds	<u>11,214</u>	<u>11,214</u>
Totals	\$ <u>27,776</u>	\$ <u>27,776</u>

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

Capital asset activity for the year ended August 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Capital assets, Not Being Depreciated:				
Land	\$ 305,596	\$ 28,274	\$ -	\$ 333,870
Construction in Progress	73,124	63,363	(73,124)	63,363
Total Capital Assets, Not Being Depreciated	<u>378,720</u>	<u>91,637</u>	<u>(73,124)</u>	<u>397,233</u>
Capital assets, Being Depreciated				
Building and Improvements	75,229,343	530,773	-	75,760,116
Furniture and Equipment	4,903,855	185,113	1,020,451	6,109,419
Capital leases	1,020,451	-	(1,020,451)	-
Total Capital Assets, Being Depreciated	<u>81,153,649</u>	<u>715,886</u>	<u>-</u>	<u>81,869,535</u>
Less Accumulated Depreciation for:				
Building and Improvements	(32,047,149)	(1,538,695)	-	(33,585,844)
Furniture and Equipment	(3,636,484)	(327,678)	(1,020,451)	(4,984,613)
Capital leases	(1,008,812)	(11,639)	1,020,451	-
Total Accumulated Depreciation	<u>(36,692,445)</u>	<u>(1,878,012)</u>	<u>-</u>	<u>(38,570,457)</u>
Total Capital Assets, Being Depreciated (Net)	<u>44,461,204</u>	<u>(1,162,126)</u>	<u>-</u>	<u>43,299,078</u>
Total Capital Assets (Net)	<u>\$ 44,839,924</u>	<u>\$ (1,070,489)</u>	<u>\$ (73,124)</u>	<u>\$ 43,696,311</u>

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

Instruction	\$ 1,233,091
Instructional Resources and Media Services	53,912
School Leadership	108,446
Guidance, Counseling and Evaluation Services	3,600
Student (Pupil)Transportation	79,303
Food Services	101,408
Cocurricular/Extracurricular Activities	67,392
General Administration	13,706
Facilities Maintenance and Operations	213,830
Data Processing Services	3,324
Total depreciation expense - governmental activities	<u>\$ 1,878,012</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7: LONG-TERM DEBT

Bonds Payable

Bonded indebtedness of the District is reflected in the Government-Wide Statement of Net Position. 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:

	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amounts Outstanding 8/31/2013</u>	<u>Issued / Accretion</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/2014</u>
Unlimited Tax Refunding Bonds Series 1998	4.51%	\$ 4,730,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
Unlimited Tax Refunding Bonds Series 2005	5.25%	<u>31,370,000</u>	<u>29,355,000</u>	<u>-</u>	<u>590,000</u>	<u>28,765,000</u>
Total Bonds Payable		<u>\$ 36,100,000</u>	<u>\$ 30,355,000</u>	<u>\$ -</u>	<u>\$ 1,590,000</u>	<u>\$ 28,765,000</u>

<u>Description</u>	<u>Amounts Outstanding 8/31/2013</u>	<u>Issued / Accretion</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/2014</u>	<u>Due Within One Year</u>
Unamortized premium on 2005 Bonds	\$ <u>1,473,592</u>	\$ <u>-</u>	\$ <u>86,682</u>	\$ <u>1,386,910</u>	\$ <u>86,682</u>
Total Other Long-Term Debt	\$ <u>1,473,592</u>	\$ <u>-</u>	\$ <u>86,682</u>	\$ <u>1,386,910</u>	\$ <u>86,682</u>

The current portion of each bond at August 31, 2014 was as follows:

Unlimited Tax Refunding Bonds Series 2005	Due in 2015	\$ <u>1,155,000</u>
Total		\$ <u>1,155,000</u>

Debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 1,155,000	\$ 1,455,919	\$ 2,610,919
2016	1,245,000	1,392,919	2,637,919
2017	1,310,000	1,325,850	2,635,850
2018	1,380,000	1,255,238	2,635,238
2019	1,455,000	1,180,819	2,635,819
2020-2024	8,550,000	4,637,925	13,187,925
2025-2029	11,095,000	2,097,762	13,192,762
2030	<u>2,575,000</u>	<u>64,375</u>	<u>2,639,375</u>
	<u>\$ 28,765,000</u>	<u>\$ 13,410,807</u>	<u>\$ 42,175,807</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7: LONG-TERM DEBT (continued)

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 matured on 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, 2014.

