

**BROWNWOOD INDEPENDENT  
SCHOOL DISTRICT**

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Annual Financial and Compliance Report

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Year Ended August 31, 2011

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board .....	1
	Report of Independent Auditors.....	2
	<b>Management's Discussion and Analysis</b> .....	4
	 <b>Government-Wide Financial Statements</b>	
A-1	Statement of Net Assets .....	11
B-1	Statement of Activities.....	12
	 <b>Governmental Fund Financial Statements</b>	
C-1	Balance Sheet.....	13
C-2	Reconciliation for C-1 .....	14
C-3	Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
C-4	Reconciliation for C-3 .....	16
	 <b>Fiduciary Fund Financial Statements</b>	
E-1	Statement of Fiduciary Net Assets.....	17
	 <b>Notes to the Financial Statements</b> .....	18
	 <b>Required Supplementary Information</b>	
G-1	Budgetary Comparison Schedule: General Fund.....	33
	 <b>Other Supplementary Information</b>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet.....	34
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	37
	 <b>Required TEA Schedules</b>	
J-1	Schedule of Delinquent Taxes Receivable.....	40
J-2	Schedule of Expenditures for Computation of Indirect Costs.....	41
J-3	Fund Balance and Cash Flow Calculation Worksheet.....	42
J-4	Budgetary Comparison Schedule: Child Nutrition Fund .....	43
J-5	Budgetary Comparison Schedule: Debt Service Fund.....	44
	 <b>Federal Awards Section</b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	45
	Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	46
	Schedule of Findings and Questioned Costs.....	47
	Schedule of Status of Prior Year Findings.....	50
K-1	Schedule of Expenditures of Federal Awards.....	51
	Notes to Schedule of Expenditures of Federal Awards.....	53

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, 2011, at a meeting of the Board of Trustees of such school district on the 12<sup>th</sup> day of December, 2011.

  
Signature of Board Secretary

  
Signature of Board President

### Report of Independent Auditors

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Davis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
December 7, 2011

**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, 2011.

### FUND STATEMENT FINANCIAL HIGHLIGHTS

- The District's total combined governmental fund balances at August 31, 2011 were \$4,565,382, compared to \$5,475,957 at August 31, 2010.
- During the year, the District's revenues of \$35,485,331 generated from taxes, state funding, and other revenues for governmental activities, and other financial resources of \$21,452 were \$910,575 less than the \$36,417,358 in expenditures. The general fund revenues and other financial resources were less than expenditures by \$1,105,080. All other governmental fund revenues were greater than their corresponding expenditures by \$194,505.
- The total cost of the District's programs remained approximately the same as the prior year. The District's revenues decreased approximately 2.3% primarily due to cuts in state and federal revenues.
- In the general fund, the resources available for appropriation, including extraordinary items, were approximately \$321,623 less than originally budgeted. Expenditures were \$783,457 more than the original budget, primarily 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.

<b>Major Features of the District's Government-wide and Fund Financial Statements</b>			
<b>Type of Statement</b>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	Statement of net assets	Balance sheet	Statement of fiduciary net assets
	Statement of activities	Statement of revenues expenditures & changes in fund balances	Statement of changes in fiduciary net assets
		Statement of cash flows	
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	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
<b>Type of in flow/out flow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter	All revenues and expenses during year regardless of when cash is received or paid



## **Government-Wide Statements**

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

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

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

The government-wide financial statements of the District include:

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

## **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

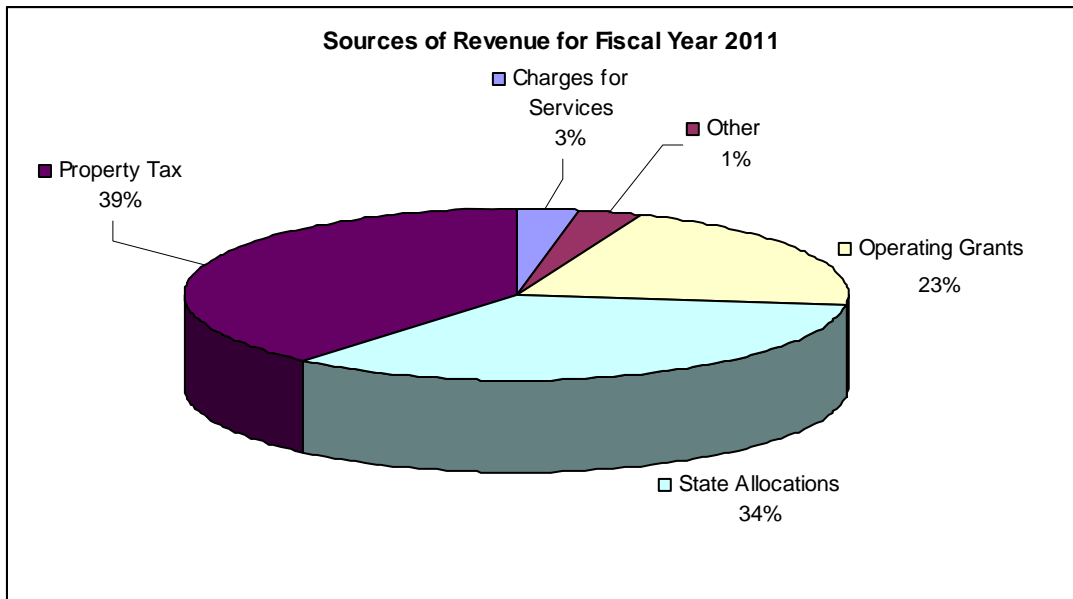
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE:  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net assets.** The District's combined net assets were \$19,374,482 at August 31, 2011.

	2011	2010
Current Assets	\$ 7,235,610	\$ 8,226,432
Capital Assets	48,656,230	48,227,295
Restricted Assets	-	-
<b>Total Assets</b>	<b>55,891,840</b>	<b>56,453,727</b>
Current Liabilities	1,208,102	1,151,196
Long-Term Liabilities	35,309,256	36,867,324
<b>Total Liabilities</b>	<b>36,517,358</b>	<b>38,018,520</b>
Invested in Capital Assets net of related debt	13,346,974	11,811,031
Restricted for Federal and State Programs	207,367	209,048
Restricted for Debt Service	313,111	107,483
Unrestricted	5,507,030	6,307,645
<b>Total Net Assets</b>	<b>\$ 19,374,482</b>	<b>\$ 18,435,207</b>

During the year, net assets of the District's governmental activities increased by \$939,275 to \$19,374,482. Unrestricted net assets were \$5,507,030 at the end of this year; this amount reflects approximately 2.5 months of operating expenses for the District.

**Changes in net assets.** The District's total fiscal year 2011 revenues, including extraordinary items, were \$35,370,731 at August 31, 2011. Approximately 39% of the District's revenue came from property taxes, 34% came from state allocations, and the remainder came from charges for services, federal and state grants, and miscellaneous other revenue (see the chart "Sources of Revenue for Fiscal Year 2011").



