

**BROWNWOOD INDEPENDENT  
SCHOOL DISTRICT**

---

ANNUAL FINANCIAL  
AND  
COMPLIANCE REPORT

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YEAR ENDED AUGUST 31, 2012

**BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012**

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CERTIFICATE OF BOARD


Brownwood Independent School District  
Name of School District

Brown  
County

025-902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved  disapproved \_\_\_\_\_ for the year ended August 31, 2012, at a meeting of the Board of Trustees of such school district on the 10<sup>th</sup> day of December, 2012.

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

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Brownwood Independent School District** (the District) as of and for the year ended August 31, 2012, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Brownwood Independent School District** as of August 31, 2012, 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 5, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering 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 page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Daniel Kinard & Co., PC*

Certified Public Accountants

Abilene, Texas  
December 5, 2012

## **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, 2012.

### FUND STATEMENT FINANCIAL HIGHLIGHTS

- The District's total combined governmental fund balances at August 31, 2012 were \$5,640,531, compared to \$4,565,382 at August 31, 2011.
- During the year, the District's revenues of \$34,380,220 generated from taxes, state funding, and other revenues for governmental activities, and other financial resources of \$4,500 were \$1,075,149 more than the \$33,309,571 in expenditures. The general fund revenues and other financial resources were more than expenditures by \$976,526. All other governmental fund revenues were greater than their corresponding expenditures by \$98,623.
- The total cost of the District's programs decreased approximately 8.5% versus the prior year, due to discontinued federal programs and decreased construction projects in 2012 versus 2011. The District's revenues decreased approximately 3% primarily due to cuts in state and federal revenues.
- In the general fund, the resources available for appropriation, including extraordinary items, were approximately \$411,449 more than originally budgeted. The district received approximately \$274,000 over budget in miscellaneous revenue which included the \$184,000 in laptop user fees and \$51,000 in excess proceeds from tax sales. The district also received \$200,000 over budget in SHARS revenue. Expenditures were \$565,077 less than the original budget. This was due to both conservative spending throughout the year and hiring professionals with less experience.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS - continued

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

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



## **Government-Wide Statements**

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

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

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

The government-wide financial statements of the District include:

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

## **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

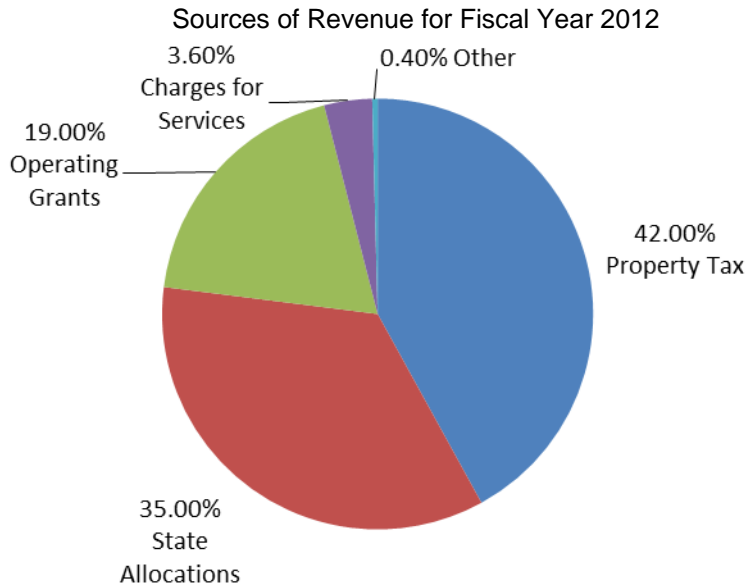
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE:  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net assets.** The District's combined net assets were \$20,288,389 at August 31, 2012.

	Governmental Activities	
	2012	2011
Current Assets	\$ 8,225,952	\$ 7,235,610
Capital Assets	46,841,738	48,656,230
Restricted Assets		
<b>Total Assets</b>	<b>55,067,690</b>	<b>55,891,840</b>
Current Liabilities	1,148,910	1,208,102
Long-Term Liabilities	33,630,391	35,309,256
<b>Total Liabilities</b>	<b>34,779,301</b>	<b>36,517,358</b>
Invested in Capital Assets net of related debt	13,211,347	13,346,974
Restricted for Federal and State Programs	262,440	207,367
Restricted for Debt Service	356,661	313,111
Unrestricted	6,457,941	5,507,030
<b>Total Net Assets</b>	<b>\$ 20,288,389</b>	<b>\$ 19,374,482</b>

During the year, net assets of the District's governmental activities increased by \$913,907 to \$20,288,389. Unrestricted net assets were \$6,457,941 at the end of this year; this amount reflects approximately 3 months of operating expenses for the District.

**Changes in net assets.** The District's total fiscal year 2012 revenues, including extraordinary items, were \$34,379,158 at August 31, 2012. Approximately 42% of the District's revenue came from property taxes, 35% 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 \$33,465,251 of which 56% was for direct instruction program costs compared to 54% 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	
	2012	2011
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	\$ 1,237,143	\$ 1,196,660
Local Operating Grants	2,649	2,307
State Operating Grants	1,565,595	2,857,840
Federal Grants	5,079,820	5,031,928
<u>General Revenues</u>		
Property Taxes	14,420,184	13,967,086
State Aid-Formula Grants	12,034,364	11,940,322
Other Non-restricted Grants & Contributions	25,419	60,282
Other	13,984	314,306
<b>Total Revenues</b>	<b>34,379,158</b>	<b>35,370,731</b>
<b>Expenses</b>		
Instruction	18,624,052	18,901,465
Extracurricular Activities	1,079,351	1,204,760
General Administration	723,019	730,147
Facilities Maintenance and Operations	3,318,875	3,386,944
School Leadership	1,548,640	1,580,667
Food Services	1,900,809	2,001,129
Guidance Counseling, and Evaluation Services	1,037,349	1,032,944
Interest on Long Term Debt	1,653,529	1,734,984
Other Functions	3,579,627	3,858,416
<b>Total Expenses</b>	<b>33,465,251</b>	<b>34,431,456</b>
<b>Increase in Net Assets</b>	<b>913,907</b>	<b>939,275</b>
<b>Beginning Net Assets</b>	<b>19,374,482</b>	<b>18,435,207</b>
<b>Ending Net Assets</b>	<b>\$ 20,288,389</b>	<b>\$ 19,374,482</b>

## 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 2012 was \$33,465,251 compared to \$34,431,456 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$14,420,184 for the 2012 year and \$13,967,086 for the 2011 year.