The District received \$1,593,592 as a premium on the 2005 bond issuance. This is reported with other long-term debt and is being amortized over the life of the bonds utilizing the straight line method. During the year ended August 31, 2014, the District recognized amortization expense on the bond premium of \$86,682.

Capital Leases

The District leases equipment under a non-cancelable lease that is classified as a capital lease. The terms of the lease agreement include 60 monthly payments of \$967 beginning on August 1, 2009. The lease includes a bargain purchase option at the end of the lease term. A summary of changes is as follows:

	Balance 8/31/2013	Additions	Retirements	Balance 8/31/2014	Due Within One Year
Maintenance equipment	\$ 10,344	\$ -	\$ (10,344)	\$ -	\$ -
	<u>\$ 10,344</u>	<u>\$ -</u>	<u>\$ (10,344)</u>	<u>\$ -</u>	<u>\$ -</u>

There are no future minimum lease payments under capital leases as the last lease was paid off in 2014. Total interest expense on capital leases for the year ended August 31, 2013 was \$293.

The following is an analysis of the leased assets:

Computer hardware/software	\$ 948,514
Maintenance equipment	50,485
Band instruments	21,452
Historical cost of leased assets	<u>1,020,451</u>
Less accumulated depreciation	<u>(1,020,451)</u>
Net value of leased assets	<u>\$ -</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy – Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements 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.

Contribution rates and contributions for fiscal years 2014 – 2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution on the portion of the employees’ salaries that exceeded the statutory minimum.

Year	Contribution Rates and Contribution Amounts					
	Member		State		Exceeds Statutory Minimum Amount	
	Rate	Amount	Rate	Amount		
2014	6.4%	\$ 1,179,614	6.800%	\$ 1,253,340	\$	411,787
2013	6.4%	1,140,902	6.400%	696,865		362,558
2012	6.4%	1,130,052	6.000%	703,874		355,549

Note 9: POSTEMPLOYMENT HEALTH BENEFITS

Plan Description – The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of TRS at 1000 Red River Street, Austin, Texas 78701.

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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9: POSTEMPLOYMENT HEALTH BENEFITS (continued)

Contribution rates and amounts are shown in the table on the following page for fiscal years 2014 – 2012.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 119,805	1.0%	\$ 184,315	0.55%	\$ 101,373
2013	0.65%	115,873	0.5%	89,133	0.55%	98,046
2012	0.65%	114,771	1.0%	176,571	0.55%	97,114

Medicare Part D – 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 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 in the amount of \$47,807, \$46,451 and \$48,370 for the years ended August 31, 2014, 2013 and 2012, respectively.

Note 10: 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 2014, 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 11: HEALTH CARE COVERAGE

During the year ended August 31, 2014, 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 77th 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 12: 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, 2014, 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.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 13: 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.

Note 14: UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES

Unearned revenues in the fund financial statements at August 31, 2014 consisted of the following:

	General Fund	Other Governmental Funds	Total
State Revenue	\$ 665,810	\$ 23,389	\$ 689,199
Federal Revenue	-	27,146	27,146
Total	<u>\$ 665,810</u>	<u>\$ 50,535</u>	<u>\$ 716,345</u>

Deferred inflows of resources in the fund financial statements at August 31, 2014 consisted of the following:

	General Fund	Other Governmental Funds	Total
Unavailable revenue - property taxes	\$ 625,120	\$ 159,105	\$ 784,225
	<u>\$ 625,120</u>	<u>\$ 159,105</u>	<u>\$ 784,225</u>

Note 15: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2014, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	\$ 12,129,498	\$ 3,088,730	-	\$ 15,218,228
Athletic activities	114,156	-	-	114,156
Food service	-	-	329,553	329,553
Rent	14,103	-	-	14,103
Investment income	1,411	378	873	2,662
Revenues from foundations, other non-profit organizations, gifts and bequests	300,395	-	6,828	307,223
Penalties, interest, and other tax related income	140,153	34,431	-	174,584
Other	110,154	-	-	110,154
Total	<u>\$ 12,809,870</u>	<u>\$ 3,123,539</u>	<u>\$ 337,254</u>	<u>\$ 16,270,663</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 16: GENERAL FUND FEDERAL SOURCE REVENUES

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

		<u>Total</u>
Medicaid reimbursement	93.778	\$ 265,998
Indirect costs:		
Summer School LEP	84.369A	<u>1,113</u>
Total		<u>\$ 267,111</u>

Note 17: FUND BALANCE

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted committed or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees (the District's highest level of decision-making authority).

