

**BROWNWOOD INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2015

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	Independent Auditor’s Report	2
	Management’s Discussion and Analysis	4
	 Government-Wide Financial Statements	
A-1	Statement of Net Position	11
B-1	Statement of Activities	12
	 Governmental Fund Financial Statements	
C-1	Balance Sheet	13
C-1R	Reconciliation for C-1	14
C-2	Statement of Revenues, Expenditures and Changes in Fund Balances	15
C-2R	Reconciliation for C-2	16
	 Fiduciary Fund Financial Statements	
E-1	Statement of Fiduciary Net Position	17
	 Notes to the Financial Statements	18
	 Required Supplementary Information	
G-1	Budgetary Comparison Schedule - General Fund	36
G-2	Schedule of the District’s Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	37
G-3	Schedule of District Contributions – Teacher Retirement System of Texas	38
	Notes to Required Supplementary Information	39
	 Other Supplementary Information	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	40
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43
	 Required TEA Schedules	
J-1	Schedule of Delinquent Taxes Receivable	46
J-3	Fund Balance and Cash Flow Calculation Worksheet	47
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	48
J-5	Budgetary Comparison Schedule - Debt Service Fund	49
	 Federal Awards Section	
	Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50
	Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	52
	Schedule of Findings and Questioned Costs	54
	Corrective Action Plan	56
	Schedule of Status of Prior Year Findings	57
K-1	Schedule of Expenditures of Federal Awards	59
	Notes to Schedule of Expenditures of Federal Awards	61
L-1	Schedule of Required Responses to Selected School First Indicators	62

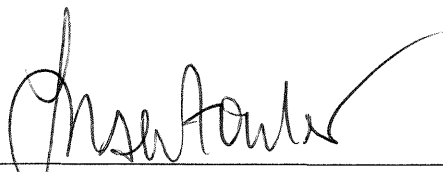
CERTIFICATE OF BOARD

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, 2015, at a meeting of the Board of Trustees of such school district on the 14th day of December, 2015.



Signature of Board Secretary



Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Brownwood Independent School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Brownwood Independent School District as of August 31, 2015, 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.

Emphasis of Matter

As discussed in Note 19 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, during the year ended August 31, 2015, which requires recognition of its net pension liability and a more comprehensive measure of pension expense. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 4 through 10 and pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. Exhibit J-3, The Fund Balance and Cash Flow Calculation Worksheet, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the District's internal control over financial reporting and compliance.

Daniel Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brownwood Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2015.

FUND STATEMENT FINANCIAL HIGHLIGHTS

- The District's total combined governmental fund balances at August 31, 2015 were \$5,928,124, compared to \$5,128,267 at August 31, 2014.
- During the year, the District's revenues of \$36,362,429 generated from taxes, state funding, and other revenues for governmental activities, were \$452,222 more than the \$35,910,207 in expenditures. The general fund expenditures and other financing uses were less than revenues by \$130,432. The debt service fund revenues and other financial resources were more than expenditures by \$531,918. All other governmental fund revenues were higher than their corresponding expenditures by \$137,507.
- The total cost of the District's programs increased approximately 4% versus the prior year, due to increase in instruction and debt issuance expenditures in 2015 versus 2014. The District's revenues increased approximately 6% primarily due to an increase in state, tax, and federal revenues.
- In the general fund, the resources available for appropriation were approximately \$561,309 more than originally budgeted. The district received additional State Foundation payments and textbook allotments over the budgeted amount. Expenditures were \$83,688 more than the original budget due to construction projects which were amended through the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

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

Government-Wide Statements

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

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

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

Government-Wide Statements - continued

The government-wide financial statements of the District include:

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

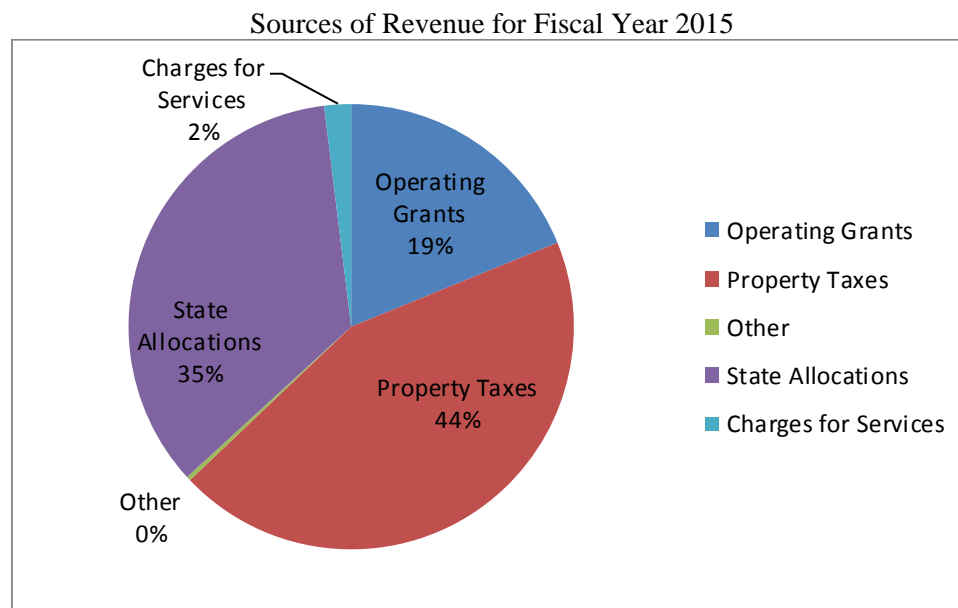
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE:
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Net position. The District’s combined net position were \$16,671,230 at August 31, 2015.

	2015	2014 (not restated)
Current and Other Assets	\$ 7,933,869	\$ 7,174,222
Capital Assets	42,707,812	43,696,311
Restricted Assets	273,591	490,706
Deferred Outflows - Pension	473,300	-
Total Assets and Deferred Outflows of Resources	51,388,572	51,361,239
Current Liabilities	1,629,445	1,817,815
Long-Term Liabilities	30,850,886	30,151,910
Deferred Charge on Refunding	1,300,228	-
Deferred Inflows - Pensions	936,783	-
Total Liabilities and Deferred Inflows of Resources	34,717,342	31,969,725
Net investment in capital assets	13,619,051	13,544,401
Restricted for Federal and State Programs	197,354	59,847
Restricted for Debt Service	882,071	350,153
Restricted Other	-	293,579
Unrestricted	1,972,754	5,143,534
Total Net Position	\$ 16,671,230	\$ 19,391,514

During the year, net position of the District’s governmental activities increased by \$749,378 to \$16,671,230. Unrestricted net position was \$1,972,754 at the end of this year; this amount reflects less than one month of operating expenses for the District.

Changes in net position. The District’s total fiscal year 2015 revenues, including extraordinary items, were \$36,273,754 at August 31, 2015. Approximately 44% 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 2015”).



The total cost of all programs and services was \$35,524,376 of which 56% was for direct instruction program costs compared to 55% in the previous year. The District's expenses cover a range of programs including instruction, counseling services, health services, student transportation, food services, plant maintenance and operations, and various other areas of service to students.