	Total Cost of Services	Program Revenues	Net Cost
Instruction	\$ 18,624,052	\$ 4,385,631	\$ (14,238,421)
Facilities Maintenance/Ops	3,318,875	96,696	(3,222,179)
Food Services	1,900,809	1,872,271	(28,538)
Debt Service	1,653,529	259,845	(1,393,684)
School Leadership	1,548,640	135,053	(1,413,587)
Extracurricular	1,079,351	150,756	(928,595)
Counseling	1,037,349	131,657	(905,692)
General Administrative	723,019	19,400	(703,529)
Other Programs	3,579,627	833,898	(2,745,819)
<b>Total</b>	<b>\$ 33,465,251</b>	<b>\$ 7,885,207</b>	<b>\$ (25,580,044)</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$34,380,220. Local revenues increased \$184,473 from the prior year, primarily due to the increase in tax collections. State revenue increased \$135,611 due to an increase in state funding. Federal revenue decreased \$1,425,195 due to changes in federal grant calculations and the loss of ARRA funding.

### Governmental Funds Budgetary Highlights

The original budget for the general fund reflected a balanced budget. Over the course of the year, the District amended its budget as needed continuing to reflect a balanced budget; however, the actual excess of revenue over expenditures was \$976,526 at August 31, 2012.

- Local funding increased \$400,152 from the original budget, state revenue decreased \$191,727 from the original budget, and federal revenue increased \$198,524 from the original budget.
- The district was conservative in spending with expenditures \$565,077 less than the original budget.

In the District's child nutrition program, the final amended budget reflected a balanced budget. Actual results included an excess of revenues over expenditures of \$73,193.

In the District's debt service fund, there was an actual excess of revenues over expenditures of \$43,550 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 2012, the District had invested \$81,394,476 in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation on these assets was \$34,552,738 at year-end. The above included current-year capital asset additions of \$378,838 and associated accumulated depreciation of \$2,190,830.

	Governmental Activities	
	2012	2011
Land	\$ 305,596	\$ 305,596
Buildings and Improvements	75,229,343	74,955,833
Furniture and Equipment	5,859,537	5,864,840
Totals at Historical Costs	81,394,476	81,126,269
Less Accumulated Depreciation for:		
Buildings and Improvements	(30,478,050)	(28,881,550)
Furniture and Equipment	(4,074,688)	(3,588,489)
Total Accumulated Depreciation	(34,552,738)	(32,470,039)
Net Capital Assets	\$ 46,841,738	\$ 48,656,230

### Long-Term Debt

	Governmental Activities	
	2012	2011
Bonds Payable:		
Unlimited Tax Refunding Bonds Series 1998	\$ 1,940,000	\$ 2,815,000
Unlimited Tax Refunding Bonds Series 2005	29,910,000	30,430,000
Total Bonds Payable	\$ 31,850,000	\$ 33,245,000

At year-end the District had \$31,850,000 in bonds outstanding which represents a decrease of \$1,395,000 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, 2012

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 6,037,909
1210 Property Taxes Receivable - Current	344,207
1220 Property Taxes Receivable (Delinquent)	1,011,789
1230 Allowance for Uncollectible Taxes	(325,439)
1240 Due from Other Governments	596,724
1267 Due from Fiduciary Funds	150,815
1290 Other Receivables, Net	3,993
1420 Capitalized Bond and Other Debt Issuance Costs	405,954
Capital Assets:	
1510 Land	305,596
1520 Buildings, Net	44,751,293
1530 Furniture and Equipment, Net	1,518,834
1550 Leased Property Under Capital Leases, Net	<u>266,015</u>
1000 Total Assets	<u>55,067,690</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	251,664
2160 Accrued Wages Payable	583,373
2300 Deferred Revenues	313,873
Noncurrent Liabilities	
2501 Due Within One Year	1,791,453
2502 Due in More Than One Year	<u>31,838,938</u>
2000 Total Liabilities	<u>34,779,301</u>
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	13,211,347
3820 Restricted for Federal Programs	262,440
3850 Restricted for Debt Service	356,661
3900 Unrestricted Net Assets	<u>6,457,941</u>
3000 Total Net Assets	<u>\$ 20,288,389</u>

The accompanying notes are an integral part of this statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
11	Instruction	\$ 18,624,052	\$ 751,484	\$ 3,634,147
12	Instructional Resources and Media Services	369,567	-	52,688
13	Curriculum and Instructional Staff Development	335,234	-	238,659
21	Instructional Leadership	439,731	-	176,956
23	School Leadership	1,548,640	-	135,053
31	Guidance, Counseling, and Evaluation Services	1,037,349	-	131,657
32	Social Work Services	224,256	-	157,035
33	Health Services	199,241	-	38,450
34	Student Transportation	794,957	-	806
35	Food Services	1,900,809	343,936	1,528,335
36	Extracurricular Activities	1,079,351	128,495	22,261
41	General Administration	723,019	-	19,490
51	Facilities Maintenance and Operations	3,318,875	13,228	83,468
52	Security and Monitoring Services	63,451	-	830
53	Data Processing Services	708,134	-	116,506
72	Debt Service - Interest on Long Term Debt	1,653,529	-	259,845
73	Debt Service - Bond Issuance Costs and Fees	431	-	-
81	Capital Outlay	7,292	-	-
93	Payments related to Shared Services Arrangements	51,878	-	51,878
99	Other Intergovernmental Charges	385,455	-	-
TG	Total Governmental Activities	<u>33,465,251</u>	<u>1,237,143</u>	<u>6,648,064</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 33,465,251</u>	<u>\$ 1,237,143</u>	<u>\$ 6,648,064</u>

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous
TR	Total General Revenues
CN	Change in Net Assets
NB	Net Assets - Beginning
NE	Net Assets - Ending