Assigned fund balance classification includes general fund amounts constrained for a specific purpose by the Board of Trustees or by an official who has been delegated by official Board action the authority to assign amounts.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Restricted Fund Balance

At August 31, 2014, the restricted fund balance is composed of the following:

Federal or State Funds	\$ 59,847
Retirement of Long-Term Debt	350,153
Other	293,579

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Minimum Fund Balance Policy

The District's financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is 15-20% of the total operating expenditures.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 18: EXPENDITURES EXCEEDING BUDGET

The following expenditures exceeded budgeted amounts:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
0023 School Leadership	\$ 1,495,747	\$ 1,520,234	\$ (24,487)
0033 Health Services	234,444	239,641	(5,197)
0036 Extracurricular Activities	1,056,653	1,087,801	(31,148)
0041 General Administration	789,177	825,581	(36,404)
0051 Facilities Maintenance and Operations	3,049,245	3,073,185	(23,940)
Child Nutrition Program			
0035 Food Services	1,861,692	2,027,857	(166,165)

Note 19: UPCOMING ACCOUNTING PRONCOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the District to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The District will fully analyze the impact of this new statement prior to the effective dates for the statements listed above.

The impact of all other recently issued accounting pronouncements has been fully analyzed by the District and it is expected that the impact of these pronouncements will be insignificant to the District's basic financial statements.

Note 20: SUBSEQUENT EVENT

The District issued Series 2014 Unlimited Tax Refunding Bonds at par for \$26,000,000 with a premium of \$2,670,435 on November 15, 2014 as current interest bonds.

Proceeds from the sale of bonds will be used to refund \$27,610,000 of the District's Series 2005 Unlimited Tax School Building and Refunding Bonds for debt service savings and pay the cost associated with the sale and issuance of bonds.

REQUIRED SUPPLEMENTARY INFORMATION

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget	
	Original	Final		Positive or (Negative)	
REVENUES					
5700	Total Local and Intermediate Sources	\$ 12,361,605	\$ 12,366,605	\$ 12,809,870	\$ 443,265
5800	State Program Revenues	13,231,574	13,231,574	13,332,576	101,002
5900	Federal Program Revenues	290,000	290,000	267,111	(22,889)
5020	Total Revenues	<u>25,883,179</u>	<u>25,888,179</u>	<u>26,409,557</u>	<u>521,378</u>
EXPENDITURES					
Current:					
0011	Instruction	15,399,204	15,515,071	15,401,741	113,330
0012	Instructional Resources and Media Services	341,061	341,061	334,190	6,871
0013	Curriculum and Instructional Staff Development	104,619	104,819	81,944	22,875
0021	Instructional Leadership	280,565	280,565	266,815	13,750
0023	School Leadership	1,495,747	1,495,747	1,520,234	(24,487)
0031	Guidance, Counseling, and Evaluation Services	953,216	953,316	910,516	42,800
0032	Social Work Services	76,117	76,117	71,703	4,414
0033	Health Services	234,444	234,444	239,641	(5,197)
0034	Student (Pupil) Transportation	860,000	860,000	832,715	27,285
0035	Food Services	34,778	34,778	33,638	1,140
0036	Extracurricular Activities	1,056,453	1,056,653	1,087,801	(31,148)
0041	General Administration	789,177	789,177	825,581	(36,404)
0051	Facilities Maintenance and Operations	3,049,245	3,049,245	3,073,185	(23,940)
0052	Security and Monitoring Services	93,551	93,551	82,307	11,244
0053	Data Processing Services	674,864	674,864	665,229	9,635
Debt Service:					
0071	Principal on Long-Term Debt	-	-	10,344	(10,344)
0072	Interest on Long-Term Debt	-	-	293	(293)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	644,000	549,285	94,715
Intergovernmental:					
0099	Other Intergovernmental Charges	440,138	440,138	432,391	7,747
6030	Total Expenditures	<u>25,883,179</u>	<u>26,643,546</u>	<u>26,419,553</u>	<u>223,993</u>
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	<u>-</u>	<u>(755,367)</u>	<u>(9,996)</u>	<u>745,371</u>
1200	Net Change in Fund Balances	-	(755,367)	(9,996)	745,371
0100	Fund Balance - September 1 (Beginning)	<u>4,728,263</u>	<u>4,728,263</u>	<u>4,728,263</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,728,263</u>	<u>\$ 3,972,896</u>	<u>\$ 4,718,267</u>	<u>\$ 745,371</u>