Governmental Activities

	Governmental Activities	
	2015	2014
		(not restated)
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 708,994	\$ 833,964
Local Operating Grants	-	306,828
State Operating Grants	1,655,537	1,503,059
Federal Grants	5,177,047	4,070,585
<u>General Revenues</u>		
Property Taxes	15,984,860	15,365,291
State Aid - Formula Grants	12,638,312	12,085,679
Other Non-restricted Grants and Contributions	98,527	7,223
Other	10,477	89,316
Total Revenues	36,273,754	34,261,945
 Expenses		
Instruction	20,040,598	18,679,006
School Leadership	1,693,393	1,628,680
Guidance Counseling and Evaluation Services	1,225,214	1,242,545
Food Services	1,807,436	2,162,191
Extracurricular Activities	1,195,669	1,155,193
General Administration	939,361	839,287
Facilities Maintenance and Operations	3,442,958	3,222,725
Debt Service - Interest on Long Term Debt	1,178,060	1,430,710
Other Functions	4,001,687	3,587,250
Total Expenses	35,524,376	33,947,587
 Increase in Net Position	749,378	314,358
Beginning Net Position	19,391,514	19,077,156
Prior Period Adjustment	(3,469,662)	-
Ending Net Position	\$ 16,671,230	\$ 19,391,514

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 2015 was \$35,524,376 compared to \$33,947,587 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$15,984,860 for the 2015 year and \$15,365,291 for the 2014 year.

	Total Cost of Services	Program Revenues	Net Cost
Instruction	\$ 20,040,598	\$ 4,131,488	\$ (15,909,110)
Facilities Maintenance/Ops	3,442,958	138,735	(3,304,223)
Food Service	1,807,436	1,849,926	42,490
Debt Service	1,178,060	23,087	(1,154,973)
School Leadership	1,693,393	146,018	(1,547,375)
Extracurricular	1,195,669	137,142	(1,058,527)
Counseling	1,225,214	552,688	(672,526)
General Administrative	939,361	26,339	(913,022)
Other Programs	4,001,687	536,155	(3,465,532)
Total	\$ 35,524,376	\$ 7,541,578	\$ (27,982,798)

During fiscal year 2015, the District adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, resulting in the District recording its proportionate share of the net pension liability of \$3,062,353, deferred outflows of resources of \$473,300 and deferred inflows of resources of \$936,783. The comparative information presented for August 31, 2014 has not been restated to reflect this change. See Note 19 for further information.

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$36,362,429. Local revenues increased \$419,919 from the prior year, primarily due to the increase in tax collections. State revenue increased \$686,708 due to an increase due to increased State Foundation revenue. Federal revenue increased \$966,336, primarily due to the new Head Start program.

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 projected deficit of \$268,939; however, revenue exceeded expenditures and other uses by \$130,432 at August 31, 2015.

- Local funding increased \$298,335 from the original budget, state revenue increased \$375,989 from the original budget, and federal revenue decreased \$113,015 from the original budget.
- The final amended budget reflected an excess of expenditures and uses over revenues of \$268,939 primarily due to board approved capital asset projects.

In the District’s child nutrition program, the final amended budget reflected a balanced budget. Actual results included an excess of revenues over expenditures of \$137,507, due to lower than expected expenditures. Actual revenues did not vary significantly from budgeted amounts.

In the District’s debt service fund, there was an actual increase of revenues and other sources over expenditures and other uses of \$531,918 versus the original balanced budget. The increase was caused by the refunding bonds issued and transfers from the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested \$83,105,004 in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation on these assets was \$40,397,192 at year-end. The above included current-year capital asset additions of \$901,599 and associated accumulated depreciation of \$1,826,735.

	Governmental Activities	
	2015	2014
Land	\$ 333,870	\$ 333,870
Construction in Progress	-	63,363
Buildings and Improvements	76,316,745	75,760,116
Furniture and Equipment	6,454,389	6,109,419
Totals at Historical Costs	<u>83,105,004</u>	<u>82,266,768</u>
Less Accumulated Depreciation for:		
Buildings and Improvements	(35,118,341)	(33,585,844)
Furniture and Equipment	<u>(5,278,851)</u>	<u>(4,984,613)</u>
Total Accumulated Depreciation	<u>(40,397,192)</u>	<u>(38,570,457)</u>
Net Capital Assets (Net)	<u>42,707,812</u>	<u>43,696,311</u>

Long-Term Debt

	Governmental Activities	
	2015	2014
Bonds Payable:		
Unlimited Tax Refunding Bond Series 2005	\$ -	\$ 28,765,000
Unlimited Tax Refunding Bond Series 2014	25,285,000	-
Unamortized premium on Unlimited Tax Refunding Bond Series 2014	2,503,533	-
Net Pension Liability (Proportionate Share)	<u>3,062,353</u>	<u>-</u>
Total Bonds Payable \$	<u>30,850,886</u>	<u>\$ 28,765,000</u>

At year-end the District had \$25,285,000 in bonds outstanding which represents a decrease of \$3,480,000 since last year. The District issued the Unlimited Tax Refunding Bond Series 2014 and refunded the Unlimited Tax Refunding Bond Series 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,327,351
1120 Investments - Current	5,617,700
1210 Property Taxes Receivable - Current	288,815
1220 Property Taxes Receivable (Delinquent)	595,529
1230 Allowance for Uncollectible Taxes	(212,242)
1240 Due from Other Governments	292,652
1290 Other Receivables, Net	80
1410 Prepayments	23,984
Capital Assets:	
1510 Land	333,870
1520 Buildings, Net	41,198,404
1530 Furniture and Equipment, Net	1,175,538
1800 Restricted Assets	<u>273,591</u>
1000 Total Assets	<u>50,915,272</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows - Pension	<u>473,300</u>
1700 Total Deferred Outflows of Resources	<u>473,300</u>
LIABILITIES	
2110 Accounts Payable	290,623
2140 Interest Payable	46,195
2160 Accrued Wages Payable	860,103
2180 Due to Other Governments	36,428
2300 Unearned Revenues	396,096
Noncurrent Liabilities	
2501 Due Within One Year	1,260,000
2502 Due in More Than One Year	24,025,000
2516 Premium & Discount on Issuance of Bonds	2,503,533
2540 Net Pension Liability (Proportionate Share)	<u>3,062,353</u>
2000 Total Liabilities	<u>32,480,331</u>
DEFERRED INFLOWS OF RESOURCES	
2601 Deferred Gain on Refunding	1,300,228
2605 Deferred Inflows - Pension	<u>936,783</u>
2600 Total Deferred Inflows of Resources	<u>2,237,011</u>
NET POSITION	
3200 Net Investment in Capital Assets	13,619,051
3820 Restricted for Federal Programs	197,354
3850 Restricted for Debt Service	882,071
3900 Unrestricted Net Position	<u>1,972,754</u>
3000 Total Net Position	<u>\$ 16,671,230</u>