The total cost of all programs and services was \$34,431,456 of which 54% 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	
	2011	2010
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	\$ 1,196,660	\$ 974,749
Local Operating Grants	2,307	875
State Operating Grants	2,857,840	1,736,614
Federal Grants	5,031,928	6,899,307
<u>General Revenues</u>		
Property Taxes	13,967,086	14,000,370
State Aid-Formula Grants	11,940,322	12,342,027
Other Non-restricted Grants & Contributions	60,282	110,265
Other	314,306	389,492
<b>Total Revenues</b>	<u>35,370,731</u>	<u>36,453,699</u>
 <b>Expenses</b>		
Instruction	18,901,465	19,260,560
Extracurricular activities	1,204,760	1,100,080
General Administration	730,147	741,271
Plant Maintenance and Operations	3,386,944	3,410,436
School leadership	1,580,667	1,550,814
Food services	2,001,129	1,857,249
Interest on long-term debt	1,734,984	1,760,586
Other functions	4,891,360	5,106,081
<b>Total Expenses</b>	<u>34,431,456</u>	<u>34,787,077</u>
 <b>Excess before extraordinary item</b>	 939,275	 1,666,622
Extraordinary item - insurance proceeds		205,314
 <b>Increase in Net Assets</b>	 939,275	 1,871,936
<b>Beginning Net Assets</b>	<u>18,435,207</u>	<u>16,563,271</u>
<b>Ending Net Assets</b>	<u>\$ 19,374,482</u>	<u>\$ 18,435,207</u>

## Governmental Activities – continued

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

- The cost of all governmental activities in 2011 was \$34,431,456 compared to \$34,787,077 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$13,967,086 for the 2011 year and \$14,000,370 for the 2010 year.

	Total Cost of Services	Program Revenues	Net Costs
Instruction	18,901,465	4,386,832	(14,514,633)
Plant Maintenance/Ops	3,386,944	1,002,914	(2,384,030)
Food services	2,001,129	1,901,621	(99,508)
Debt service	1,734,984	243,751	(1,491,233)
School leadership	1,580,667	211,457	(1,369,210)
Extracurricular	1,204,760	270,168	(934,592)
Counseling	1,032,944	98,210	(934,734)
Other programs	4,588,563	973,782	(3,614,781)
<b>Total</b>	<b>34,431,456</b>	<b>9,088,735</b>	<b>(25,342,721)</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$35,485,331. Local revenues increased \$311,744 from the prior year, primarily due to the increase in tax collections. State revenue decreased \$682,649 due to a decreased volume in state grants. Federal revenue decreased \$456,234 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. The final amended budget reflected an excess of expenditures over revenues and other financial resources of \$163,526 primarily due to board approved capital asset purchases. Versus the original budget, there was an actual excess of expenditures of \$1,126,532 again primarily due to board approved capital asset purchases and construction.

In the District's child nutrition program, the final amended budget reflected an excess of expenditures over revenue of \$5,501. Actual results included an excess of expenditures over revenue of \$19,947.

In the District's debt service fund, there was an actual excess of revenues over expenditures of \$205,628 versus the original balanced budget. The excess was caused primarily by an increase in the existing debt allotment allocation.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2011, the District had invested \$81,126,269 in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation on these assets was \$32,470,039 at year-end. The above included current-year capital asset additions of \$2,588,410 and associated accumulated depreciation of \$2,119,101.

	Governmental Activities	
	2011	2010
Land	\$ 305,596	\$ 305,596
Buildings and improvements	74,955,833	72,921,422
Furniture and equipment	5,864,840	5,387,652
Totals at historical costs	<u>81,126,269</u>	<u>78,614,670</u>
Less accumulated depreciation for:		
Buildings and improvements	(28,881,550)	(27,326,512)
Furniture and equipment	(3,588,489)	(3,060,863)
Total accumulated depreciation	<u>(32,470,039)</u>	<u>(30,387,375)</u>
Net capital assets	<u>\$ 48,656,230</u>	<u>\$ 48,227,295</u>

### Long-Term Debt

#### District's Long-Term Debt

	Governmental Activities	
	2011	2010
Bonds Payable:		
Unlimited Tax Refunding Bonds Series 1998	\$ 2,815,000	\$ 3,635,000
Unlimited Tax Refunding Bonds Series 2005	<u>30,430,000</u>	<u>30,915,000</u>
Total bonds payable	<u>\$ 33,245,000</u>	<u>\$ 34,550,000</u>

At year-end the District had \$33,245,000 in bonds outstanding which represents a decrease of \$1,305,000 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 ASSETS  
AUGUST 31, 2011

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,552,458
1210 Property Taxes - Current	300,706
1220 Property Taxes Receivable (Delinquent)	1,024,447
1230 Allowance for Uncollectible Taxes	(291,533)
1240 Due from Other Governments	3,218,586
1290 Other Receivables, net	2,439
1420 Capitalized Bond and Other Debt Issuance Costs	428,507
Capital Assets:	
1510 Land	305,596
1520 Buildings, Net	46,074,283
1530 Furniture and Equipment, Net	1,755,960
1550 Leased Property Under Capital Leases, Net	520,391
1000 Total Assets	55,891,840
<b>LIABILITIES</b>	
2110 Accounts Payable	335,555
2160 Accrued Wages Payable	709,628
2300 Deferred Revenues	162,919
Noncurrent Liabilities	
2501 Due Within One Year	1,652,759
2502 Due in More Than One Year	33,656,497
2000 Total Liabilities	36,517,358
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	13,346,974
3820 Restricted for Federal and State Programs	207,367
3850 Restricted for Debt Service	313,111
3900 Unrestricted Net Assets	5,507,030
3000 Total Net Assets	\$ 19,374,482

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
Expenses	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 18,901,465	\$ 559,196	\$ 3,827,636	\$ (14,514,633)
12 Instructional Resources and Media Services	408,118	-	13,911	(394,207)
13 Curriculum and Staff Development	308,178	-	200,529	(107,649)
21 Instructional Leadership	438,440	-	179,311	(259,129)
23 School Leadership	1,580,667	-	211,457	(1,369,210)
31 Guidance, Counseling and Evaluation Services	1,032,944	-	98,210	(934,734)
32 Social Work Services	215,989	-	149,225	(66,764)
33 Health Services	218,132	-	65,098	(153,034)
34 Student (Pupil) Transportation	739,287	-	10,832	(728,455)
35 Food Services	2,001,129	390,022	1,511,599	(99,508)
36 Extracurricular Activities	1,204,760	247,442	22,726	(934,592)
41 General Administration	730,147	-	22,203	(707,944)
51 Plant Maintenance and Operations	3,386,944	-	1,002,914	(2,384,030)
52 Security and Monitoring Services	88,613	-	835	(87,778)
53 Data Processing Services	795,405	-	104,089	(691,316)
72 Debt Service - Interest on Long Term Debt	1,734,984	-	243,751	(1,491,233)
73 Debt Service - Bond Issuance Cost and Fees	1,431	-	-	(1,431)
81 Capital Outlay	26,391	-	-	(26,391)
93 Payments related to Shared Services Arrangements	227,749	-	227,749	-
99 Other Intergovernmental Charges	390,683	-	-	(390,683)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 34,431,456</b>	<b>\$ 1,196,660</b>	<b>\$ 7,892,075</b>	<b>(25,342,721)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		11,067,652
DT	Property Taxes, Levied for Debt Service		2,899,434
SF	State Aid - Formula Grants		11,940,322
GC	Grants and Contributions not Restricted		60,282
IE	Investment Earnings		8,380
MI	Miscellaneous Local and Intermediate Revenue		305,926
TR	<b>Total General Revenues</b>		<b>26,281,996</b>
CN	Change in Net Assets		939,275
NB	Net Assets--Beginning		18,435,207
NE	Net Assets--Ending		<b>\$ 19,374,482</b>