OTHER SUPPLEMENTARY INFORMATION

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS		
1110 Cash and Cash Equivalents	\$ 563	\$ -
1240 Receivables from Other Governments	265	1,050
1260 Due from Other Funds	-	-
1800 Restricted Assets	-	-
1000 Total Assets	<u>828</u>	<u>1,050</u>
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total assets and deferred outflows	<u>\$ 828</u>	<u>\$ 1,050</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ -
2170 Due to Other Funds	828	1,050
2300 Unearned Revenues	-	-
2000 Total Liabilities	<u>828</u>	<u>1,050</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable revenue - Property taxes	-	-
Total deferred inflows of resources	-	-
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	-	-
3000 Total Fund Balances	-	-
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 828</u>	<u>\$ 1,050</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
\$ -	\$ -	\$ -	\$ -	\$ 863
76	27,132	12,082	-	-
-	11,214	-	-	-
-	91,953	-	-	-
<u>76</u>	<u>130,299</u>	<u>12,082</u>	<u>-</u>	<u>863</u>
-	-	-	-	-
<u>\$ 76</u>	<u>\$ 130,299</u>	<u>\$ 12,082</u>	<u>\$ -</u>	<u>\$ 863</u>
\$ -	\$ 70,452	\$ -	\$ -	\$ 120
76	-	12,082	-	143
-	-	-	-	600
<u>76</u>	<u>70,452</u>	<u>12,082</u>	<u>-</u>	<u>863</u>
-	-	-	-	-
-	-	-	-	-
-	59,847	-	-	-
-	59,847	-	-	-
<u>\$ 76</u>	<u>\$ 130,299</u>	<u>\$ 12,082</u>	<u>\$ -</u>	<u>\$ 863</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	270 ESEA VI, B Rural & Low Income	272 Medicaid Admin. Claim MAC
ASSETS		
1110 Cash and Cash Equivalents	\$ -	\$ 694
1240 Receivables from Other Governments	13,264	-
1260 Due from Other Funds	-	-
1800 Restricted Assets	-	-
1000 Total Assets	13,264	694
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total assets and deferred outflows	\$ <u>13,264</u>	\$ <u>694</u>
LIABILITIES		
2110 Accounts Payable	\$ 21	\$ -
2170 Due to Other Funds	13,243	5
2300 Unearned Revenues	-	689
2000 Total Liabilities	13,264	694
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	-	-
Total deferred inflows of resources	-	-
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	-	-
3000 Total Fund Balances	-	-
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ <u>13,264</u>	\$ <u>694</u>

EXHIBIT H-1 (Cont'd)

288 Fund for Improvement of Education	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
\$ 27,478	\$ -	\$ 124	\$ 121
-	1,107	-	-
-	-	-	-
-	-	-	-
<u>27,478</u>	<u>1,107</u>	<u>124</u>	<u>121</u>
-	-	-	-
\$ <u>27,478</u>	\$ <u>1,107</u>	\$ <u>124</u>	\$ <u>121</u>
\$ 2,500	\$ -	\$ -	\$ -
228	-	-	121
<u>24,750</u>	<u>1,107</u>	<u>124</u>	<u>-</u>
<u>27,478</u>	<u>1,107</u>	<u>124</u>	<u>121</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ <u>27,478</u>	\$ <u>1,107</u>	\$ <u>124</u>	\$ <u>121</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 23,600	\$ 53,443
1240 Receivables from Other Governments	-	54,976
1260 Due from Other Funds	-	11,214
1800 Restricted Assets	-	91,953
1000 Total Assets	23,600	211,586
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total assets and deferred outflows	\$ 23,600	\$ 211,586
LIABILITIES		
2110 Accounts Payable	\$ 335	\$ 73,428
2170 Due to Other Funds	-	27,776
2300 Unearned Revenues	23,265	50,535
2000 Total Liabilities	23,600	151,739
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	-	-
Total deferred inflows of resources	-	-
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	-	59,847
3000 Total Fund Balances	-	59,847
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ 23,600	\$ 211,586