The accompanying notes are an integral part of this statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 20,040,598	\$ 249,008	\$ 3,882,480
12	Instructional Resources and Media Services	416,059	-	14,687
13	Curriculum and Instructional Staff Development	193,542	-	84,415
21	Instructional Leadership	417,643	-	143,283
23	School Leadership	1,693,393	-	146,018
31	Guidance, Counseling, and Evaluation Services	1,225,214	-	552,688
32	Social Work Services	247,135	-	208,299
33	Health Services	279,220	-	42,648
34	Student Transportation	828,450	-	-
35	Food Services	1,807,436	335,908	1,514,018
36	Extracurricular Activities	1,195,669	110,665	26,477
41	General Administration	939,361	-	26,339
51	Facilities Maintenance and Operations	3,442,958	13,413	125,322
52	Security and Monitoring Services	77,793	-	1,072
53	Data Processing Services	773,448	-	41,751
72	Debt Service - Interest on Long Term Debt	1,178,060	-	23,087
73	Debt Service - Bond Issuance Costs and Fees	323,651	-	-
99	Other Intergovernmental Charges	444,746	-	-
TG	Total Governmental Activities	<u>35,524,376</u>	<u>708,994</u>	<u>6,832,584</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 35,524,376</u>	<u>\$ 708,994</u>	<u>\$ 6,832,584</u>
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
SF	State Aid - Formula Grants			
GC	Grants and Contributions not Restricted			
IE	Investment Earnings			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Prior Period Adjustment			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

5	Net (Expense) Revenue and Changes in Net Position	
	6 Primary Gov. Governmental Activities	Total
\$ -	\$ (15,909,110)	\$ (15,909,110)
-	(401,372)	(401,372)
-	(109,127)	(109,127)
-	(274,360)	(274,360)
-	(1,547,375)	(1,547,375)
-	(672,526)	(672,526)
-	(38,836)	(38,836)
-	(236,572)	(236,572)
-	(828,450)	(828,450)
-	42,490	42,490
-	(1,058,527)	(1,058,527)
-	(913,022)	(913,022)
-	(3,304,223)	(3,304,223)
-	(76,721)	(76,721)
-	(731,697)	(731,697)
-	(1,154,973)	(1,154,973)
-	(323,651)	(323,651)
-	(444,746)	(444,746)
-	(27,982,798)	(27,982,798)
\$ -	(27,982,798)	(27,982,798)
	13,265,484	13,265,484
	2,719,376	2,719,376
	12,638,312	12,638,312
	98,527	98,527
	4,524	4,524
	5,953	5,953
	28,732,176	28,732,176
	749,378	749,378
	19,391,514	19,391,514
	(3,469,662)	(3,469,662)
\$	16,671,230	\$ 16,671,230

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS		
1110 Cash and Cash Equivalents	\$ (622,901)	\$ 2,073,234
1120 Investments - Current	5,617,700	-
1210 Property Taxes - Current	239,394	49,421
1220 Property Taxes - Delinquent	493,624	101,905
1230 Allowance for Uncollectible Taxes (Credit)	(175,924)	(36,318)
1240 Receivables from Other Governments	18,346	3,736
1260 Due from Other Funds	1,158,471	-
1290 Other Receivables	80	-
1800 Restricted Assets	-	-
1000 Total Assets	<u>6,728,790</u>	<u>2,191,978</u>
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total Assets and Deferred Outflows	<u>\$ 6,728,790</u>	<u>\$ 2,191,978</u>
LIABILITIES		
2110 Accounts Payable	\$ 196,745	\$ -
2160 Accrued Wages Payable	860,103	-
2170 Due to Other Funds	-	1,158,471
2180 Due to Other Governments	-	36,428
2300 Unearned Revenues	266,149	-
2000 Total Liabilities	<u>1,322,997</u>	<u>1,194,899</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	<u>557,094</u>	<u>115,008</u>
Total Deferred Inflows of Resources	<u>557,094</u>	<u>115,008</u>
FUND BALANCE		
3450 Restricted - Federal or State Funds Grant	-	-
3480 Restricted - Retirement of Long Term Debt	-	882,071
3600 Unassigned Fund Balance	<u>4,848,699</u>	<u>-</u>
3000 Total Fund Balances	<u>4,848,699</u>	<u>882,071</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 6,728,790</u>	<u>\$ 2,191,978</u>

The accompanying notes are an integral part of this statement.

	Other Funds	98 Total Governmental Funds
\$	(122,982)	\$ 1,327,351
	-	5,617,700
	-	288,815
	-	595,529
	-	(212,242)
	270,570	292,652
	-	1,158,471
	-	80
	273,591	273,591
	<u>421,179</u>	<u>9,341,947</u>
	-	-
\$	<u>421,179</u>	<u>\$ 9,341,947</u>
\$	93,878	\$ 290,623
	-	860,103
	-	1,158,471
	-	36,428
	129,947	396,096
	<u>223,825</u>	<u>2,741,721</u>
	-	672,102
	-	672,102
	197,354	197,354
	-	882,071
	-	4,848,699
	<u>197,354</u>	<u>5,928,124</u>
\$	<u>421,179</u>	<u>\$ 9,341,947</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$	5,928,124
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$82,266,768 and the accumulated depreciation was \$38,570,457. 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 \$30,217,289. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		13,479,022
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays of \$838,236 and debt principal payments of \$29,480,000 is to increase net position.		30,318,236
3 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,826,735)
4 Governmental funds report the effect of bond proceeds, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of including the 2015 issuance of bonds of \$26,000,000, issuance of bond premium of \$2,670,435, amortization of bond premium of \$1,553,812, unamortized deferred gain on bond refunding of \$1,300,228, and unamortized prepaid insurance associated with bond issuance of \$23,984 is to decrease net position.		(28,392,867)
5 Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The decrease in the current year accrual is \$19,184. The net effect is to increase net position.		19,184
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable property taxes of \$672,102 and eliminating interfund receivables and payables. The net effect of these reclassifications and recognitions is to increase net position.		672,102
7 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability in the amount of \$3,062,353, a deferred outflow of resources of \$473,300, and a deferred inflow of resources of \$936,783. The net effect is to decrease net position.		(3,525,836)
19 Net Position of Governmental Activities (See A-1)	\$	16,671,230

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, 2015

Data Control Codes		10 General Fund	50 Debt Service Fund
REVENUES			
5700	Total Local and Intermediate Sources	\$ 13,581,013	\$ 2,769,670
5800	State Program Revenues	13,871,045	23,087
5900	Federal Program Revenues	176,985	-
5020	Total Revenues	<u>27,629,043</u>	<u>2,792,757</u>
EXPENDITURES			
Current:			
0011	Instruction	15,820,884	-
0012	Instructional Resources and Media Services	362,437	-
0013	Curriculum and Instructional Staff Development	109,802	-
0021	Instructional Leadership	285,133	-
0023	School Leadership	1,512,541	-
0031	Guidance, Counseling, and Evaluation Services	712,143	-
0032	Social Work Services	38,791	-
0033	Health Services	244,933	-
0034	Student (Pupil) Transportation	880,386	-
0035	Food Services	16,362	-
0036	Extracurricular Activities	1,120,216	-
0041	General Administration	923,856	-
0051	Facilities Maintenance and Operations	3,340,039	-
0052	Security and Monitoring Services	77,777	-
0053	Data Processing Services	768,110	-
Debt Service:			
0071	Principal on Long Term Debt	-	1,157,200
0072	Interest on Long Term Debt	-	1,450,828
0073	Bond Issuance Cost and Fees	-	347,635
Capital Outlay:			
0081	Facilities Acquisition and Construction	493,266	-
Intergovernmental:			
0099	Other Intergovernmental Charges	444,746	-
6030	Total Expenditures	<u>27,151,422</u>	<u>2,955,663</u>
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	<u>477,621</u>	<u>(162,906)</u>
OTHER FINANCING SOURCES (USES)			
7911	Capital Related debt issued - regular bonds	-	26,000,000
7915	Transfers in	-	347,189
7916	Premium or Discount on Issuance of Bonds	-	2,670,435
8911	Transfers out	(347,189)	-
8949	Other Uses	-	(28,322,800)
7080	Total Other Financing Sources (Uses)	<u>(347,189)</u>	<u>694,824</u>
1200	Net Change in Fund Balances	130,432	531,918
0100	Fund Balance - September 1 (Beginning)	<u>4,718,267</u>	<u>350,153</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,848,699</u>	<u>\$ 882,071</u>

The accompanying notes are an integral part of this statement.