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



**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2011

EXHIBIT C-1

Data Control Codes	10 General Fund	211 ESEA, Title I Part A	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 2,179,258	\$ -	\$ 373,200	\$ 2,552,458
1210 Property Taxes - Current	237,875	-	62,831	300,706
1220 Property Taxes - Delinquent	810,394	-	214,053	1,024,447
1230 Allowance for Uncollectible Taxes (Credit)	(230,619)	-	(60,914)	(291,533)
1240 Receivables from Other Governments	1,293,888	644,794	1,279,904	3,218,586
1260 Due from Other Funds	1,583,075	-	-	1,583,075
1290 Other Receivables	2,439	-	-	2,439
1000 Total Assets	<u>\$ 5,876,310</u>	<u>\$ 644,794</u>	<u>\$ 1,869,074</u>	<u>\$ 8,390,178</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
2110 Accounts Payable	\$ 158,497	\$ 2,102	\$ 174,956	\$ 335,555
2160 Accrued Wages Payable	709,628	-	-	709,628
2170 Due to Other Funds	-	642,692	940,383	1,583,075
2300 Deferred Revenues	963,281	-	233,257	1,196,538
2000 Total Liabilities	<u>1,831,406</u>	<u>644,794</u>	<u>1,348,596</u>	<u>3,824,796</u>
<b>Fund Balances:</b>				
<b>Restricted Fund Balance:</b>				
3450 Federal or State Funds Grant Restriction	-	-	207,367	207,367
3480 Retirement of Long-Term Debt	-	-	313,111	313,111
<b>Committed Fund Balance:</b>				
3510 Construction	1,852,434	-	-	1,852,434
3545 Other Committed Fund Balance	231,890	-	-	231,890
3600 Unassigned Fund Balance	1,960,580	-	-	1,960,580
3000 Total Fund Balances	<u>4,044,904</u>	<u>-</u>	<u>520,478</u>	<u>4,565,382</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,876,310</u>	<u>\$ 644,794</u>	<u>\$ 1,869,074</u>	<u>\$ 8,390,178</u>

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2011

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	4,565,382
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$78,614,670 and the accumulated depreciation was \$30,387,375. 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 \$36,867,324. Additionally, bond issuance costs are expensed as incurred and not reported as an asset in the governmental funds. Capitalized bond issuance costs at the beginning of the year were \$451,060. The net effect of including the beginning balances for capital assets (net of depreciation), long-term debt and capitalized bond issuance costs in the governmental activities is to increase net assets.		11,811,031
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays of \$2,548,036, debt principal payments of \$1,305,000 and principal payments on capital leases of \$250,176 is to increase net assets.		4,103,212
<b>3</b> The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(2,119,101)
<b>4</b> Governmental funds report the effect of bond proceeds, issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of amortization of bond issuance costs of \$22,553 and amortization of bond premium of \$24,344 is to increase net assets.		1,791
<b>5</b> Proceeds from long-term debt, including capital leases, are revenues in the fund financial statements, but should be shown as increases in long-term debt in the government-wide financial statements. The net effect of including the 2011 proceeds from long-term debt is to decrease net assets.		(21,452)
<b>6</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue of \$1,033,619 and eliminating interfund receivables and payables of \$1,583,075. The net effect of these reclassifications and recognitions is to increase net assets.		1,033,619
<b>19 Net Assets of Governmental Activities</b>	<b>\$</b>	<b>19,374,482</b>

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

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

Data Control Codes	10 General Fund	211 ESEA, Title I Part A	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 11,706,498	\$ -	\$ 3,371,161	\$ 15,077,659
5800	State Program Revenues	12,957,923	-	531,210	13,489,133
5900	Federal Program Revenues	575,275	1,311,336	5,031,928	6,918,539
5020	Total Revenues	<u>25,239,696</u>	<u>1,311,336</u>	<u>8,934,299</u>	<u>35,485,331</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	14,614,532	971,823	2,177,248	17,763,603
0012	Instructional Resources and Media Services	352,000	-	-	352,000
0013	Curriculum and Instructional Staff Development	111,352	53,162	143,664	308,178
0021	Instructional Leadership	269,871	109,068	58,927	437,866
0023	School Leadership	1,317,588	124	150,093	1,467,805
0031	Guidance, Counseling and Evaluation Services	974,769	21,488	31,648	1,027,905
0032	Social Work Services	70,160	145,679	150	215,989
0033	Health Services	177,766	-	40,366	218,132
0034	Student (Pupil) Transportation	632,404	9,992	-	642,396
0035	Food Services	40,347	-	1,893,637	1,933,984
0036	Extracurricular Activities	1,237,569	-	-	1,237,569
0041	General Administration	716,441	-	-	716,441
0051	Facilities Maintenance and Operations	2,313,227	-	935,944	3,249,171
0052	Security and Monitoring Services	88,613	-	-	88,613
0053	Data Processing Services	759,967	-	67,005	826,972
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	250,176	-	1,305,000	1,555,176
0072	Interest on Long Term Debt	29,843	-	1,706,932	1,736,775
0073	Bond Issuance Cost and Fees	-	-	1,431	1,431
<b>Capital Outlay:</b>					
0081	Facilities Acquisition and Construction	2,018,920	-	-	2,018,920
<b>Intergovernmental:</b>					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	227,749	227,749
0099	Other Intergovernmental Charges	390,683	-	-	390,683
6030	Total Expenditures	<u>26,366,228</u>	<u>1,311,336</u>	<u>8,739,794</u>	<u>36,417,358</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,126,532)</u>	<u>-</u>	<u>194,505</u>	<u>(932,027)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7913	Capital Leases	21,452	-	-	21,452
7080	Total Other Financing Sources (Uses)	<u>21,452</u>	<u>-</u>	<u>-</u>	<u>21,452</u>
1200	Net Change in Fund Balances	(1,105,080)	-	194,505	(910,575)
0100	Fund Balance - September 1 (Beginning)	5,149,984	-	325,973	5,475,957
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,044,904</u>	<u>\$ -</u>	<u>\$ 520,478</u>	<u>\$ 4,565,382</u>

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

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, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(910,575)
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 2011 capital outlays of \$2,548,036, debt principal payments of \$1,305,000 and principal payments on capital leases of \$250,176 is to increase net assets.		4,103,212
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(2,119,101)
Governmental funds report the effect of bond proceeds, issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of amortization of bond issuance costs of \$22,553 and amortization of bond premium of \$24,344 is to increase net assets.		1,791
Proceeds from long-term debt, including capital leases, are revenues in the fund financial statements, but should be shown as increases in long-term debt in the government-wide financial statements. The net effect of including the 2011 proceeds from long-term debt is to decrease net assets.		(21,452)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue of \$1,033,619 as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy of \$1,148,219, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to decrease net assets.		(114,600)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>939,275</b>

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2011

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 288,743
Total Assets	<u>\$ 288,743</u>
<b>LIABILITIES</b>	
Due to Student Groups	\$ 288,743
Total Liabilities	<u>\$ 288,743</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**



## BROWNWOOD INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements

August 31, 2011

### NOTE 1: Reporting Entity

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

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

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

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

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

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

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

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

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

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

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

**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 deferred 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 funds:

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

The *ESEA Title I, Part A Fund*, a special revenue fund, accounts for federal resources restricted for improving the teaching and learning of children who are considered at risk of not meeting academic standards and who reside in areas with high concentrations of children from low-income families.