The accompanying notes are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Assets	
6	
Primary Gov.	
Governmental Activities	Total
\$ (14,238,421)	\$ (14,238,421)
(316,879)	(316,879)
(96,575)	(96,575)
(262,775)	(262,775)
(1,413,587)	(1,413,587)
(905,692)	(905,692)
(67,221)	(67,221)
(160,791)	(160,791)
(794,151)	(794,151)
(28,538)	(28,538)
(928,595)	(928,595)
(703,529)	(703,529)
(3,222,179)	(3,222,179)
(62,621)	(62,621)
(591,628)	(591,628)
(1,393,684)	(1,393,684)
(431)	(431)
(7,292)	(7,292)
-	-
<u>(385,455)</u>	<u>(385,455)</u>
<u>(25,580,044)</u>	<u>(25,580,044)</u>
<u>(25,580,044)</u>	<u>(25,580,044)</u>
11,608,011	11,608,011
2,812,173	2,812,173
12,034,364	12,034,364
25,419	25,419
11,984	11,984
2,000	2,000
<u>26,493,951</u>	<u>26,493,951</u>
913,907	913,907
<u>19,374,482</u>	<u>19,374,482</u>
<u>\$ 20,288,389</u>	<u>\$ 20,288,389</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,466,022	\$ 571,887	\$ 6,037,909
1210 Property Taxes - Current	276,664	67,543	344,207
1220 Property Taxes - Delinquent	813,247	198,542	1,011,789
1230 Allowance for Uncollectible Taxes (Credit)	(261,579)	(63,860)	(325,439)
1240 Receivables from Other Governments	-	596,724	596,724
1260 Due from Other Funds	614,809	-	614,809
1290 Other Receivables	3,993	-	3,993
1000 Total Assets	<u>\$ 6,913,156</u>	<u>\$ 1,370,836</u>	<u>\$ 8,283,992</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
2110 Accounts Payable	\$ 182,164	\$ 69,500	\$ 251,664
2160 Accrued Wages Payable	583,145	228	583,373
2170 Due to Other Funds	-	463,994	463,994
2300 Deferred Revenues	1,126,417	218,013	1,344,430
2000 Total Liabilities	<u>1,891,726</u>	<u>751,735</u>	<u>2,643,461</u>
<b>Fund balances:</b>			
<b>Restricted Fund Balance:</b>			
3450 Federal or State Funds Grant Restriction	-	262,440	262,440
3480 Retirement of Long Term Debt	-	356,661	356,661
3600 Unassigned Fund Balance	5,021,430	-	5,021,430
3000 Total Fund Balances	<u>5,021,430</u>	<u>619,101</u>	<u>5,640,531</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,913,156</u>	<u>\$ 1,370,836</u>	<u>\$ 8,283,992</u>

The accompanying notes 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, 2012

<b>Total Fund Balances - Governmental Funds</b>		\$	5,640,531
<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 \$81,126,269 and the accumulated depreciation was \$32,470,039. 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 \$35,309,256. 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 \$428,507. 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.		13,775,481
<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 2012 capital outlays of \$378,838, debt principal payments of \$1,395,000 and principal payments on capital leases of \$257,759 is to increase net assets.		2,031,597
<b>3</b>	The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(2,190,830)
<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 \$26,106 is to increase net assets.		3,553
<b>5</b>	Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets sold is offset against the proceeds to report gain or loss on the sale of assets. The net book value of assets sold was \$2,500.		(2,500)
<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 revenue of \$1,030,557 and eliminating interfund receivables and payables of \$463,994. The net effect of these reclassifications and recognitions is to increase net assets.		1,030,557
<b>7</b>	<b>Net Assets of Governmental Activities (See A-1)</b>	\$	20,288,389

The accompanying notes are an integral part of this statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	REVENUES			
5700	Total Local and Intermediate Sources	\$ 12,085,559	\$ 3,176,573	\$ 15,262,132
5800	State Program Revenues	13,051,827	572,917	13,624,744
5900	Federal Program Revenues	413,524	5,079,820	5,493,344
5020	Total Revenues	<u>25,550,910</u>	<u>8,829,310</u>	<u>34,380,220</u>
	EXPENDITURES			
	Current:			
0011	Instruction	14,122,527	2,979,171	17,101,698
0012	Instructional Resources and Media Services	272,609	40,840	313,449
0013	Curriculum and Instructional Staff Development	100,390	234,844	335,234
0021	Instructional Leadership	275,974	163,183	439,157
0023	School Leadership	1,364,351	71,427	1,435,778
0031	Guidance, Counseling, and Evaluation Services	944,654	87,656	1,032,310
0032	Social Work Services	70,463	153,793	224,256
0033	Health Services	169,156	30,085	199,241
0034	Student (Pupil) Transportation	791,087	-	791,087
0035	Food Services	38,097	1,769,632	1,807,729
0036	Extracurricular Activities	1,010,205	-	1,010,205
0041	General Administration	709,313	-	709,313
0051	Facilities Maintenance and Operations	3,096,630	21,755	3,118,385
0052	Security and Monitoring Services	63,451	-	63,451
0053	Data Processing Services	621,477	83,333	704,810
	Debt Service:			
0071	Principal on Long Term Debt	257,759	1,395,000	1,652,759
0072	Interest on Long Term Debt	9,423	1,647,659	1,657,082
0073	Bond Issuance Cost and Fees	-	431	431
	Capital Outlay:			
0081	Facilities Acquisition and Construction	275,863	-	275,863
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	-	51,878	51,878
0099	Other Intergovernmental Charges	385,455	-	385,455
6030	Total Expenditures	<u>24,578,884</u>	<u>8,730,687</u>	<u>33,309,571</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>972,026</u>	<u>98,623</u>	<u>1,070,649</u>
	OTHER FINANCING SOURCES (USES)			
7912	Sale of Real & Personal Property	4,500	-	4,500
7915	Transfers In	-	146	146
8911	Transfers Out (Use)	-	(146)	(146)
7080	Total Other Financing Sources (Uses)	<u>4,500</u>	<u>-</u>	<u>4,500</u>
1200	Net Change in Fund Balances	976,526	98,623	1,075,149
0100	Fund Balance - September 1 (Beginning)	<u>4,044,904</u>	<u>520,478</u>	<u>4,565,382</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 5,021,430</u>	<u>\$ 619,101</u>	<u>\$ 5,640,531</u>

The accompanying notes 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, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 1,075,149
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 2012 capital outlays of \$378,838, debt principal payments of \$1,395,000 and principal payments on capital leases of \$257,759 is to increase net assets.	2,031,597
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.	(2,190,830)
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 \$26,106 is to increase net assets.	3,553
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets sold is offset against the proceeds to report gain or loss on the sale of assets. The net book value of assets sold was \$2,500.	(2,500)
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 revenue of \$1,030,557 as revenue, reversing prior year's deferred revenue of \$1,033,619, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to decrease net assets.	(3,062)
<b>Change in Net Assets of Governmental Activities (See B-1)</b>	\$ <u><u>913,907</u></u>

The accompanying notes are an integral part of this statement.

**FIDUCIARY FUND FINANCIAL STATEMENTS**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ <u>345,759</u>
Total Assets	\$ <u><u>345,759</u></u>
LIABILITIES	
Due to Student Groups	\$ 194,944
Due to Other Funds	<u>150,815</u>
Total Liabilities	\$ <u><u>345,759</u></u>

The accompanying notes are an integral part of this statement.



**NOTES TO THE FINANCIAL STATEMENTS**

## BROWNWOOD INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

#### *Note 1: REPORTING ENTITY*

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

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

#### *Note 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the statement of net 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 THE FINANCIAL STATEMENTS

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as 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 fund:

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

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.