		98
Other	Total	
Funds	Governmental	Funds
\$ 339,899	\$	16,690,582
473,683		14,367,815
<u>5,127,047</u>		<u>5,304,032</u>
<u>5,940,629</u>		<u>36,362,429</u>
3,039,856		18,860,740
-		362,437
83,024		192,826
129,946		415,079
69,029		1,581,570
504,941		1,217,084
206,012		244,803
33,563		278,496
-		880,386
1,694,463		1,710,825
-		1,120,216
-		923,856
41,118		3,381,157
-		77,777
1,170		769,280
-		1,157,200
-		1,450,828
-		347,635
-		493,266
-		444,746
<u>5,803,122</u>		<u>35,910,207</u>
<u>137,507</u>		<u>452,222</u>
-		26,000,000
-		347,189
-		2,670,435
-		(347,189)
-		(28,322,800)
-		<u>347,635</u>
137,507		799,857
<u>59,847</u>		<u>5,128,267</u>
\$ <u>197,354</u>	\$	<u>5,928,124</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 799,857
<hr/>	
1 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 2015 capital outlays of \$838,236 and debt principal payments of \$29,480,000 is to increase net position.	30,318,236
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,826,735)
3 Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is \$19,184. The net effect is to increase net position.	19,184
4 Governmental funds report the effect of bond proceeds, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of including the 2015 issuance of bonds of \$26,000,000, issuance of bond premium of \$2,670,435, amortization of bond premium of \$1,553,812, unamortized deferred gain on bond refunding of \$1,300,228, and unamortized prepaid insurance associated with bond issuance of \$23,984 is to decrease net position.	(28,392,867)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable property taxes of \$672,102 as revenue, reversing prior year's tax collection of \$784,225, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to decrease net position.	(112,123)
6 Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$226,884. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$283,060. The net effect is a decrease in net position.	(56,174)
Change in Net Position of Governmental Activities (See B-1)	\$ 749,378

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ <u>293,427</u>
Total Assets	\$ <u><u>293,427</u></u>
LIABILITIES	
Due to Student Groups	\$ <u>293,427</u>
Total Liabilities	\$ <u><u>293,427</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1: REPORTING ENTITY

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

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

Note 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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

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

The government reports the following major governmental fund:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

Deposits and Investments

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

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

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

Receivables and Payables

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

Capital Assets

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

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

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes, deferred charges for bond refunding, and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 8. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District only has one deferred outflow of resources, for its proportionate share of TRS's deferred outflow related to pensions as described in Note 8.

Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Note 6: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

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

Custodial credit risk – deposits – At August 31, 2015, 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, 2015, is shown below:

Name	Fair Value	Weighted Average Maturity (Days) *	Credit Rating
TexPool	\$ 5,617,700	85	AAAm
	\$ 5,617,700		

* 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.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

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

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

TexPool

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

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

Property Tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2012, upon which the levy for the August 31, 2015, fiscal year was based, was \$1,689,592,332. 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, 2015 were 97.8% 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, 2015, property taxes receivable, net of estimated uncollectible taxes of \$212,242, totaled \$672,102.

The tax rate to finance general governmental services was \$1.04 per \$100 for the year ended August 31, 2015, and a tax rate of \$0.2147 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, 2015, are summarized below.

Fund	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 17,233	\$ 1,113	\$ 18,346
Debt service fund	3,736	-	3,736
Nonmajor funds	-	270,570	270,570
	<u>\$ 20,969</u>	<u>\$ 271,683</u>	<u>\$ 292,652</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of August 31, 2015, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Debt Service Fund	\$ 1,158,471	\$ -
Debt Service Fund:		
General Fund	<u>-</u>	<u>1,158,471</u>
Totals	\$ <u><u>1,158,471</u></u>	\$ <u><u>1,158,471</u></u>

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

The composition of interfund transfers for the year ended August 31, 2015 is as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund:		
Debt Service Fund	\$	\$ 347,189
Debt Service Fund:	<u>347,189</u>	<u></u>
General Fund	\$ <u><u>347,189</u></u>	\$ <u><u>347,189</u></u>

The purpose of the above transfers was to provide funds from the general fund to the debt service fund to subsidize the fund.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

Capital asset activity for the year ended August 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Capital assets, Not Being Depreciated:				
Land	\$ 333,870	\$ -	\$ -	\$ 333,870
Construction in Progress	<u>63,363</u>	<u>-</u>	<u>(63,363)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>397,233</u>	<u>-</u>	<u>(63,363)</u>	<u>333,870</u>
Capital assets, Being Depreciated				
Building and Improvements	75,760,116	556,629	-	76,316,745
Furniture and Equipment	<u>6,109,419</u>	<u>344,970</u>	<u>-</u>	<u>6,454,389</u>
Total Capital Assets, Being Depreciated	<u>81,869,535</u>	<u>901,599</u>	<u>-</u>	<u>82,771,134</u>
Less Accumulated Depreciation for:				
Building and Improvements	(33,585,844)	(1,532,497)	-	(35,118,341)
Furniture and Equipment	<u>(4,984,613)</u>	<u>(294,238)</u>	<u>-</u>	<u>(5,278,851)</u>
Total Accumulated Depreciation	<u>(38,570,457)</u>	<u>(1,826,735)</u>	<u>-</u>	<u>(40,397,192)</u>
Total Capital Assets, Being Depreciated (Net)	<u>43,299,078</u>	<u>(925,136)</u>	<u>-</u>	<u>42,373,942</u>
Total Capital Assets (Net)	<u>\$ 43,696,311</u>	<u>\$ (925,136)</u>	<u>\$ (63,363)</u>	<u>\$ 42,707,812</u>

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

Instruction	\$ 1,225,737
Instructional Resources and Media Services	53,144
School Leadership	106,911
Guidance, Counseling and Evaluation Services	3,600
Student (Pupil)Transportation	78,064
Food Services	101,346
Cocurricular/Extracurricular Activities	74,163
General Administration	13,706
Facilities Maintenance and Operations	166,740
Data Processing Services	<u>3,324</u>
Total depreciation expense - governmental activities	<u>\$ 1,826,735</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7: LONG-TERM DEBT