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.

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.

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

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

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

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

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

Deposits and investments

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

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

Investments for the District are reported at fair value. The State Treasurer's Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

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

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).

Capital assets

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

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

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

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

Long-term obligations

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

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

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 Financial Statements

August 31, 2011

**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, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$1,734,297 and the bank balance was \$1,643,821. The District's cash deposits at August 31, 2011, were entirely covered by FDIC insurance and by pledged collateral held by the District's agent bank in the District's name.

Temporary investments

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

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

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

Temporary investments (continued)

The District's temporary investments at August 31, 2011, are shown below:

<u>Name</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days) *</u>
TexPool	\$ 1,106,904	82

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

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

*Credit risk.* State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2011, the District's investment in TexPool was rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve.

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

Property tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2010, upon which the levy for the August 31, 2011, fiscal year was based, was \$1,414,688,667. 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, 2011 were 98% 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, 2011, property taxes receivable, net of estimated uncollectible taxes of \$291,533, totaled \$1,033,620.

The tax rate to finance general governmental services was \$1.04 per \$100 for the year ended August 31, 2011, and a tax rate of \$0.2747 per \$100 was assessed to finance the payment of principal and interest on long-term obligations.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

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

Due from other governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2011, are summarized below.

<u>Fund</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General fund	\$ 1,293,888	\$ -	\$ 1,293,888
ESEA Title I, Part A	-	644,794	644,794
Nonmajor funds	<u>201,302</u>	<u>1,078,602</u>	<u>1,279,904</u>
	<u>\$ 1,495,190</u>	<u>\$ 1,723,396</u>	<u>\$ 3,218,586</u>

Interfund receivables and payables

The composition of interfund balances as of August 31, 2011, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund:		
Nonmajor governmental funds	\$ 1,583,075	\$ -
ESEA Title I, Part A fund:		
General fund	-	642,692
Nonmajor governmental funds:		
General fund	<u>-</u>	<u>940,383</u>
Totals	<u>\$ 1,583,075</u>	<u>\$ 1,583,075</u>

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

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

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

Capital assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 305,596	\$	\$	\$ 305,596
Construction in progress	40,374		(40,374)	-
Total capital assets, not being depreciated	<u>345,970</u>	<u>-</u>	<u>(40,374)</u>	<u>305,596</u>
Capital assets, being depreciated:				
Buildings and improvements	72,881,048	2,074,785		74,955,833
Furniture and equipment	4,388,653	492,173	(36,437)	4,844,389
Capital leases	998,999	21,452		1,020,451
Total capital assets, being depreciated	<u>78,268,700</u>	<u>2,588,410</u>	<u>(36,437)</u>	<u>80,820,673</u>
Less accumulated depreciation for:				
Buildings and improvements	27,326,512	1,555,038		28,881,550
Furniture and equipment	2,812,796	312,070	(36,437)	3,088,429
Capital leases	248,067	251,993		500,060
Total accumulated depreciation	<u>30,387,375</u>	<u>2,119,101</u>	<u>(36,437)</u>	<u>32,470,039</u>
Total capital assets, being depreciated, net	<u>47,881,325</u>	<u>469,309</u>	<u>-</u>	<u>48,350,634</u>
Total capital assets, net	\$ <u>48,227,295</u>	\$ <u>469,309</u>	\$ <u>(40,374)</u>	\$ <u>48,656,230</u>

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

Instruction	\$ 1,465,487
Instructional Resources and Media Services	56,118
Instructional Leadership	574
School Leadership	112,862
Guidance, Counseling and Evaluation Services	5,039
Student (Pupil) Transportation	96,891
Food Services	106,336
Cocurricular/Extracurricular activities	57,544
General Administration	13,706
Plant Maintenance and Operations	197,936
Data Processing Services	1,669
Facilities Acquisition and Construction	<u>4,939</u>
Total depreciation expense - governmental activities	\$ <u>2,119,101</u>

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

**NOTE 7: Long-Term Debt**

Bonds Payable

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

<u>Description</u>	<u>Rate Payable</u>	<u>Original Issue</u>	<u>Oustanding 8/31/2010</u>	<u>Issued</u>	<u>Refunded / Retired</u>	<u>Outstanding 8/31/2011</u>
Unlimited Tax Refunding Bonds Series 1998	4.51%	\$ 4,730,000	\$ 3,635,000	\$ -	\$ 820,000	\$ 2,815,000
Unlimited Tax Refunding Bonds Series 2005	5.25%	31,370,000	30,915,000	-	485,000	30,430,000
<b>Total Bonds Payable</b>		<b>\$ 36,100,000</b>	<b>\$ 34,550,000</b>	<b>\$ -</b>	<b>\$ 1,305,000</b>	<b>\$ 33,245,000</b>

<u>Description</u>	<u>Oustanding 8/31/2010</u>	<u>Accretion</u>	<u>Retired/ Amortization</u>	<u>Outstanding 8/31/2011</u>
Unamortized premium on 2005 Bonds	\$ 1,551,903	\$ -	\$ 24,344	\$ 1,527,559
<b>Total Other Long-Term Debt</b>	<b>\$ 1,551,903</b>	<b>\$ -</b>	<b>\$ 24,344</b>	<b>\$ 1,527,559</b>

The current portion of each bond at August 31, 2011 was as follows:

	<u>Due in 2012</u>
Unlimited Tax Refunding Bond Series 1998	\$ 875,000
Unlimited Tax Refunding Bond Series 2005	520,000
	<u>\$ 1,395,000</u>



**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

**NOTE 7: Long-Term Debt (continued)**

Bonds Payable (continued)

Debt service requirements are as follows:

Year Ended			Total
August 31	Principal	Interest	Requirements
2012	\$ 1,395,000	\$ 1,647,659	\$ 3,042,659
2013	1,495,000	1,585,383	3,080,383
2014	1,590,000	1,520,038	3,110,038
2015	1,155,000	1,455,919	2,610,919
2016	1,245,000	1,392,919	2,637,919
2017-2021	7,300,000	5,883,751	13,183,751
2022-2026	9,495,000	3,691,218	13,186,218
2027-2031	9,570,000	987,000	10,557,000
	<u>\$ 33,245,000</u>	<u>\$ 18,163,887</u>	<u>\$ 51,408,887</u>

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

The District received \$1,593,592 as a premium on the 2005 bond issuance. This is reported with other long-term debt and will be amortized over the life of the bonds utilizing a method that approximates the percentage of principal reductions made during the year. During the year ended August 31, 2011, the District recognized amortization expense on the bond premium of \$24,344.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