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>1,073,782</u>	<u>840,422</u>
5020 Total Revenues	<u>1,073,782</u>	<u>840,422</u>
EXPENDITURES		
Current:		
0011 Instruction	737,493	829,936
0013 Curriculum and Instructional Staff Development	57,425	2,879
0021 Instructional Leadership	118,077	-
0031 Guidance, Counseling and Evaluation Services	19,575	7,607
0032 Social Work Services	141,212	-
0033 Health Services	-	-
0035 Food Services	-	-
0053 Data Processing Services	-	-
6030 Total Expenditures	<u>1,073,782</u>	<u>840,422</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
\$ -	\$ 330,426	\$ -	\$ -	\$ -
-	10,272	-	-	-
<u>27,376</u>	<u>1,463,014</u>	<u>27,520</u>	<u>43,500</u>	<u>192,866</u>
<u>27,376</u>	<u>1,803,712</u>	<u>27,520</u>	<u>43,500</u>	<u>192,866</u>
27,376	-	-	27,583	192,516
-	-	-	15,917	350
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,027,857	27,520	-	-
-	-	-	-	-
<u>27,376</u>	<u>2,027,857</u>	<u>27,520</u>	<u>43,500</u>	<u>192,866</u>
-	(224,145)	-	-	-
-	(224,145)	-	-	-
-	283,992	-	-	-
<u>\$ -</u>	<u>\$ 59,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	270 ESEA VI, B Rural & Low Income	272 Medicaid Admin. Claim MAC
REVENUES		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>51,143</u>	<u>27,967</u>
5020 Total Revenues	<u>51,143</u>	<u>27,967</u>
EXPENDITURES		
Current:		
0011 Instruction	26,000	-
0013 Curriculum and Instructional Staff Development	25,143	-
0021 Instructional Leadership	-	-
0031 Guidance, Counseling and Evaluation Services	-	-
0032 Social Work Services	-	-
0033 Health Services	-	27,967
0035 Food Services	-	-
0053 Data Processing Services	-	-
6030 Total Expenditures	<u>51,143</u>	<u>27,967</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

288 Fund for Improvement of Education	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
\$ -	\$ -	\$ -	\$ -
-	-	-	321,661
<u>322,995</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>322,995</u>	<u>-</u>	<u>-</u>	<u>321,661</u>
21,748	-	-	176,722
-	-	-	-
-	-	-	53,842
301,247	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	91,097
<u>322,995</u>	<u>-</u>	<u>-</u>	<u>321,661</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
5700 Local and Intermediate Sources	\$ 6,828	\$ 337,254
5800 State Program Revenues	-	331,933
5900 Federal Program Revenues	-	4,070,585
5020 Total Revenues	<u>6,828</u>	<u>4,739,772</u>
EXPENDITURES		
Current:		
0011 Instruction	4,800	2,044,174
0013 Curriculum and Instructional Staff Development	-	101,714
0021 Instructional Leadership	-	171,919
0031 Guidance, Counseling and Evaluation Services	-	328,429
0032 Social Work Services	-	141,212
0033 Health Services	2,028	29,995
0035 Food Services	-	2,055,377
0053 Data Processing Services	-	91,097
6030 Total Expenditures	<u>6,828</u>	<u>4,963,917</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(224,145)</u>
1200 Net Change in Fund Balance	-	(224,145)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>283,992</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 59,847</u>

REQUIRED TEA SCHEDULES

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last Ten Years Ended August 31	1		2		3	
	Tax Rates				Assessed/ Appraised Value for School Tax Purposes	
	Maintenance		Debt Service			
2005 (and prior years)	\$	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		1.040000		0.230700		1,329,771,952
2010		1.040000		0.278900		1,345,871,494
2011		1.040000		0.274700		1,414,688,667
2012		1.040000		0.253900		1,525,479,638
2013		1.040000		0.261600		1,546,271,967
2014 (school year under audit)		1.040000		0.264700		1,591,586,921
1000 TOTALS						