Receivables and Payables

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 4: ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (continued)*

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

Long-Term Obligations

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

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

Use of Estimates

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

*Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

Budgetary Information

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

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.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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, 2012, the District’s deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District’s agent bank in the District’s name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost that approximates market and the certificates of deposit are secured, when necessary, by the FDIC or obligations of items 1-3 above at 102% of the investment’s market value. TexPool is a local government investment pool under the oversight of the Texas Comptroller of Public Accounts.

The fair value of investments at August 31, 2012, is shown below:

<u>Name</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days) *</u>
TexPool	\$ 4,593,083	81

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

*Concentration of Credit Risk* – The District’s investment policy is for the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity or specific issuer.

*Interest Rate Risk* – The District’s investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

TexPool

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

*Credit Risk.* State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. TexPool is rated AAAM by Standard & Poor's.

Property Tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2011, upon which the levy for the August 31, 2012, fiscal year was based, was \$1,525,479,638. 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, 2012 were 97% 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, 2012, property taxes receivable, net of estimated uncollectible taxes of \$325,439, totaled \$1,030,557.

The tax rate to finance general governmental services was \$1.04 per \$100 for the year ended August 31, 2012, and a tax rate of \$0.2539 per \$100 was assessed to finance the payment of principal and interest on long-term obligations.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012, are summarized below.

Fund	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ -	\$ -	\$ -
Nonmajor funds	<u>68,822</u>	<u>527,902</u>	<u>596,724</u>
	<u>\$ 68,822</u>	<u>\$ 527,902</u>	<u>\$ 596,724</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2012, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund:		
Nonmajor governmental funds	\$ 463,994	\$ -
Fiduciary funds	150,815	
Nonmajor governmental funds:		
General fund	-	463,994
Fiduciary funds:		
General fund	<u>-</u>	<u>150,815</u>
Totals	\$ <u>614,809</u>	\$ <u>614,809</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.

Capital Assets

Capital asset activity for the year ended August 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 305,596	\$ -	\$ -	\$ 305,596
Total capital assets, not being depreciated	<u>305,596</u>	<u>-</u>	<u>-</u>	<u>305,596</u>
Capital assets, being depreciated:				
Buildings and improvements	74,955,833	273,510		75,229,343
Furniture and equipment	4,844,389	105,328	(110,631)	4,839,086
Capital leases	<u>1,020,451</u>			<u>1,020,451</u>
Total capital assets, being depreciated	<u>80,820,673</u>	<u>378,838</u>	<u>(110,631)</u>	<u>81,088,880</u>
Less accumulated depreciation for:				
Buildings and improvements	28,881,550	1,596,500		30,478,050
Furniture and equipment	3,088,429	339,954	(108,131)	3,320,252
Capital leases	<u>500,060</u>	<u>254,376</u>		<u>754,436</u>
Total accumulated depreciation	<u>32,470,039</u>	<u>2,190,830</u>	<u>(108,131)</u>	<u>34,552,738</u>
Total capital assets, being depreciated, net	<u>48,350,634</u>	<u>(1,811,992)</u>	<u>(2,500)</u>	<u>46,536,142</u>
Total capital assets, net	\$ <u>48,656,230</u>	\$ <u>(1,811,992)</u>	\$ <u>(2,500)</u>	\$ <u>46,841,738</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

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

Instruction	\$ 1,522,354
Instructional Resources and Media Services	56,118
Instructional Leadership	574
School Leadership	112,862
Guidance, Counseling and Evaluation Services	5,039
Student (Pupil) Transportation	92,423
Food Services	103,955
Cocurricular/Extracurricular activities	69,146
General Administration	13,706
Facilities Maintenance and Operations	206,390
Data Processing Services	3,324
Facilities Acquisition and Construction	<u>4,939</u>
Total depreciation expense - governmental activities	<u>\$ 2,190,830</u>

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>Outstanding 8/31/2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 8/31/2012</u>
Unlimited Tax Refunding Bonds Series 1998	4.51%	\$ 4,730,000	\$ 2,815,000	-	\$ 875,000	\$ 1,940,000
Unlimited Tax Refunding Bonds Series 2005	5.25%	<u>31,370,000</u>	<u>30,430,000</u>	<u>-</u>	<u>520,000</u>	<u>29,910,000</u>
Total Bonds Payable		<u>\$ 36,100,000</u>	<u>\$ 33,245,000</u>	<u>-</u>	<u>\$ 1,395,000</u>	<u>\$ 31,850,000</u>

<u>Description</u>	<u>Outstanding 8/31/2011</u>	<u>Accretion</u>	<u>Amortization</u>	<u>Outstanding 8/31/2012</u>	<u>Due Within One Year</u>
Unamortized premium on 2005 Bonds	\$ <u>1,527,559</u>	<u>-</u>	\$ <u>26,106</u>	\$ <u>1,501,453</u>	\$ <u>27,860</u>
Total Other Long-Term Debt	<u>\$ 1,527,559</u>	<u>-</u>	<u>\$ 26,106</u>	<u>\$ 1,501,453</u>	<u>\$ 27,860</u>



BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7: LONG-TERM DEBT (continued)

The current portion of each bond at August 31, 2012 was as follows:

		<u>Due in 2013</u>
Unlimited Tax Refunding Bond Series 1998	\$	940,000
Unlimited Tax Refunding Bond Series 2005		<u>555,000</u>
	\$	<u><u>1,495,000</u></u>

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
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	1,310,000	1,325,850	2,635,850
2018-2022	7,695,000	5,490,132	13,185,132
2023-2027	10,005,000	3,182,112	13,187,112
2028-2030	<u>7,355,000</u>	<u>563,875</u>	<u>7,918,875</u>
	<u>\$ 31,850,000</u>	<u>\$ 16,516,228</u>	<u>\$ 48,366,228</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, 2012.

The District received \$1,593,592 as a premium on the 2005 bond issuance. This is reported with other long-term debt and is being amortized over the life of the bonds utilizing a method that approximates the percentage of principal reductions made during the year. During the year ended August 31, 2012, the District recognized amortization expense on the bond premium of \$26,106.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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 8/31/2011	Additions	Retirements	Balance 8/31/2012	Due Within One Year
Computer hardware/software	\$ 492,246	\$	\$ (241,453)	\$ 250,793	\$ 250,793
Maintenance equipment	31,151		(10,112)	21,039	10,694
Band instruments	13,300		(6,194)	7,106	7,106
	<u>\$ 536,697</u>	<u>\$ -</u>	<u>\$ (257,759)</u>	<u>\$ 278,938</u>	<u>\$ 268,593</u>

Future minimum lease payments under capital leases are as follows:

Year Ending August 31,

2013	\$ 280,247
2014	<u>10,637</u>
Total minimum lease payments	290,884
Less amount representing interest	<u>(11,946)</u>
Present value of minimum lease payments	<u>\$ 278,938</u>

Total interest expense on capital leases for the year ended August 31, 2012 was \$9,423.