**NOTE 7: Long-Term Debt (continued)**

Capital Leases

The District leases various computer hardware, software, and other equipment under non-cancelable leases that are classified as capital leases. The terms of the first lease agreement include 4 annual payments of \$260,491 beginning on September 1, 2009. The terms of the second lease agreement include 60 monthly payments of \$967 beginning on August 1, 2009. The terms of the third lease agreement include 3 annual payments of \$8,152 beginning on September 1, 2010. All of the leases include bargain purchase options at the end of the lease term. A summary of changes is as follows:

	Balance 8/31/2010	<u>Additions</u>	<u>Retirements</u>	Balance 8/31/2011	Due Within One Year
Computer hardware/software	\$ 724,708	\$	\$ (232,462)	\$ 492,246	\$ 241,453
Maintenance equipment	40,713		(9,562)	31,151	10,112
Band instruments	-	21,452	(8,152)	13,300	6,194
	<u>\$ 765,421</u>	<u>\$ 21,452</u>	<u>\$ (250,176)</u>	<u>\$ 536,697</u>	<u>\$ 257,759</u>

Future minimum lease payments under capital leases are as follows:

<u>Year Ending August 31,</u>	
2012	\$ 280,246
2013	280,247
2014	<u>10,637</u>
Total minimum lease payments	571,130
Less amount representing interest	<u>(34,433)</u>
Present value of minimum lease payments	<u>\$ 536,697</u>

Total interest expense on capital leases for the year ended August 31, 2011 was \$30,070.

The following is an analysis of the leased assets:

Computer hardware/software	\$ 948,514
Maintenance equipment	50,485
Band instruments	<u>21,452</u>
Historical cost of leased assets	1,020,451
Less accumulated depreciation	<u>(500,060)</u>
Net value of leased assets	<u>\$ 520,391</u>

## BROWNWOOD INDEPENDENT SCHOOL DISTRICT

Notes to Financial Statements

August 31, 2011

### NOTE 8: Pension Plan Obligations

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

*Funding Policy* – Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2011, 2010 and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2010 and 2009 were \$793,098, \$792,783, and \$779,771, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010 and 2009 in the amount of \$403,860, \$391,672, and \$391,311, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

### NOTE 9: Retiree Health Plan

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

*Funding Policy* – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010 and 2009, the State's contributions to the TRS-Care were \$180,156, \$180,008, and \$177,976, respectively, the active member contributions were \$117,102, \$117,005, and \$115,684, respectively, and the District's contributions were \$99,086, \$99,005, and \$97,887, respectively, which equaled the required contributions each year.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District. For the years ended August 31, 2011, 2010 and 2009, Medicare Part D on-behalf payments of \$44,346, \$47,720, and \$43,025, respectively, were recognized in the General Fund as revenues and expenditures.

**NOTE 11: Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**NOTE 12: Health Care Coverage**

During the year ended August 31, 2011, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77<sup>th</sup> Texas Legislature. The program is administered by the Teacher Retirement System of Texas, with Blue Cross Blue Shield of Texas as the health plan administrator and Merck-Medco Managed Care as the pharmacy benefits manager. The District contributes \$225 per month per active employee to the plan, of which \$150 is paid by the District and \$75 is paid by the State. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS-ActiveCare.

**NOTE 13: Contingencies**

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

The District participates in state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

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

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

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

**NOTE 15: Deferred Revenue**

Deferred revenue in the fund financial statements at August 31, 2011 consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net tax revenue	\$ 816,731	\$	\$ 216,888	\$ 1,033,619
Athletic revenue	59,202			59,202
Local special revenue		16,369		16,369
Miscellaneous	87,348			87,348
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ <u>963,281</u>	\$ <u>16,369</u>	\$ <u>216,888</u>	\$ <u>1,196,538</u>

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

For the year ended August 31, 2011, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Property taxes	\$ 11,154,691	\$	\$ 2,926,995	\$ 14,081,686
Athletic activities	244,318			244,318
Tuition and fees	6,595			6,595
Food service		390,022		390,022
Investment income	4,341	3,592	447	8,380
Revenues from foundations, other non-profit organizations, gifts and bequests	22,393	2,307		24,700
Penalties, interest and other tax-related income	231,381		47,798	279,179
Other	42,779			42,779
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ <u>11,706,498</u>	\$ <u>395,921</u>	\$ <u>2,975,240</u>	\$ <u>15,077,659</u>

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

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

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

Program or Source	CFDA Number	Amount
Medicaid reimbursement	93.778	\$ 514,993
Federal in lieu of taxes	N/A	6,085
Indirect costs:		
Title I, Part A	84.010	38,109
IDEA - Part B Formula	84.027	6,395
Title II, Part D	84.318	4,722
ESEA, Title II, Part A	84.367A	3,454
Summer School LEP	84.369A	1,074
IDEA - Part B Preschool	84.173	396
ARRA - Title XIV, SFSF	84.394	47
		<hr/>
		\$ <u><u>575,275</u></u>

**NOTE 18: Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *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).
2. *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.
3. *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).
4. *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.
5. *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, 2011, the restricted fund balance is composed of the following:

Federal or State Funds	\$ 207,367
Retirement of Long-Term Debt	313,111

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**

Notes to Financial Statements

August 31, 2011

**NOTE 18: Fund Balances (continued)**

Committed Fund Balance

The District’s committed fund balance is the portion of the fund balance that may only be established and modified by a formal action of the Board of Trustees. At August 31, 2011, the following amounts of fund balance are committed by a formal action of the Board:

Construction	\$ 1,852,434
Other – Laptops	231,890

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.

**NOTE 19: Shared Service Arrangements**

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides an Educational Technology Program that improves teaching and learning to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue fund 361 and is accounted for using Model 3 in the SSA section of the Resource Guide. The following districts participate as members of the SSA:

- Ballinger ISD
- Mason ISD
- San Saba ISD

**NOTE 20: Expenditures Exceeding Budget**

The following expenditures exceeded budgeted amounts:

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
<b>General Fund</b>					
0012 Instructional Resources and Media Services	\$ 348,276	\$	352,000	\$	(3,724)
0013 Curriculum and Instructional Staff Development	109,797		111,352		(1,555)
0034 Student (Pupil) Transportation	548,084		632,404		(84,320)
0036 Extracurricular Activities	1,225,280		1,237,569		(12,289)
0052 Security and Monitoring Services	87,830		88,613		(783)
0072 Interest on Long Term Debt	-		29,843		(29,843)
<b>Child Nutrition Program</b>					
0035 Food Services	1,763,296		1,853,172		(89,876)