EXHIBIT J-1

10	20	31	32	40	50
Beginning Balance September 1, 2013	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2014
\$ 91,570	\$ -	\$ 2,453	\$ 624	\$ (10,063)	\$ 78,430
30,744	-	1,410	278	(2,890)	26,166
32,611	-	1,441	283	(3,357)	27,530
68,136	-	2,983	662	(3,443)	61,048
97,571	-	17,559	3,895	(3,442)	72,675
120,723	-	24,486	6,566	(5,116)	84,555
135,830	-	45,108	11,915	(5,086)	73,721
171,982	-	47,002	11,475	(6,297)	107,208
278,359	-	99,795	25,102	(12,534)	140,928
<u>-</u>	<u>15,269,077</u>	<u>11,866,522</u>	<u>3,020,258</u>	<u>(49,141)</u>	<u>333,156</u>
\$ <u>1,027,526</u>	\$ <u>15,269,077</u>	\$ <u>12,108,759</u>	\$ <u>3,081,058</u>	\$ <u>(101,369)</u>	\$ <u>1,005,417</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2014

UNAUDITED

1.	Total General Fund Balance as of 8/31/14 (from Exhibit C-1 object 3000 for the General Fund Only)	\$	4,718,267
2.	Total Nonspendable Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
3.	Total Restricted Fund Balance - (from Exhibit C-1 - for the General Fund Only)		293,579
4.	Total Committed Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
5.	Total Assigned Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
6.	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)		-
7.	Estimate of two months' average cash disbursements during the fiscal year		5,283,911
8.	Estimate of delayed payments from state sources (58XX)		-
9.	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		-
10.	Estimate of delayed payments from federal sources (59XX)		-
11.	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)		-
12.	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9+10+11)		<u>5,577,490</u>
13.	Excess/(Deficit) Unassigned General Fund, Fund Balance (1-12)	\$	<u><u>(859,223)</u></u>

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, 2014

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	\$ 315,000	\$ 315,000	\$ 330,426	\$ 15,426
5800	State Program Revenues	10,500	10,500	10,272	(228)
5900	Federal Program Revenues	<u>1,397,132</u>	<u>1,397,132</u>	<u>1,463,014</u>	<u>65,882</u>
5020	Total Revenues	<u>1,722,632</u>	<u>1,722,632</u>	<u>1,803,712</u>	<u>81,080</u>
EXPENDITURES:					
Current:					
0035	Food Services	<u>1,722,632</u>	<u>1,861,692</u>	<u>2,027,857</u>	<u>(166,165)</u>
6030	Total Expenditures	<u>1,722,632</u>	<u>1,861,692</u>	<u>2,027,857</u>	<u>(166,165)</u>
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	<u>-</u>	<u>(139,060)</u>	<u>(224,145)</u>	<u>(85,085)</u>
OTHER FINANCING SOURCES (USES)					
8912	Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	-	(139,060)	(224,145)	(85,085)
0100	Fund Balance - September 1 (Beginning)	<u>283,992</u>	<u>283,992</u>	<u>283,992</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 283,992</u>	<u>\$ 144,932</u>	<u>\$ 59,847</u>	<u>\$ (85,085)</u>

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, 2014

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	\$ 3,094,968	\$ 3,094,968	\$ 3,123,539	\$ 28,571
5800	State Program Revenues	<u>15,501</u>	<u>15,501</u>	<u>16,598</u>	<u>1,097</u>
5020	Total Revenues	<u>3,110,469</u>	<u>3,110,469</u>	<u>3,140,137</u>	<u>29,668</u>
EXPENDITURES:					
Current:					
0071	Principal on Long Term Debt	3,110,469	3,110,469	1,590,000	1,520,469
0072	Interest on Long Term Debt	-	-	1,520,038	(1,520,038)
0073	Bond Issuance Cost and Fees	<u>-</u>	<u>-</u>	<u>431</u>	<u>(431)</u>
6030	Total Expenditures	<u>3,110,469</u>	<u>3,110,469</u>	<u>3,110,469</u>	<u>-</u>
1200	Net Change in Fund Balances	-	-	29,668	29,668
0100	Fund Balance - September 1 (Beginning)	<u>320,485</u>	<u>320,485</u>	<u>320,485</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 320,485</u>	<u>\$ 320,485</u>	<u>\$ 350,153</u>	<u>\$ 29,668</u>

FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brownwood Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Brownwood Independent School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 16, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Brownwood Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Brownwood Independent School District's major federal programs for the year ended August 31, 2014. Brownwood Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Brownwood Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Brownwood Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Brownwood Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Brownwood Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 16, 2015

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Auditor’s Results

1. Type of auditor’s report issued on the financial statements: Unmodified
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 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: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): Yes
7. Major programs include:

IDEA, Part B Cluster:	
Formula	CFDA #84.027
Preschool	CFDA #84.173
Title I, Part A	CFDA #84.010
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: Yes

B. Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

C. Findings and Questioned Costs for Federal Awards Required to be Reported Under OMB Circular A-133

Finding 2014-001 Semi-Annual Certifications

Federal Program:	IDEA Part B Cluster
CFDA:	84.027; 84.173
Award Year:	2013/2014
Type of Finding:	Non Compliance
Compliance Requirement:	Allowable Costs/Cost Principles
Condition and Context:	Our payroll sample consisted of eight employees paid with funds under the IDEA, Part B Cluster. It was determined that all eight employees included in the sample did not include appropriate documentation of time and effort requirements.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

C. Findings and Questioned Costs for Federal Awards Required to be Reported Under OMB Circular A-133 (continued)

Finding 2014-001 Semi-Annual Certifications (continued)

Criteria or Specific Requirement:

Time and effort requirements with respect to consolidated administrative funds vary under different circumstances. For example:

- 1) An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.
- 2) An employee who works in part on a single cost objective and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records and documenting the portion of time and effort dedicated to:
 - a. The single cost objective, and
 - b. Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

Questioned Costs:

None

Cause:

The District did not have appropriate procedures in place to monitor for appropriate completion of the documentation of the time and effort requirements of the award.

Effect:

Due to the lack of appropriate monitoring procedures for the documentation of the time and effort requirements of the award, the District did not obtain appropriate semi-annual certifications and/or time and effort distribution records to satisfy the documentation requirements.

Recommendations:

The District should update its procedures for monitoring the completion of the documentation of time and effort requirements of the IDEA, Part B Cluster.

Management's Response:

The District did not get the single cost objective certifications for both semesters on the employees that were under the single cost objective rule. Since they were a single cost objective, we got certifications in the Fall and thought that would satisfy the requirements for OMB Circular A-133.

We have changed our procedures where all employees with any type of federal funding are required to sign a Fall certification and a Spring certification for a single cost objective and/or time and effort objective, with no exceptions. This has been implemented as of January 5, 2015 and all certifications now should be correct and current and all future requirements for certification are in place, this should not be an issue in the future.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED AUGUST 31, 2014

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

None

B. Findings and Questioned Costs – Major Federal Award Programs Audit

None

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101025902	\$ 1,073,782
IDEA - Part B, Formula *	84.027	146600010259026000	840,422
IDEA - Part B Preschool *	84.173	146610010259026000	27,376
Career and Technical - Basic Grant	84.048	14420006025902	43,500
Summer School LEP	84.369A	69551202	1,113
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	14694501025902	192,866
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	14696001025902	<u>51,143</u>
Total passed through Texas Education Agency			<u>2,230,202</u>
Fund for the Improvement of Education	84.215E	S215E120121	<u>322,995</u>
TOTAL DEPARTMENT OF EDUCATION			<u>2,553,197</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Texas Education Agency			
Medicaid Administrative Claiming Program -MAC	93.778		<u>27,967</u>
Total passed through Texas Education Agency			<u>27,967</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>27,967</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Texas Education Agency			
School Breakfast Program *	10.553	71401401	390,474
National School Lunch Program - cash assistance *	10.555	71301401	957,589
Summer Food Service Program for Children *	10.559	3001401	<u>27,520</u>
Total passed through Texas Education Agency			<u>1,375,583</u>
Passed through San Angelo Packing Co:			
National School Lunch Program - noncash assistance *	10.555		<u>114,951</u>
Total passed through San Angelo Packing Co.			<u>114,951</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,490,534</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,071,698</u>

* Clustered Programs as required by OMB A-133 Compliance Supplement, March 2013

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 unearned 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-2 to the Schedule of Expenditures of Federal Awards:

	<u>Total</u>
Federal Awards per Schedule of Expenditures of Federal Awards	\$ 4,071,698
Medicaid reimbursement	<u>265,998</u>
Total Federal Program Revenues - Exhibit C-2	<u>\$ 4,337,696</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2014

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