Bonds Payable

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

	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amounts Outstanding 8/31/2014</u>	<u>Issued / Accretion</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/2015</u>
Unlimited Tax Refunding Bonds Series 2005	5.25%	\$ 31,370,000	\$ 28,765,000	\$ -	\$ 28,765,000	\$ -
Unlimited Tax Refunding Bonds Series 2014	2% - 5%	<u>26,000,000</u>	<u>-</u>	<u>26,000,000</u>	<u>715,000</u>	<u>25,285,000</u>
Total Bonds Payable		<u>\$ 57,370,000</u>	<u>\$ 28,765,000</u>	<u>\$ 26,000,000</u>	<u>\$ 29,480,000</u>	<u>\$ 25,285,000</u>

<u>Description</u>		<u>Amounts Outstanding 8/31/2014</u>	<u>Issued / Accretion</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/2015</u>	<u>Due Within One Year</u>
Unamortized premium on 2005 Bonds	\$	1,386,910	\$ -	\$ 1,386,910	\$ -	\$ -
Unamortized premium on 2014 Bonds		-	2,670,435	166,902	2,503,533	166,902
Total Other Long-Term Debt	\$	<u>1,386,910</u>	<u>2,670,435</u>	<u>1,553,812</u>	<u>2,503,533</u>	<u>166,902</u>

The current portion of each bond at August 31, 2015 was as follows:

Unlimited Tax Refunding Bonds Series 2014	Due in 2016	\$ <u>1,260,000</u>
Total		\$ <u>1,260,000</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7: LONG-TERM DEBT (continued)

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2016	\$ 1,260,000	\$ 1,049,875	\$ 2,309,875
2017	1,300,000	1,004,775	2,304,775
2018	1,345,000	958,825	2,303,825
2019	1,380,000	924,675	2,304,675
2020	1,440,000	867,975	2,307,975
2021-2025	8,295,000	3,234,950	11,529,950
2026-2030	<u>10,265,000</u>	<u>1,283,438</u>	<u>11,548,438</u>
	<u>\$ 25,285,000</u>	<u>\$ 9,324,513</u>	<u>\$ 34,609,513</u>

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.

On December 16, 2014, the District issued \$26,000,000 in Unlimited Tax Refunding Bonds, Series 2014. Proceeds from the sale of the bonds were used to refund the Unlimited Tax Refunding Bonds, Series 2005, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$2,670,435. The 2014 bonds issued consisted of current interest bonds with a rate of 2% to 5% paid through 2030. The District advance refunded the Unlimited Tax School Refunding, Series 2005 to reduce its total debt service payments over 16 years by \$4,959,686 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,853,120. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

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, 2015.

The District received \$1,593,592 as a premium on the 2005 bond issuance; this premium was fully amortized when the bond issuance was refunded in 2015. The District received \$2,670,435 as a premium on the 2014 bond issuance. This is reported with other long-term debt and is being amortized over the life of the bonds utilizing the straight line method. During the year ended August 31, 2015, the District recognized amortization expense on the bond premium of \$166,902.

Note 8: DEFINED BENEFIT PENSION PLAN

Plan Description – The District participates in a cost-sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) as of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.02 are covered by the system.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as a percentage of Total Pension Liability	83.25%

Benefits Provided – TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

Contributions – Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

	Contribution Rates	
	2014	2015
Member	6.40%	6.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2014 Member Contributions	\$ 1,179,614	
2014 NECE On-Behalf Contributions	\$ 972,706	
2014 Employer Contributions	\$ 290,661	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions – The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

*Includes Inflation of 3%

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate – The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized as follows:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha	0.0%		1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$ 5,472,239	\$ 3,062,353	\$ 1,260,207

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2015, the District reported a liability of \$3,062,353 for its proportionate share of the TRS's net pension liability measured at August 31, 2014. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3,062,353
State's proportionate share that is associated with the District	<u>10,270,179</u>
Total	<u>\$ 13,332,532</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .000114646. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$1,255,766 and revenue of \$972,706 for support provided by the State.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9: DEFINED BENEFIT PENSION PLAN (continued)

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 47,360	\$ -
Changes in actuarial assumptions	199,056	-
Difference between projected and actual investment earnings	-	935,980
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	803
Contributions paid to TRS subsequent to the measurement date	<u>226,884</u>	<u>-</u>
Total	<u>\$ 473,300</u>	<u>\$ 936,783</u>

\$226,884 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2016. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2016	\$ (192,560)
2017	(192,560)
2018	(192,560)
2019	(192,560)
2020	41,435
Thereafter	<u>38,438</u>
Total	<u>\$ (690,367)</u>

Note 9: POSTEMPLOYMENT HEALTH BENEFITS

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

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9: POSTEMPLOYMENT HEALTH BENEFITS (continued)

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 2015 – 2013.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 122,208	1.0%	\$ 188,013	0.55%	\$ 103,407
2014	0.65%	119,805	1.0%	184,315	0.55%	101,373
2013	0.65%	115,873	0.5%	89,133	0.55%	98,046

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 \$80,181, \$47,807, and \$46,451 for the years ended August 31, 2015, 2014 and 2013, respectively.

Note 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, 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, 2015, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77th Texas Legislature. The program is administered by the Teacher Retirement System of Texas, with Blue Cross Blue Shield of Texas as the health plan administrator and Merck-Medco Managed Care as the pharmacy benefits manager. The District contributes \$225 per month per active employee to the plan, of which \$266 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, 2015, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 13: ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

Note 14: UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES

Unearned revenues in the fund financial statements at August 31, 2015 consisted of the following:

	General Fund	Other Governmental Funds	Total
Ticket Sales & Other	\$ 135,448	\$ -	\$ 135,448
State Revenue	130,701	69,863	200,564
Federal Revenue	-	60,084	60,084
Total	<u>\$ 266,149</u>	<u>\$ 129,947</u>	<u>\$ 396,096</u>

Deferred inflows of resources in the fund financial statements at August 31, 2015 consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	\$ 557,094	\$ 115,008	\$ 672,102
	<u>\$ 557,094</u>	<u>\$ 115,008</u>	<u>\$ 672,102</u>

Note 15: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2015, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	\$ 13,141,079	\$ 2,721,182	\$ -	\$ 15,862,261
Athletic activities	110,665	-	-	110,665
Food service	-	-	335,908	335,908
Rent	13,413	-	-	13,413
Investment income	4,280	244	-	4,524
Revenues from foundations, other non-profit organizations, gifts and bequests	-	-	3,991	3,991
Penalties, interest, and other tax related income	192,431	42,291	-	234,722
Other	119,145	5,953	-	125,098
Total	<u>\$ 13,581,013</u>	<u>\$ 2,769,670</u>	<u>\$ 339,899</u>	<u>\$ 16,690,582</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 16: GENERAL FUND FEDERAL SOURCE REVENUES

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

		<u>Total</u>
Medicaid reimbursement	93.778	\$ 125,872
Head Start	93.600	50,000
Indirect costs:		
Summer School LEP	84.369A	<u>1,113</u>
Total		<u>\$ 176,985</u>

Note 17: FUND BALANCE

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

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

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

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

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

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

Restricted Fund Balance

At August 31, 2015, the restricted fund balance is composed of the following:

Child Nutrition	\$ 197,354
Retirement of Long-Term Debt	882,071

Order of Fund Balance Spending Policy

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

Minimum Fund Balance Policy

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 18: EXPENDITURES EXCEEDING BUDGET

The following expenditures exceeded budgeted amounts:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
0041 General Administration	\$ 818,216	\$ 923,856	\$ (105,640)
0051 Facilities Maintenance and Operations	3,267,555	3,340,039	(72,484)
Debt Service Fund			
0071-0073 Debt Service Expenditures	2,610,919	2,955,663	(344,744)

Note 19: PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the District adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Upon adoption of GASB No. 68, the District must assume its proportionate share of the net pension liability of the Teacher Retirement System of Texas. Adoption of GASB No. 68 required a prior period adjustment to report the effect of GASB No. 68 retroactively. The effect of the prior period adjustment was a decrease in net position of governmental activities at September 1, 2014, of \$3,469,662.