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>(754,436)</u>
Net value of leased assets	<u>\$ 266,015</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 8: PENSION PLAN OBLIGATIONS*

*Plan Description* – The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy* – Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2012 – 2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution on the portion of the employees’ salaries that exceeded the statutory minimum.

Year	Member		State		Exceeds Statutory
	Rate	Amount	Rate	Amount	Minimum Amount
2012	6.4%	\$ 1,130,052	6.000%	\$ 703,874	\$ 355,549
2011	6.4%	1,153,000	6.644%	793,098	403,860
2010	6.4%	1,152,053	6.644%	804,303	391,672

*Note 9: POSTEMPLOYMENT HEALTH BENEFITS*

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

*Funding Policy* – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table on the following page for fiscal years 2012 – 2010.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 9: POSTEMPLOYMENT HEALTH BENEFITS (continued)*

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	0.65%	\$ 114,771	1.0%	\$ 176,571	0.55%	\$ 97,114
2011	0.65%	117,102	1.0%	180,156	0.55%	99,086
2010	0.65%	117,005	1.0%	180,008	0.55%	99,005

*Medicare Part D* – The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$48,370, \$44,346 and \$47,720 for the years ended August 31, 2012, 2011 and 2010, respectively.

*The Early Retiree Reinsurance Program (ERRP)* – ERRP is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55–64 and their covered dependents regardless of age. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$45,743 for the year ended August 31, 2012.

*Note 10: RISK MANAGEMENT*

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

*Note 11: HEALTH CARE COVERAGE*

During the year ended August 31, 2012, 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 12: CONTINGENCIES*

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

The District participates in state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2012, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 13: ACCUMULATED UNPAID SICK LEAVE BENEFITS*

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

*Note 14: DEFERRED REVENUE*

Deferred revenue in the fund financial statements at August 31, 2012 consisted of the following:

	General Fund	Other Governmental Funds	Total
Net tax revenue	\$ 827,414	\$ 203,143	\$ 1,030,557
Athletic revenue	45,821		45,821
State revenue	159,396		159,396
Local special revenue		14,870	14,870
Miscellaneous	93,786		93,786
	<u>\$ 1,126,417</u>	<u>\$ 218,013</u>	<u>\$ 1,344,430</u>

*Note 15: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES*

For the year ended August 31, 2012, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Other Governmental Funds	Total
Property taxes	\$ 11,452,604	\$ 2,791,539	\$ 14,244,143
Athletic activities	128,495		128,495
Tuition and fees	30,463		30,463
Food service		343,936	343,936
Investment income	7,914	4,070	11,984
Revenues from foundations, other non-profit organizations, gifts and bequests	29,393	2,649	32,042
Penalties, interest and other tax-related income	144,724	34,379	179,103
Other	291,966		291,966
Total	<u>\$ 12,085,559</u>	<u>\$ 3,176,573</u>	<u>\$ 15,262,132</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 16: GENERAL FUND FEDERAL SOURCE REVENUES*

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

Program or Source	CFDA Number	Amount
Medicaid reimbursement	93.778	\$ 410,241
Indirect costs:		
Title I, Part A	84.010	1,087
ESEA, Title VI, Part B	84.358B	1,082
Summer School LEP	84.369A	1,110
ARRA - Title XIV, SFSF	84.394	4
		\$ 413,524

*Note 17: FUND BALANCE*

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:

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

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

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

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

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

Restricted Fund Balance

At August 31, 2012, the restricted fund balance is composed of the following:

Federal or State Funds	\$ 262,440
Retirement of Long-Term Debt	356,661

Order of Fund Balance Spending Policy

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

Minimum Fund Balance Policy

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 18: 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 19: EXPENDITURES EXCEEDING BUDGET*

The following expenditures exceeded budgeted amounts:

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
General Fund					
0071 Principal on Long-Term Debt	\$ 247,491	\$	257,759	\$	(10,268)
0072 Interest on Long-Term Debt	-		9,423		(9,423)

**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, 2012

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	\$ 11,685,407	\$ 11,718,195	\$ 12,085,559	\$ 367,364
5800	State Program Revenues	13,243,554	13,243,554	13,051,827	(191,727)
5900	Federal Program Revenues	215,000	215,000	413,524	198,524
5020	Total Revenues	<u>25,143,961</u>	<u>25,176,749</u>	<u>25,550,910</u>	<u>374,161</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	14,664,144	14,487,047	14,122,527	364,520
0012	Instructional Resources and Media Services	316,483	316,763	272,609	44,154
0013	Curriculum and Instructional Staff Development	136,373	131,589	100,390	31,199
0021	Instructional Leadership	278,959	279,759	275,974	3,785
0023	School Leadership	1,367,250	1,367,139	1,364,351	2,788
0031	Guidance, Counseling, and Evaluation Services	994,099	974,060	944,654	29,406
0032	Social Work Services	71,171	71,171	70,463	708
0033	Health Services	162,466	182,466	169,156	13,310
0034	Student (Pupil) Transportation	630,082	809,035	791,087	17,948
0035	Food Services	36,199	40,470	38,097	2,373
0036	Extracurricular Activities	1,022,347	1,020,363	1,010,205	10,158
0041	General Administration	712,275	724,775	709,313	15,462
0051	Facilities Maintenance and Operations	3,290,626	3,145,781	3,096,630	49,151
0052	Security and Monitoring Services	62,836	63,536	63,451	85
0053	Data Processing Services	648,987	648,987	621,477	27,510
Debt Service:					
0071	Principal on Long-Term Debt	260,491	247,491	257,759	(10,268)
0072	Interest on Long-Term Debt	-	-	9,423	(9,423)
Capital Outlay:					
0081	Facilities Acquisition and Construction	100,000	277,145	275,863	1,282
Intergovernmental:					
0099	Other Intergovernmental Charges	389,173	389,173	385,455	3,718
6030	Total Expenditures	<u>25,143,961</u>	<u>25,176,750</u>	<u>24,578,884</u>	<u>597,866</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1)	972,026	972,027
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of Real & Personal Property	-	-	4,500	4,500
7080	Total Other Financing Sources (Uses)	-	-	4,500	4,500
1200	Net Change in Fund Balances	-	(1)	976,526	976,527
0100	Fund Balance - September 1 (Beginning)	<u>4,044,904</u>	<u>4,044,904</u>	<u>4,044,904</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,044,904</u>	<u>\$ 4,044,903</u>	<u>\$ 5,021,430</u>	<u>\$ 976,527</u>