**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, 2011**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 11,072,003	\$ 11,667,939	\$ 11,706,498	\$ 38,559
5800	State Program Revenues	14,341,768	14,051,913	12,957,923	(1,093,990)
5900	Federal Program Revenues	169,000	503,530	575,275	71,745
5020	Total Revenues	25,582,771	26,223,382	25,239,696	(983,686)
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	14,545,326	14,682,902	14,614,532	68,370
0012	Instructional Resources and Media Services	347,883	348,276	352,000	(3,724)
0013	Curriculum and Instructional Staff Development	158,367	109,797	111,352	(1,555)
0021	Instructional Leadership	268,787	270,224	269,871	353
0023	School Leadership	1,454,745	1,323,646	1,317,588	6,058
0031	Guidance, Counseling and Evaluation Services	993,069	977,262	974,769	2,493
0032	Social Work Services	71,391	70,447	70,160	287
0033	Health Services	195,740	196,051	177,766	18,285
0034	Student (Pupil) Transportation	540,834	548,084	632,404	(84,320)
0035	Food Services	34,241	40,568	40,347	221
0036	Extracurricular Activities	1,188,336	1,225,280	1,237,569	(12,289)
0041	General Administration	771,581	726,532	716,441	10,091
0051	Facilities Maintenance and Operations	3,476,834	2,316,771	2,313,227	3,544
0052	Security and Monitoring Services	94,530	87,830	88,613	(783)
0053	Data Processing Services	744,706	762,951	759,967	2,984
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	260,491	260,491	250,176	10,315
0072	Interest on Long Term Debt	-	-	29,843	(29,843)
<b>Capital Outlay:</b>					
0081	Facilities Acquisition and Construction	41,000	2,044,886	2,018,920	25,966
<b>Intergovernmental:</b>					
0099	Other Intergovernmental Charges	394,910	394,910	390,683	4,227
6030	Total Expenditures	25,582,771	26,386,908	26,366,228	20,680
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(163,526)	(1,126,532)	(963,006)
<b>OTHER FINANCING SOURCES (USES):</b>					
7913	Capital Leases	-	-	21,452	21,452
7080	Total Other Financing Sources (Uses)	-	-	21,452	21,452
1200	Net Change in Fund Balances	-	(163,526)	(1,105,080)	(941,554)
0100	Fund Balance - September 1 (Beginning)	5,149,984	5,149,984	5,149,984	-
3000	Fund Balance - August 31 (Ending)	\$ 5,149,984	\$ 4,986,458	\$ 4,044,904	\$ (941,554)

**OTHER SUPPLEMENTARY INFORMATION**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2011

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 205,736
1210	Property Taxes - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	151,627	12,385	55,886
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 151,627</u>	<u>\$ 12,385</u>	<u>\$ 261,622</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 72,521
2170	Due to Other Funds	-	151,627	12,385	-
2300	Deferred Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>151,627</u>	<u>12,385</u>	<u>72,521</u>
<b>Fund Balances:</b>					
<b>Restricted Fund Balance:</b>					
3450	Federal or State Funds Grant Restriction	-	-	-	189,101
3480	Retirement of Long-Term Debt	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,101</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 151,627</u>	<u>\$ 12,385</u>	<u>\$ 261,622</u>

EXHIBIT H-1 (Cont'd)

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,322	109,430	55,245	171,152	31,080	-	10,808
<u>\$ -</u>	<u>\$ 5,322</u>	<u>\$ 109,430</u>	<u>\$ 55,245</u>	<u>\$ 171,152</u>	<u>\$ 31,080</u>	<u>\$ -</u>	<u>\$ 10,808</u>
\$ -	\$ -	\$ -	\$ 36,000	\$ 15,363	\$ -	\$ -	\$ 220
-	5,322	109,430	19,245	155,789	31,080	-	10,588
-	-	-	-	-	-	-	-
-	5,322	109,430	55,245	171,152	31,080	-	10,808
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,322</u>	<u>\$ 109,430</u>	<u>\$ 55,245</u>	<u>\$ 171,152</u>	<u>\$ 31,080</u>	<u>\$ -</u>	<u>\$ 10,808</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2011

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1210	Property Taxes - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	210,430	6,885	21,484	161,310
1000	<b>Total Assets</b>	<u>\$ 210,430</u>	<u>\$ 6,885</u>	<u>\$ 21,484</u>	<u>\$ 161,310</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 16,073	\$ -
2170	Due to Other Funds	210,430	6,885	5,411	161,310
2300	Deferred Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>210,430</u>	<u>6,885</u>	<u>21,484</u>	<u>161,310</u>
<b>Fund Balances:</b>					
<b>Restricted Fund Balance:</b>					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 210,430</u>	<u>\$ 6,885</u>	<u>\$ 21,484</u>	<u>\$ 161,310</u>

EXHIBIT H-1 (Cont'd)

361 SSA - ARRA Title II, D Ed. Technology	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	429 Other State Special Revenue Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ 124	\$ -	\$ 20,156	\$ -	\$ -	\$ 16,245	\$ 242,261
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
75,558	-	13,271	-	-	4,941	-	1,096,814
<u>\$ 75,558</u>	<u>\$ 124</u>	<u>\$ 13,271</u>	<u>\$ 20,156</u>	<u>\$ -</u>	<u>\$ 4,941</u>	<u>\$ 16,245</u>	<u>\$ 1,339,075</u>
\$ 32,889	\$ -	\$ -	\$ 1,890	\$ -	\$ -	\$ -	\$ 174,956
42,669	-	13,271	-	-	4,941	-	940,383
-	124	-	-	-	-	16,245	16,369
75,558	124	13,271	1,890	-	4,941	16,245	1,131,708
-	-	-	18,266	-	-	-	207,367
-	-	-	-	-	-	-	-
-	-	-	18,266	-	-	-	207,367
<u>\$ 75,558</u>	<u>\$ 124</u>	<u>\$ 13,271</u>	<u>\$ 20,156</u>	<u>\$ -</u>	<u>\$ 4,941</u>	<u>\$ 16,245</u>	<u>\$ 1,339,075</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2011

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 130,939	\$ 373,200
1210 Property Taxes - Current	62,831	62,831
1220 Property Taxes - Delinquent	214,053	214,053
1230 Allowance for Uncollectible Taxes (Credit)	(60,914)	(60,914)
1240 Receivables from Other Governments	183,090	1,279,904
1000 Total Assets	<u>\$ 529,999</u>	<u>\$ 1,869,074</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ -	\$ 174,956
2170 Due to Other Funds	-	940,383
2300 Deferred Revenues	216,888	233,257
2000 Total Liabilities	<u>216,888</u>	<u>1,348,596</u>
Fund Balances:		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	207,367
3480 Retirement of Long-Term Debt	313,111	313,111
3000 Total Fund Balances	<u>313,111</u>	<u>520,478</u>
4000 Total Liabilities and Fund Balances	<u>\$ 529,999</u>	<u>\$ 1,869,074</u>

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

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 393,614
5800 State Program Revenues	-	-	-	11,075
5900 Federal Program Revenues	2,364	300,374	30,549	1,428,536
5020 Total Revenues	<u>2,364</u>	<u>300,374</u>	<u>30,549</u>	<u>1,833,225</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	2,364	300,374	30,549	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	1,853,172
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030 Total Expenditures	<u>2,364</u>	<u>300,374</u>	<u>30,549</u>	<u>1,853,172</u>
1200 Net Change in Fund Balance	-	-	-	(19,947)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,048</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,101</u>