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, 2015

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	\$ 13,282,678	\$ 13,554,043	\$ 13,581,013	\$ 26,970
5800	State Program Revenues	13,495,056	13,335,748	13,871,045	535,297
5900	Federal Program Revenues	290,000	175,871	176,985	1,114
5020	Total Revenues	<u>27,067,734</u>	<u>27,065,662</u>	<u>27,629,043</u>	<u>563,381</u>
EXPENDITURES					
Current:					
0011	Instruction	15,958,231	15,978,622	15,820,884	157,738
0012	Instructional Resources and Media Services	372,105	370,998	362,437	8,561
0013	Curriculum and Instructional Staff Development	130,685	124,012	109,802	14,210
0021	Instructional Leadership	293,270	294,845	285,133	9,712
0023	School Leadership	1,458,497	1,520,474	1,512,541	7,933
0031	Guidance, Counseling, and Evaluation Services	920,062	754,857	712,143	42,714
0032	Social Work Services	78,124	73,824	38,791	35,033
0033	Health Services	253,418	253,280	244,933	8,347
0034	Student (Pupil) Transportation	930,850	885,095	880,386	4,709
0035	Food Services	26,774	36,774	16,362	20,412
0036	Extracurricular Activities	1,142,144	1,136,990	1,120,216	16,774
0041	General Administration	843,960	818,216	923,856	(105,640)
0051	Facilities Maintenance and Operations	3,165,555	3,267,555	3,340,039	(72,484)
0052	Security and Monitoring Services	95,866	95,866	77,777	18,089
0053	Data Processing Services	755,034	775,034	768,110	6,924
Capital Outlay:					
0081	Facilities Acquisition and Construction	203,021	503,021	493,266	9,755
Intergovernmental:					
0099	Other Intergovernmental Charges	440,138	445,138	444,746	392
6030	Total Expenditures	<u>27,067,734</u>	<u>27,334,601</u>	<u>27,151,422</u>	<u>183,179</u>
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	-	(268,939)	477,621	746,560
OTHER FINANCING SOURCES (USES)					
8911	Transfers out	-	-	(347,189)	347,189
7080	Total Other Financing Sources (Uses)	-	-	(347,189)	347,189
1200	Net Change in Fund Balances	-	(268,939)	130,432	(399,371)
0100	Fund Balance - September 1 (Beginning)	<u>4,718,267</u>	<u>4,718,267</u>	<u>4,718,267</u>	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,718,267</u>	<u>\$ 4,449,328</u>	<u>\$ 4,848,699</u>	<u>\$ 399,371</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2015

	2015
District's Proportion of the Net Pension Liability (Asset)	0.011464600%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,062,353
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	10,270,179
	\$ 13,332,532
District's Covered-Employee Payroll	\$ 18,431,472
District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	16.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, paragraph 81 requires that the information on this schedule be data from the period covered as of August 31, 2014, the measurement date of the collective net pension liability, the period from September 1, 2013 to August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2015

		2015
Contractually Required Contribution	\$	290,661
Contribution in Relation to the Contractually Required Contribution		286,048
Contribution Deficiency (Excess)	\$	4,613
District's Covered-Employee Payroll	\$	18,801,191
Contributions as a Percentage of Covered-Employee Payroll		1.55%

Note: GASB 68, paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE A: NET PENSION LIABILITY – TEACHERS RETIREMENT SYSTEM

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

OTHER SUPPLEMENTARY INFORMATION

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program
ASSETS		
1110 Cash and Cash Equivalents	\$ (65,197)	\$ (86,860)
1240 Receivables from Other Governments	67,166	86,860
1800 Restricted Assets	<u>-</u>	<u>-</u>
1000 Total Assets	1,969	-
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	<u>-</u>	<u>-</u>
1000a Total assets and deferred outflows	<u>\$ 1,969</u>	<u>\$ -</u>
LIABILITIES		
2110 Accounts Payable	\$ 1,969	\$ -
2300 Unearned Revenues	<u>-</u>	<u>-</u>
2000 Total Liabilities	<u>1,969</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable revenue - Property taxes	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	<u>-</u>	<u>-</u>
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,969</u>	<u>\$ -</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant
\$ (84,675)	\$ (1,803)	\$ -	\$ (2,140)	\$ 733
84,675	1,803	13,172	2,140	-
-	-	273,591	-	-
-	-	286,763	-	733
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,763</u>	<u>\$ -</u>	<u>\$ 733</u>
\$ -	\$ -	\$ 89,409	\$ -	\$ -
-	-	-	-	733
-	-	89,409	-	733
-	-	-	-	-
-	-	-	-	-
-	-	197,354	-	-
-	-	197,354	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,763</u>	<u>\$ -</u>	<u>\$ 733</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income
ASSETS		
1110 Cash and Cash Equivalents	\$ (14,154)	\$ 12,968
1240 Receivables from Other Governments	14,754	-
1800 Restricted Assets	<u>-</u>	<u>-</u>
1000 Total Assets	600	12,968
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	<u>-</u>	<u>-</u>
1000a Total assets and deferred outflows	<u>\$ 600</u>	<u>\$ 12,968</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ -
2300 Unearned Revenues	<u>600</u>	<u>12,968</u>
2000 Total Liabilities	<u>600</u>	<u>12,968</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	<u>-</u>	<u>-</u>
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 600</u>	<u>\$ 12,968</u>

272 Medicaid Admin. Claim MAC	288 Fund for Improvement of Education	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
\$ 689	\$ 46,487	\$ 1,107	\$ 124	\$ 47,465
-	-	-	-	-
-	-	-	-	-
<u>689</u>	<u>46,487</u>	<u>1,107</u>	<u>124</u>	<u>47,465</u>
-	-	-	-	-
<u>689</u>	<u>46,487</u>	<u>1,107</u>	<u>124</u>	<u>47,465</u>
\$ <u>689</u>	\$ <u>46,487</u>	\$ <u>1,107</u>	\$ <u>124</u>	\$ <u>47,465</u>
\$ -	\$ 2,500	\$ -	\$ -	\$ -
<u>689</u>	<u>43,987</u>	<u>1,107</u>	<u>124</u>	<u>47,465</u>
<u>689</u>	<u>46,487</u>	<u>1,107</u>	<u>124</u>	<u>47,465</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>689</u>	<u>46,487</u>	<u>1,107</u>	<u>124</u>	<u>47,465</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 22,274	\$ (122,982)
1240 Receivables from Other Governments	-	270,570
1800 Restricted Assets	-	273,591
1000 Total Assets	22,274	421,179
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total assets and deferred outflows	\$ 22,274	\$ 421,179
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 93,878
2300 Unearned Revenues	22,274	129,947
2000 Total Liabilities	22,274	223,825
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	-	-
Total deferred inflows of resources	-	-
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	-	197,354
3000 Total Fund Balances	-	197,354
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ 22,274	\$ 421,179