**OTHER SUPPLEMENTARY INFORMATION**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<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	<u>84,201</u>	<u>64,208</u>
1000 Total Assets	<u>\$ 84,201</u>	<u>\$ 64,208</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ 9,824	\$ -
2160 Accrued Wages Payable	228	-
2170 Due to Other Funds	74,149	64,208
2300 Deferred Revenues	<u>-</u>	<u>-</u>
2000 Total Liabilities	<u>84,201</u>	<u>64,208</u>
Fund Balances:		
Restricted Fund Balance		
3450 Federal or State Funds Grant Restriction	-	-
3480 Retirement of Long Term Debt	<u>-</u>	<u>-</u>
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 84,201</u>	<u>\$ 64,208</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	262 Title II, D Education Technology
\$ -	\$ 268,114	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	45,520	20,673	65,152	178,865
<u>-</u>	<u>45,520</u>	<u>20,673</u>	<u>65,152</u>	<u>178,865</u>
\$ <u>-</u>	\$ <u>313,634</u>	\$ <u>20,673</u>	\$ <u>65,152</u>	\$ <u>178,865</u>
\$ -	\$ 51,340	\$ 4,558	\$ -	\$ 3,778
-	-	-	-	-
-	-	16,115	65,152	175,087
-	-	-	-	-
<u>-</u>	<u>51,340</u>	<u>20,673</u>	<u>65,152</u>	<u>178,865</u>
-	262,294	-	-	-
-	-	-	-	-
<u>-</u>	<u>262,294</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>313,634</u>	\$ <u>20,673</u>	\$ <u>65,152</u>	\$ <u>178,865</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	266 Title XIV ARRA State Stabilization	270 ESEA VI, B Rural & Low Income
<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	-	35,969
1000 Total Assets	<u>\$ -</u>	<u>\$ 35,969</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ -	\$ -
2160 Accrued Wages Payable	-	-
2170 Due to Other Funds	-	35,969
2300 Deferred Revenues	-	-
2000 Total Liabilities	<u>-</u>	<u>35,969</u>
Fund Balances:		
Restricted Fund Balance		
3450 Federal or State Funds Grant Restriction	-	-
3480 Retirement of Long Term Debt	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 35,969</u>

272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology	285 ESEA I, A Improving Basic Program - ARRA	287 Education Jobs Fund	361 SSA - ARRA Title II, D Ed. Technology
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	33,314	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,314</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	33,314	-
-	-	-	-	-
-	-	-	33,314	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,314</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,314</u>	<u>\$ -</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 124	\$ 146
1210 Property Taxes - Current	-	-
1220 Property Taxes - Delinquent	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-
1240 Receivables from Other Governments	-	-
1000 Total Assets	<u>\$ 124</u>	<u>\$ 146</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ -	\$ -
2160 Accrued Wages Payable	-	-
2170 Due to Other Funds	-	-
2300 Deferred Revenues	124	-
2000 Total Liabilities	<u>124</u>	<u>-</u>
Fund Balances:		
Restricted Fund Balance		
3450 Federal or State Funds Grant Restriction	-	146
3480 Retirement of Long Term Debt	-	-
3000 Total Fund Balances	<u>-</u>	<u>146</u>
4000 Total Liabilities and Fund Balances	<u>\$ 124</u>	<u>\$ 146</u>

411 Technology Allotment	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 14,746	\$ 283,130	\$ 288,757	\$ 571,887
-	-	-	67,543	67,543
-	-	-	198,542	198,542
-	-	-	(63,860)	(63,860)
-	-	527,902	68,822	596,724
<u>\$ -</u>	<u>\$ 14,746</u>	<u>\$ 811,032</u>	<u>\$ 559,804</u>	<u>\$ 1,370,836</u>
\$ -	\$ -	\$ 69,500	\$ -	\$ 69,500
-	-	228	-	228
-	-	463,994	-	463,994
-	14,746	14,870	203,143	218,013
-	14,746	548,592	203,143	751,735
-	-	262,440	-	262,440
-	-	-	356,661	356,661
-	-	262,440	356,661	619,101
<u>\$ -</u>	<u>\$ 14,746</u>	<u>\$ 811,032</u>	<u>\$ 559,804</u>	<u>\$ 1,370,836</u>



BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>REVENUES</b>		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>1,239,403</u>	<u>825,595</u>
5020 Total Revenues	<u>1,239,403</u>	<u>825,595</u>
<b>EXPENDITURES</b>		
Current:		
0011 Instruction	904,629	825,595
0012 Instructional Resources and Media Services	-	-
0013 Curriculum and Instructional Staff Development	54,031	-
0021 Instructional Leadership	107,054	-
0023 School Leadership	-	-
0031 Guidance, Counseling and Evaluation Services	19,896	-
0032 Social Work Services	153,793	-
0033 Health Services	-	-
0035 Food Services	-	-
0051 Facilities Maintenance and Operations	-	-
0053 Data Processing Services	-	-
Debt Service:		
0071 Principal on Long-Term Debt	-	-
0072 Interest on Long-Term Debt	-	-
0073 Bond Issuance Cost and Fees	-	-
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-
6030 Total Expenditures	<u>1,239,403</u>	<u>825,595</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7915 Transfers In	-	-
8911 Transfers Out (Use)	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	262 Title II, D Education Technology
\$ -	\$ 347,129	\$ -	\$ -	\$ -
-	10,973	-	-	-
<u>29,478</u>	<u>1,484,723</u>	<u>73,610</u>	<u>235,439</u>	<u>517,262</u>
<u>29,478</u>	<u>1,842,825</u>	<u>73,610</u>	<u>235,439</u>	<u>517,262</u>
29,478	-	55,697	233,568	328,077
-	-	-	-	-
-	-	17,913	701	133,056
-	-	-	-	56,129
-	-	-	-	-
-	-	-	-	-
-	1,769,632	-	-	-
-	-	-	-	-
-	-	-	1,170	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>29,478</u>	<u>1,769,632</u>	<u>73,610</u>	<u>235,439</u>	<u>517,262</u>
-	73,193	-	-	-
-	-	-	-	-
-	-	-	-	-
-	73,193	-	-	-
-	189,101	-	-	-
<u>-</u>	<u>262,294</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, 2012