242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
40,465	50,962	296,671	470,268	977,003	66,532	38,209	103,121
<u>40,465</u>	<u>50,962</u>	<u>296,671</u>	<u>470,268</u>	<u>977,003</u>	<u>66,532</u>	<u>38,209</u>	<u>103,121</u>
-	37,819	215,380	426,883	41,059	65,144	-	79,044
-	13,143	80,121	20,065	-	1,388	-	24,077
-	-	-	5,423	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
40,465	-	-	-	-	-	38,209	-
-	-	-	-	935,944	-	-	-
-	-	1,170	17,897	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>40,465</u>	<u>50,962</u>	<u>296,671</u>	<u>470,268</u>	<u>977,003</u>	<u>66,532</u>	<u>38,209</u>	<u>103,121</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, 2011

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	480,848	16,912	310,055	161,310
5020 Total Revenues	<u>480,848</u>	<u>16,912</u>	<u>310,055</u>	<u>161,310</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	480,848	16,912	186,293	1,011
0013 Curriculum and Instructional Staff Development	-	-	878	-
0021 Instructional Leadership	-	-	53,504	-
0023 School Leadership	-	-	-	150,093
0031 Guidance, Counseling and Evaluation Services	-	-	29,572	2,076
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	39,808	8,130
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>480,848</u>	<u>16,912</u>	<u>310,055</u>	<u>161,310</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

361 SSA - ARRA Title II, D Ed. Technology	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	429 Other State Special Revenue Funds	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,307	\$ 395,921
-	-	19,223	92,893	157,500	6,768	-	287,459
257,749	-	-	-	-	-	-	5,031,928
<u>257,749</u>	<u>-</u>	<u>19,223</u>	<u>92,893</u>	<u>157,500</u>	<u>6,768</u>	<u>2,307</u>	<u>5,715,308</u>
30,000	-	19,223	80,077	157,500	6,768	-	2,177,248
-	-	-	3,992	-	-	-	143,664
-	-	-	-	-	-	-	58,927
-	-	-	-	-	-	-	150,093
-	-	-	-	-	-	-	31,648
-	-	-	-	-	-	150	150
-	-	-	-	-	-	2,157	40,366
-	-	-	-	-	-	-	1,893,637
-	-	-	-	-	-	-	935,944
-	-	-	-	-	-	-	67,005
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>227,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,749</u>
<u>257,749</u>	<u>-</u>	<u>19,223</u>	<u>84,069</u>	<u>157,500</u>	<u>6,768</u>	<u>2,307</u>	<u>5,726,431</u>
-	-	-	8,824	-	-	-	(11,123)
-	-	-	9,442	-	-	-	218,490
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,367</u>

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

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700	\$ 2,975,240	\$ 3,371,161
5800	243,751	531,210
5900	-	5,031,928
5020	<u>3,218,991</u>	<u>8,934,299</u>
EXPENDITURES:		
Current:		
0011	-	2,177,248
0013	-	143,664
0021	-	58,927
0023	-	150,093
0031	-	31,648
0032	-	150
0033	-	40,366
0035	-	1,893,637
0051	-	935,944
0053	-	67,005
Debt Service:		
0071	1,305,000	1,305,000
0072	1,706,932	1,706,932
0073	1,431	1,431
Intergovernmental:		
0093	-	227,749
6030	<u>3,013,363</u>	<u>8,739,794</u>
1200	205,628	194,505
0100	<u>107,483</u>	<u>325,973</u>
3000	<u>\$ 313,111</u>	<u>\$ 520,478</u>

**REQUIRED TEA SCHEDULES**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	\$ 1.480000	\$ 0.110000	\$ 849,747,835
2003	1.480000	0.124500	878,421,652
2004	1.490000	0.114500	973,999,668
2005	1.490000	0.114500	991,691,675
2006	1.460000	0.287500	1,054,012,539
2007	1.334500	0.262500	1,169,036,913
2008	1.040000	0.230700	1,232,131,680
2009	1.040000	0.230700	1,329,771,952
2010	1.040000	0.278900	1,345,871,494
2011 (School year under audit)	1.040000	0.274700	1,414,688,667
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 234,983	\$ -	\$ 33,754	\$ 8,892	\$ (64,545)	\$ 127,792
53,743	-	4,706	396	(3,999)	44,642
31,177	-	5,401	415	(4,767)	20,594
43,239	-	7,439	572	(4,436)	30,792
62,935	-	9,362	1,843	(4,390)	47,340
102,607	-	15,732	3,094	(5,553)	78,228
134,741	-	17,052	3,782	(4,487)	109,420
402,308	-	59,637	13,229	(4,428)	325,014
443,871	-	150,413	40,337	(12,496)	240,625
-	14,011,879	10,820,000	2,857,936	(33,237)	300,706
<u>\$ 1,509,604</u>	<u>\$ 14,011,879</u>	<u>\$ 11,123,496</u>	<u>\$ 2,930,496</u>	<u>\$ (142,338)</u>	<u>\$ 1,325,153</u>

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**AUGUST 31, 2011**

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 271,685	\$ 363,251	\$ -	\$ -	\$ 634,936
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	8,041	-	-	-	8,041
6212	Audit Services	-	-	-	19,500	-	-	19,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	390,683	-	-	-	-	390,683
621X	Other Professional Services	-	-	2,987	-	-	-	2,987
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	49,847	-	-	49,847
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	12,112	-	-	12,112
6290	Miscellaneous Contr.	-	-	6,085	4,196	-	-	10,281
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	833	-	15,600	24,667	-	-	41,100
6410	Travel, Subsistence, Stipends	1,007	-	12,729	7,925	-	-	21,661
6420	Ins. and Bonding Costs	-	-	-	9,524	-	-	9,524
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	8,506	-	33,355	12,707	-	-	54,568
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 10,346</b>	<b>\$ 390,683</b>	<b>\$ 350,482</b>	<b>\$ 503,729</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,255,240</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 33,403,995

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,542,951
Total Debt & Lease(6500)	(11)	280,019
Plant Maintenance (Function 51, 6100-6400)	(12)	3,189,008
Food (Function 35, 6341 and 6499)	(13)	787,714
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		503,729

SubTotal:

7,303,421

Net Allowed Direct Cost

\$ 26,100,574

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 74,955,833
Historical Cost of Building over 50 years old	(16)	\$ 14,121,713
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 4,844,389
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,785,980
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$148,116 in Function 53 expenditures are included in this report on administrative costs.

\$390,683 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.



BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2011

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)	\$	4,044,904
2	Total Non-Spendable 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)		-
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)		2,084,324
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 month's average cash disbursements during the fiscal year.		4,400,000
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 (Lines 2+3+4+5+6+7+8+9+10+11)		<u>6,484,324</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 13)	\$	<u><u>(2,439,420)</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, 2011

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	\$ 406,500	\$ 393,295	\$ 393,614	\$ 319
5800 State Program Revenues	11,500	11,500	11,075	(425)
5900 Federal Program Revenues	1,400,000	1,353,000	1,428,536	75,536
5020 Total Revenues	1,818,000	1,757,795	1,833,225	75,430
EXPENDITURES:				
0035 Food Services	1,819,000	1,763,296	1,853,172	(89,876)
6030 Total Expenditures	1,819,000	1,763,296	1,853,172	(89,876)
1200 Net Change in Fund Balances	(1,000)	(5,501)	(19,947)	(14,446)
0100 Fund Balance - September 1 (Beginning)	209,048	209,048	209,048	-
3000 Fund Balance - August 31 (Ending)	\$ 208,048	\$ 203,547	\$ 189,101	\$ (14,446)

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, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,866,301	\$ 2,953,868	\$ 2,975,240	\$ 21,372
5800	State Program Revenues	149,132	152,385	243,751	91,366
5020	Total Revenues	3,015,433	3,106,253	3,218,991	112,738
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	3,015,433	3,013,364	1,305,000	1,708,364
0072	Interest on Long Term Debt	-	-	1,706,932	(1,706,932)
0073	Bond Issuance Cost and Fees	-	-	1,431	(1,431)
6030	Total Expenditures	3,015,433	3,013,364	3,013,363	1
1200	Net Change in Fund Balances	-	92,889	205,628	112,739
0100	Fund Balance - September 1 (Beginning)	107,483	107,483	107,483	-
3000	Fund Balance - August 31 (Ending)	\$ 107,483	\$ 200,372	\$ 313,111	\$ 112,739

**FEDERAL AWARDS SECTION**

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Brownwood Independent School District** (the "District"), as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **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*.

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

*Davis Kinard & Co, PC*  
Certified Public Accountants

Abilene, Texas  
December 7, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Brownwood Independent School District's (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 the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Brownwood Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

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

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

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

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

*Davis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
December 7, 2011

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 Year Ended August 31, 2011

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

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

Child Nutrition Cluster	
Summer Food Service Program for Children	CFDA #10.559
National School Lunch Program	CFDA #10.555
School Breakfast Program	CFDA #10.553
Special Education Cluster	
IDEA – Part B, Formula	CFDA #84.027
IDEA – Part B, Preschool	CFDA #84.173
IDEA, Part B, Formula – ARRA	CFDA #84.391
IDEA, Part B, Preschool – ARRA	CFDA #84.392
Education Technology Cluster	
Title II, Part D - Enhancing Education through Technology	CFDA #84.318
Title II, D - Enhancing Education through Technology - ARRA	CFDA #84.386
Title II, D - Enhancing Ed. Through Technology – ARRA – SSA	CFDA #84.386
Title XIV, ARRA State Fiscal Stabilization Fund	CFDA #84.394
Education Jobs Fund	CFDA #84.410
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: Yes

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

None

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

Finding 2011-1

Federal Program:	U.S. Department of Agriculture – Child Nutrition Cluster
CFDA:	10.553; 10.555; 10.559
Award Year:	2010/2011



**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2011

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

Type of Finding: Control Deficiency and Noncompliance

Compliance Requirement: Allowable Costs/Cost Principles

Condition and Context: Our payroll sample consisted of six employees paid with funds under the Child Nutrition cluster. It was determined that all six of the employees included in the sample did not include appropriate documentation of the time and effort requirements.

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 completion of the documentation of time and effort requirements of the Child Nutrition cluster.

Management Response: The District acknowledges the lack of appropriate documentation of the time and effort requirements for the Child Nutrition Cluster and the need to improve the monitoring of the process. To ensure future compliance, the following changes are proposed for the documentation process:

- a) In January and May of every year, salary notification forms will be sent out to every employee in the district. The notification forms will inform the employee of how their salary is funded. Employee signatures will be required to document their understanding of how their salary is funded.
- a) Once all forms are received and recorded, copies of the forms are to be forwarded to the Personnel Department. The Personnel Department will review for complete compliance and ensure proper filing. Forms will be maintained in the employees personnel file.

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
Schedule of Status of Prior Year Findings  
Year Ended August 31, 2011

Status of Prior Year's Finding/Noncompliance

None

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

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs *	84.010A	10610101025902	\$ 314,448
ESEA, Title I, Part A - Improving Basic Programs *	84.010A	11610101025902	1,034,997
Total CFDA Number 84.010A			<u>1,349,445</u>
IDEA - Part B, Formula *	84.027	106600010259026000	99,837
IDEA - Part B, Formula *	84.027	116600010259026000	206,932
Total CFDA Number 84.027			<u>306,769</u>
Career and Technical - Basic Grant	84.048	11420006025902	50,962
Summer School LEP	84.369A	69551002	1,074
IDEA - Part B Preschool *	84.173	106610010259026000	6,294
IDEA - Part B Preschool *	84.173	116610010259026000	24,651
Total CFDA Number 84.173			<u>30,945</u>
ESEA, Title IV - Safe & Drug-Free Schools	84.186A	10691001025902	2,364
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	10696001025902	8,497
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	11696001025902	58,035
Total CFDA Number 84.358B			<u>66,532</u>
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	10694501025902	80,188
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	11694501025902	219,937
Total CFDA Number 84.367A			<u>300,125</u>
Title II, Part D - Enhancing Ed. Through Technology *	84.318X	106300027110004	43,557
Title II, Part D - Enhancing Ed. Through Technology *	84.318X	10630001025902	3,603
Title II, Part D - Enhancing Ed. Through Technology *	84.318X	116300077110004	427,830
Total CFDA Number 84.318X			<u>474,990</u>
ARRA - Title II, D - Enhancing Ed. Through Tech *	84.386	10553001025902	10,588
SSA-ARRA - Title II, Part D - Enhancing Ed. Through Tech *	84.386	105530027110034	350,282
Total CFDA Number 84.386			<u>360,870</u>
ARRA - ESEA Title I, A - Improving Basic Programs *	84.389	10551001025902	310,055
ARRA - IDEA, Part B, Formula *	84.391	10554001025902	480,848
ARRA - IDEA, Part B, Preschool *	84.392	10555001025902	16,912
Education Jobs Fund	84.410	11550101025902	161,310
ARRA - Title XIV, State Fiscal Stabilization Fund	84.394	10557001025902	134,289
ARRA - Title XIV, State Fiscal Stabilization Fund	84.394	11557001025902	842,761
Total CFDA Number 84.394			<u>977,050</u>
Total passed through Texas Education Agency			<u>4,890,251</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<u>4,890,251</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through Texas Education Agency			
Medicaid Administrative Claiming Program -MAC	93.778		38,209
Total passed through Texas Education Agency			<u>38,209</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>38,209</u>

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

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through Texas Education Agency			
School Breakfast Program *	10.553	71401101	386,900
National School Lunch Program - cash assistance *	10.555	71301101	932,042
Summer Food Service Program for Children *	10.559	3001101	<u>40,465</u>
Total passed through Texas Education Agency			<u>1,359,407</u>
Passed through San Angelo Packing Co:			
National School Lunch Program - noncash assistance *	10.555		<u>109,594</u>
Total passed through San Angelo Packing Co.			<u>109,594</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>1,469,001</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 6,397,461</u>

\* Clustered Programs as required by OMB A-133 Compliance Supplement, June, 2011

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT**  
Notes to the Schedule of Expenditures of Federal Awards  
August 31, 2011

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

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

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

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

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

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

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

Federal Awards per Schedule of Expenditures of Federal Awards	\$	6,397,461
Medicaid Reimbursements		514,993
Federal-Miscellaneous		<u>6,085</u>
Total Federal Program Revenues-Exhibit C-3	\$	<u><u>6,918,539</u></u>