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program
REVENUES		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>874,790</u>	<u>1,050,270</u>
5020 Total Revenues	<u>874,790</u>	<u>1,050,270</u>
EXPENDITURES		
Current:		
0011 Instruction	688,951	716,586
0013 Curriculum and Instructional Staff Development	-	59,659
0021 Instructional Leadership	-	129,946
0023 School Leadership	68,394	635
0031 Guidance, Counseling and Evaluation Services	-	13,759
0032 Social Work Services	76,327	129,685
0033 Health Services	-	-
0035 Food Services	-	-
0051 Facilities Maintenance and Operations	41,118	-
0053 Data Processing Services	-	-
6030 Total Expenditures	<u>874,790</u>	<u>1,050,270</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant
\$ -	\$ -	\$ 335,908	\$ -	\$ -
-	-	10,238	-	-
<u>1,039,266</u>	<u>21,608</u>	<u>1,468,409</u>	<u>17,415</u>	<u>57,256</u>
<u>1,039,266</u>	<u>21,608</u>	<u>1,814,555</u>	<u>17,415</u>	<u>57,256</u>
839,354	21,608	-	-	43,191
1,597	-	-	-	14,065
-	-	-	-	-
-	-	-	-	-
198,315	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,677,048	17,415	-
-	-	-	-	-
-	-	-	-	-
<u>1,039,266</u>	<u>21,608</u>	<u>1,677,048</u>	<u>17,415</u>	<u>57,256</u>
-	-	137,507	-	-
-	-	137,507	-	-
-	-	59,847	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,354</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, 2015

Data Control Codes	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income
REVENUES		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>209,521</u>	<u>66,073</u>
5020 Total Revenues	<u>209,521</u>	<u>66,073</u>
EXPENDITURES		
Current:		
0011 Instruction	208,351	58,370
0013 Curriculum and Instructional Staff Development	-	7,703
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	<u>1,170</u>	-
6030 Total Expenditures	<u>209,521</u>	<u>66,073</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

272 Medicaid Admin. Claim MAC	288 Fund for Improvement of Education	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	463,445
<u>29,572</u>	<u>292,867</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>29,572</u>	<u>292,867</u>	<u>-</u>	<u>-</u>	<u>463,445</u>
-	-	-	-	463,445
-	-	-	-	-
-	-	-	-	-
-	292,867	-	-	-
-	-	-	-	-
29,572	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>29,572</u>	<u>292,867</u>	<u>-</u>	<u>-</u>	<u>463,445</u>
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
5700 Local and Intermediate Sources	\$ 3,991	\$ 339,899
5800 State Program Revenues	-	473,683
5900 Federal Program Revenues	-	5,127,047
5020 Total Revenues	<u>3,991</u>	<u>5,940,629</u>
EXPENDITURES		
Current:		
0011 Instruction	-	3,039,856
0013 Curriculum and Instructional Staff Development	-	83,024
0021 Instructional Leadership	-	129,946
0023 School Leadership	-	69,029
0031 Guidance, Counseling and Evaluation Services	-	504,941
0032 Social Work Services	-	206,012
0033 Health Services	3,991	33,563
0035 Food Services	-	1,694,463
0051 Facilities Maintenance and Operations	-	41,118
0053 Data Processing Services	-	1,170
6030 Total Expenditures	<u>3,991</u>	<u>5,803,122</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	137,507
1200 Net Change in Fund Balance	-	137,507
0100 Fund Balance - September 1 (Beginning)	-	59,847
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 197,354</u>

REQUIRED TEA SCHEDULES

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2015

Last Ten Years Ended August 31	1		2		3	
	Tax Rates				Assessed/ Appraised Value for School Tax Purposes	
	Maintenance		Debt Service			
2005 (and prior years)	\$	1.460000	\$	0.287500	\$	1,054,012,539
2007		1.334500		0.262500		1,169,036,913
2008		1.040000		0.230700		1,232,131,680
2009		1.040000		0.230700		1,329,771,952
2010		1.040000		0.278900		1,345,871,494
2011		1.040000		0.274700		1,414,688,667
2012		1.040000		0.253900		1,525,479,638
2013		1.040000		0.261600		1,546,271,967
2014		1.040000		0.264700		1,591,586,921
2015 (school year under audit)		1.040000		0.214700		1,261,417,790
1000 TOTALS						

	10	20	31	32	40	50
	Beginning Balance September 1, 2014	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2015
\$	104,596	\$ -	\$ 4,293	\$ 890	\$ (16,297)	\$ 83,116
	27,530	-	4,548	895	(353)	21,734
	61,048	-	3,446	765	(760)	56,077
	72,675	-	26,925	5,973	(2,672)	37,105
	84,555	-	9,822	2,634	(5,567)	66,532
	73,721	-	11,665	3,081	(5,965)	53,010
	107,208	-	28,760	7,021	(6,433)	64,994
	140,928	-	39,968	10,054	(7,025)	83,881
	333,156	-	153,679	39,114	(11,283)	129,080
	-	<u>15,827,033</u>	<u>12,832,748</u>	<u>2,649,222</u>	<u>(56,248)</u>	<u>288,815</u>
\$	<u>1,005,417</u>	\$ <u>15,827,033</u>	\$ <u>13,115,854</u>	\$ <u>2,719,649</u>	\$ <u>(112,603)</u>	\$ <u>884,344</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2015

UNAUDITED

1.	Total General Fund Balance as of 8/31/15 (from Exhibit C-1 object 3000 for the General Fund Only)	\$	4,848,699
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		5,430,284
8.	Estimate of delayed payments from state sources (58XX)		-
9.	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount		-
10.	Estimate of delayed payments from federal sources (59XX)		-
11.	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-
12.	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9+10+11)		<u>5,430,284</u>
13.	Excess/(Deficit) Unassigned General Fund, Fund Balance (1-12)	\$	<u><u>(581,585)</u></u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 377,005	\$ 377,005	\$ 335,908	\$ (41,097)
5800	State Program Revenues	10,621	10,621	10,238	(383)
5900	Federal Program Revenues	1,439,934	1,439,934	1,468,409	28,475
5020	Total Revenues	1,827,560	1,827,560	1,814,555	(13,005)
EXPENDITURES:					
Current:					
0035	Food Services	1,827,560	1,827,560	1,677,048	150,512
6030	Total Expenditures	1,827,560	1,827,560	1,677,048	150,512
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	-	-	137,507	137,507
1200	Net Change in Fund Balances	-	-	137,507	137,507
0100	Fund Balance - September 1 (Beginning)	59,847	59,847	59,847	-
3000	Fund Balance - August 31 (Ending)	\$ 59,847	\$ 59,847	\$ 197,354	\$ 137,507