Data Control Codes	266 Title XIV ARRA State Stabilization	270 ESEA VI, B Rural & Low Income
<b>REVENUES</b>		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>17,741</u>	<u>83,701</u>
5020 Total Revenues	<u>17,741</u>	<u>83,701</u>
<b>EXPENDITURES</b>		
Current:		
0011 Instruction	-	55,923
0012 Instructional Resources and Media Services	-	-
0013 Curriculum and Instructional Staff Development	-	27,778
0021 Instructional Leadership	-	-
0023 School Leadership	-	-
0031 Guidance, Counseling and Evaluation Services	-	-
0032 Social Work Services	-	-
0033 Health Services	-	-
0035 Food Services	-	-
0051 Facilities Maintenance and Operations	17,741	-
0053 Data Processing Services	-	-
Debt Service:		
0071 Principal on Long-Term Debt	-	-
0072 Interest on Long-Term Debt	-	-
0073 Bond Issuance Cost and Fees	-	-
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-
6030 Total Expenditures	<u>17,741</u>	<u>83,701</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7915 Transfers In	-	-
8911 Transfers Out (Use)	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology	285 ESEA I, A Improving Basic Program - ARRA	287 Education Jobs Fund	361 SSA - ARRA Title II, D Ed. Technology
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>28,378</u>	<u>8,580</u>	<u>47,698</u>	<u>433,834</u>	<u>54,378</u>
<u>28,378</u>	<u>8,580</u>	<u>47,698</u>	<u>433,834</u>	<u>54,378</u>
-	7,215	47,698	167,630	2,500
-	-	-	40,840	-
-	1,365	-	-	-
-	-	-	-	-
-	-	-	71,427	-
-	-	-	67,760	-
-	-	-	-	-
28,378	-	-	-	-
-	-	-	-	-
-	-	-	4,014	-
-	-	-	82,163	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	51,878
<u>28,378</u>	<u>8,580</u>	<u>47,698</u>	<u>433,834</u>	<u>54,378</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, 2012

Data Control Codes	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
<b>REVENUES</b>		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	302,099
5900 Federal Program Revenues	-	-
5020 Total Revenues	<u>-</u>	<u>302,099</u>
<b>EXPENDITURES</b>		
Current:		
0011 Instruction	-	302,099
0012 Instructional Resources and Media Services	-	-
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	-	-
0051 Facilities Maintenance and Operations	-	-
0053 Data Processing Services	-	-
Debt Service:		
0071 Principal on Long-Term Debt	-	-
0072 Interest on Long-Term Debt	-	-
0073 Bond Issuance Cost and Fees	-	-
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-
6030 Total Expenditures	<u>-</u>	<u>302,099</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7915 Transfers In	-	146
8911 Transfers Out (Use)	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>146</u>
1200 Net Change in Fund Balance	-	146
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 146</u>

411 Technology Allotment	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 2,649	\$ 349,778	\$ 2,826,795	\$ 3,176,573
-	-	313,072	259,845	572,917
-	-	5,079,820	-	5,079,820
-	2,649	5,742,670	3,086,640	8,829,310
18,120	942	2,979,171	-	2,979,171
-	-	40,840	-	40,840
-	-	234,844	-	234,844
-	-	163,183	-	163,183
-	-	71,427	-	71,427
-	-	87,656	-	87,656
-	-	153,793	-	153,793
-	1,707	30,085	-	30,085
-	-	1,769,632	-	1,769,632
-	-	21,755	-	21,755
-	-	83,333	-	83,333
-	-	-	1,395,000	1,395,000
-	-	-	1,647,659	1,647,659
-	-	-	431	431
-	-	51,878	-	51,878
18,120	2,649	5,687,597	3,043,090	8,730,687
(18,120)	-	55,073	43,550	98,623
-	-	146	-	146
(146)	-	(146)	-	(146)
(146)	-	-	-	-
(18,266)	-	55,073	43,550	98,623
18,266	-	207,367	313,111	520,478
\$ -	\$ -	\$ 262,440	\$ 356,661	\$ 619,101

**REQUIRED TEA SCHEDULES**

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2012

Last Ten Years Ended August 31	1		2	3
	Tax Rates			Assessed/ Appraised Value for School Tax Purposes
	Maintenance	Debt Service	Debt Service	
2003 (and prior years)	\$ 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	1.040000	0.274700		1,414,688,667
2012 (school year under audit)	1.040000	0.253900		1,525,479,638
1000 TOTALS				



10	20	31	32	40	50
Beginning Balance September 1, 2011	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2012
\$ 172,434	\$ -	\$ 2,706	\$ 661	\$ (17,959)	\$ 151,108
20,594	-	1,133	87	(3,180)	16,194
30,792	-	1,757	135	(4,236)	24,664
47,340	-	2,539	500	(4,290)	40,011
78,228	-	7,907	1,555	(5,362)	63,404
109,420	-	9,515	2,111	(4,042)	93,752
325,014	-	15,666	3,475	(5,544)	300,329
240,625	-	70,576	18,926	(5,020)	146,103
300,706	-	78,729	20,795	(24,958)	176,224
<u>-</u>	<u>14,339,839</u>	<u>11,236,735</u>	<u>2,743,276</u>	<u>(15,621)</u>	<u>344,207</u>
<u>\$ 1,325,153</u>	<u>\$ 14,339,839</u>	<u>\$ 11,427,263</u>	<u>\$ 2,791,521</u>	<u>\$ (90,212)</u>	<u>\$ 1,355,996</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2012

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

Account Number	1	2	3	4	5	6	7
	(702) School Board	(703) Tax Collection	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Misc.	Total
611X -							
6146 PAYROLL COSTS	\$ -	\$ -	\$ 302,316	\$ 306,278	\$ -	\$ -	\$ 608,594
6211 Legal Services	-	-	35,253	-	-	-	35,253
6212 Audit Services	-	-	-	20,000	-	-	20,000
6213 Tax Appraisal and Collection	-	385,455	-	-	-	-	385,455
621X Other Professional Services	-	-	3,186	-	-	-	3,186
6230 Education Service Centers	-	-	-	47,388	-	-	47,388
6260 Rentals	-	-	-	18,761	-	-	18,761
6290 Miscellaneous Contr.	-	-	900	6,723	-	-	7,623
63XX Other Supplies Materials	655	-	15,897	5,206	-	-	21,758
6410 Travel, Subsistence, Stipends	2,984	-	8,402	7,149	-	-	18,535
6420 Ins. And Bonding Costs	-	-	-	14,280	-	-	14,280
6490 Miscellaneous Operating	<u>10,873</u>	<u>-</u>	<u>24,882</u>	<u>12,015</u>	<u>-</u>	<u>-</u>	<u>47,770</u>
6000 TOTAL	\$ <u>14,512</u>	\$ <u>385,455</u>	\$ <u>390,836</u>	\$ <u>437,800</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,228,603</u>

Total Expenditures for General and Special Revenue Funds (9) \$ 30,266,481

LESS: Deductions of Unallowable Costs

Total Capital Outlay (6600) (Only Funds 100-199/200-499)	(10)	378,838
Total Debt & Lease (6500) (Only Funds 100-199/200-499)	(11)	267,182
Plant Maintenance (Function 51, 6100-6400)	(12)	3,112,485
Food (Function 35, 6341 and 6499)	(13)	637,562
Stipend (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>437,800</u>

Subtotal: 4,833,867

Net Allowed Direct Cost \$ 25,432,614

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 75,229,343
Historical Cost of Buildings 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)	\$ 4,839,086
Historical Cost of Furniture & Equipment Over 16 Years Old	(19)	\$ 1,886,278
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) Note A: \$133,835 in Function 53 expenditures are included in this report on administrative costs.  
 \$385,455 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, 2012

UNAUDITED

1.	Total General Fund Balance as of 8/31/12 (from Exhibit C-1 object 3000 for the General Fund Only)	\$	5,021,430
2.	Total Nonspendable Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
3.	Total Restricted Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
4.	Total Committed Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
5.	Total Assigned Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
6.	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)		-
7.	Estimate of two months' average cash disbursements during the fiscal year		4,915,000
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 (2+3+4+5+6+7+8+9+10+11)		<u>4,915,000</u>
13.	Excess/(Deficit) Unassigned General Fund, Fund Balance (1-12)	\$	<u>106,430</u>

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

The District is planning to commit and utilize a portion of fund balance for salary step increases.

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, 2012

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	\$ 400,000	\$ 400,000	\$ 347,129	\$ (52,871)
5800	State Program Revenues	11,000	11,000	10,973	(27)
5900	Federal Program Revenues	<u>1,392,000</u>	<u>1,392,000</u>	<u>1,484,723</u>	<u>92,723</u>
5020	Total Revenues	<u>1,803,000</u>	<u>1,803,000</u>	<u>1,842,825</u>	<u>39,825</u>
EXPENDITURES:					
Current:					
0035	Food Services	<u>1,803,000</u>	<u>1,803,000</u>	<u>1,769,632</u>	<u>33,368</u>
6030	Total Expenditures	<u>1,803,000</u>	<u>1,803,000</u>	<u>1,769,632</u>	<u>33,368</u>
1200	Net Change in Fund Balances	-	-	73,193	73,193
0100	Fund Balance - September 1 (Beginning)	<u>189,101</u>	<u>189,101</u>	<u>189,101</u>	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 189,101</u>	<u>\$ 189,101</u>	<u>\$ 262,294</u>	<u>\$ 73,193</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,842,456	\$ 2,829,273	\$ 2,826,795	\$ (2,478)
5800	State Program Revenues	<u>203,703</u>	<u>203,703</u>	<u>259,845</u>	<u>56,142</u>
5020	Total Revenues	<u>3,046,159</u>	<u>3,032,976</u>	<u>3,086,640</u>	<u>53,664</u>
EXPENDITURES:					
Current:					
0071	Principal on Long Term Debt	3,046,159	3,046,159	1,395,000	1,651,159
0072	Interest on Long Term Debt	-	-	1,647,659	(1,647,659)
0073	Bond Issuance Cost and Fees	<u>-</u>	<u>-</u>	<u>431</u>	<u>(431)</u>
6030	Total Expenditures	<u>3,046,159</u>	<u>3,046,159</u>	<u>3,043,090</u>	<u>3,069</u>
1200	Net Change in Fund Balances	-	(13,183)	43,550	56,733
0100	Fund Balance - September 1 (Beginning)	<u>313,111</u>	<u>313,111</u>	<u>313,111</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 313,111</u>	<u>\$ 299,928</u>	<u>\$ 356,661</u>	<u>\$ 56,733</u>

**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), Brownwood, Texas as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2012. 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

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

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.

  
Certified Public Accountants

Abilene, Texas  
December 5, 2012

INDEPENDENT AUDITOR'S 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** (the District) 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, 2012. 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 of the District's compliance with those requirements.

In our opinion, the 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, 2012.

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 operations 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.



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.

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

Abilene, Texas  
December 5, 2012

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012

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

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

ESEA Title I, Part A Cluster	
ESEA, Title I, Part A – Improving Basic Programs	CFDA #84.010A
ESEA, Title I, Part A – ARRA – Improving Basic Programs	CFDA #84.389
ESEA Title II, Part A – Teacher/Principal Training	CFDA #84.367
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 Related to the Financial Statements**

The audit disclosed no findings required to be reported.

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

The audit disclosed no findings and questioned costs required to be reported.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED AUGUST 31, 2012

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

None

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

Finding 2011-1

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.

Current Status: The recommendation was adopted during the current year. No similar findings were noted in the 2012 audit.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

(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	11610101025902	\$ 21,219
ESEA, Title I, Part A - Improving Basic Programs *	84.010A	12610101025902	<u>1,219,271</u>
Total CFDA Number 84.010A			<u>1,240,490</u>
IDEA - Part B, Formula *	84.027	126600010259026000	825,595
IDEA - Part B Preschool *	84.173	126610010259026000	29,478
Career and Technical - Basic Grant	84.048	12420006025902	73,610
Summer School LEP	84.369A	69551002	1,110
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	11696001025902	5,867
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	12696001025902	<u>78,916</u>
Total CFDA Number 84.358B			<u>84,783</u>
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	12694501025902	235,439
Title II, Part D - Enhancing Ed. Through Technology *	84.318X	116300077110004	517,262
ARRA - Title II, D - Enhancing Ed. Through Tech *	84.386	10553001025902	8,580
SSA-ARRA - Title II, D - Enhancing Ed. Through Tech *	84.386	105530027110034	<u>54,382</u>
Total CFDA Number 84.386			<u>62,962</u>
ARRA - ESEA Title I, A - Improving Basic Programs *	84.389	10551001025902	47,698
Education Jobs Fund	84.410	11550101025902	433,834
ARRA - Title XIV, State Fiscal Stabilization Fund	84.394	11557001025902	<u>17,741</u>
Total passed through Texas Education Agency			<u>3,570,002</u>
TOTAL DEPARTMENT OF EDUCATION			<u>3,570,002</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		<u>28,378</u>
Total passed through Texas Education Agency			<u>28,378</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>28,378</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

(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	71401301	47,133
School Breakfast Program *	10.553	71401201	335,371
National School Lunch Program - cash assistance *	10.555	71301301	114,405
National School Lunch Program - cash assistance *	10.555	71301201	820,725
Summer Food Service Program for Children *	10.559	3001201	<u>60,935</u>
Total passed through Texas Education Agency			<u>1,378,569</u>
Passed through San Angelo Packing Co:			
National School Lunch Program - noncash assistance *	10.555		<u>106,154</u>
Total passed through San Angelo Packing Co.			<u>106,154</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,484,723</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,083,103</u>

\* Clustered Programs as required by OMB A-133 Compliance Supplement, June 2012

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

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

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as 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	\$	5,083,103
Medicaid Reimbursements		<u>410,241</u>
Total Federal Program Revenues-Exhibit C-3	\$	<u><u>5,493,344</u></u>