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, 2015

Data Control Codes	Original	Final	Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,610,919	\$ 2,610,919	\$ 2,769,670	\$ 158,751
5800 State Program Revenues	-	10,915	23,087	12,172
5020 Total Revenues	<u>2,610,919</u>	<u>2,621,834</u>	<u>2,792,757</u>	<u>170,923</u>
EXPENDITURES:				
Current:				
0071 Principal on Long Term Debt	2,610,919	2,610,919	1,157,200	1,453,719
0072 Interest on Long Term Debt	-	-	1,450,828	(1,450,828)
0073 Bond Issuance Cost and Fees	-	-	347,635	(347,635)
6030 Total Expenditures	<u>2,610,919</u>	<u>2,610,919</u>	<u>2,955,663</u>	<u>(344,744)</u>
1100 Excess (Deficiency of Revenues Over (Under) Expenditures	-	10,915	(162,906)	(173,821)
OTHER FINANCING SOURCES (USES)				
7911 Capital Related debt issued - regular bonds	-	-	26,000,000	(26,000,000)
7915 Transfers in	-	-	347,189	(347,189)
7916 Premium or Discount on Issuance of Bonds	-	-	2,670,435	(2,670,435)
8949 Other Uses	-	-	(28,322,800)	28,322,800
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>694,824</u>	<u>(694,824)</u>
1200 Net Change in Fund Balances	-	10,915	531,918	521,003
0100 Fund Balance - September 1 (Beginning)	<u>350,153</u>	<u>350,153</u>	<u>350,153</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 350,153</u>	<u>\$ 361,068</u>	<u>\$ 882,071</u>	<u>\$ 521,003</u>

FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brownwood Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, listed as Finding 2015-001 on the accompanying Schedule of Findings and Questioned Costs.

Purpose of this Report

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

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 4, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited Brownwood Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Brownwood Independent School District's major federal programs for the year ended August 31, 2015. Brownwood Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Brownwood Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brownwood Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Brownwood Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on Internal Control over Compliance

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

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

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

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

Daniel Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 4, 2015

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2015

A. Summary of Auditor's Results

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

Child Nutrition Cluster:	
School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Head Start	CFDA #93.600
ESEA, Title II, Part A – Teacher/Principal Training	CFDA #84.367A
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 which are Required to be Reported in Accordance with Governmental Auditing Standards

Finding 2015-001:	Actual Expenditures in Excess of Budget
Type of Finding:	Non Compliance
Criteria or Specific Requirement:	State law requires that public school districts adopt a budget prior to expenditure of funds and make proper amendments when the originally adopted budget is insufficient.
Statement of Condition:	For the General Fund, expenditures exceeded budget by \$105,640 for function 41, General Administration and \$72,484 for function 51 Facilities Maintenance and Operations. For the Debt Service Fund, expenditures exceeded budget by \$344,744. These shortfalls are noted on Schedule G-1 and J-5 and in Footnote 18.
Questioned Costs:	None.
Cause:	The District failed to update its budgeted expenditures for these functions as conditions warranted during the year to reflect actual events.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

**B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with
Governmental Auditing Standards - continued**

Effect: Due to the failure to update budgeted expenditures, the specified functions had actual expenditures in excess of the legally budgeted amounts.

Recommendations: The District should update its procedures for monitoring actual and budgeted expenditures. The District should properly amend its budget to reflect actual events and needs as they occur.

Management's Response: The District's general fund budget in Function 41, General Administration, was over budget. The District did amend the budget at year end; however, a Superintendent contract buy out that was agreed on and approved by the Board of Trustees during the 2014-2015 school year caused the function to go over. In that settlement agreement, there is to be paid a lump sum amount, but not until the 2015-2016 school year. The district budgeted for the lump sum in the 2015-2016 school year. We did not book the liability in the 2014-2015 school year due to the buyout occurring in 2015-2016; however, our auditors advised us we should have booked that liability in the 2014-2015 school year. When we booked the liability in the 2014-2015 school year it made function 41 go over budget, otherwise it would have been under budget for the year.

The district's general fund budget in Function 51, Facilities Maintenance and Operations was over budget and we also amended this budget at year end; however, due to utility costs being higher than we anticipated this pushed our Function 51 budget over its budget at year end.

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

None.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

Finding 2015-001

The District has put in place the following:

The Function 41 issue is a very unusual one and is a one time occurrence and therefore should not be an issue in the future; however, if it does occur the District will amend the budget in the year in which the agreement is made.

The District will review its budget amendment process for function 51 during the 2015-2016 fiscal year whereby the District will review the prior year's history of utility costs and post the year end budget amendment based on that history to ensure the budget will cover expected costs.

Contact Person: Kevin Gabaree
Assistant Superintendent
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P.O. Box 730
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Brownwood, TX 76801
Phone: (325) 643-5644
Fax: (325) 643-5640
Kevin.gabaree@brownwoodisd.org

Expected Implementation date: December 1, 2016

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED AUGUST 31, 2015

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

None

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

Finding 2014-001 Semi-Annual Certifications

Federal Program: IDEA Part B Cluster

CFDA: 84.027; 84.173

Award Year: 2013/2014

Type of Finding: Non Compliance

Compliance Requirement: Allowable Costs/Cost Principles

Condition and Context: Our payroll sample consisted of eight employees paid with funds under the IDEA, Part B Cluster. It was determined that all eight employees included in the sample did not include appropriate documentation of time and effort requirements.

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.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED AUGUST 31, 2015

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

Finding 2014-001	Semi-Annual Certifications (continued)
Recommendations:	The District should update its procedures for monitoring the completion of the documentation of time and effort requirements of the IDEA, Part B Cluster.
Corrective Action Plan:	<p>The District did not get the single cost objective certifications for both semesters on the employees that were under the single cost objective rule. Since they were a single cost objective, we got certifications in the Fall and thought that would satisfy the requirements for OMB Circular A-133.</p> <p>We have changed our procedures where all employees with any type of federal funding are required to sign a Fall certification and a Spring certification for a single cost objective and/or time and effort objective, with no exceptions. This has been implemented as of January 5, 2015 and all certifications now should be correct and current and all future requirements for certification are in place, this should not be an issue in the future.</p>
Contact Person:	<p>Delbert Dodds Business Manager Brownwood ISD P.O. Box 730 2707 Southside Drive Brownwood, TX 76804 Phone: (325) 643-5644 Fax: (325) 643-5640 Delbert.dodds@brownwoodisd.org</p>
Current Status:	The recommendation was adopted in fiscal year 2015. The District obtained certification for all employees for the Spring of 2014 that had previously not been obtained. No similar findings were noted in the 2015 audit.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101025902	\$ 1,050,270
IDEA - Part B, Formula *	84.027	156600010259026000	1,039,266
IDEA - Part B Preschool *	84.173	156610010259026000	21,608
Career and Technical - Basic Grant	84.048	15420006025902	57,256
Summer School LEP	84.369A	69551502	1,113
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	15694501025902	209,521
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	15696001025902	<u>66,073</u>
Total passed through Texas Education Agency			<u>2,445,107</u>
Fund for the Improvement of Education	84.215E	S215E120121	<u>292,867</u>
TOTAL DEPARTMENT OF EDUCATION			<u><u>2,737,974</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through ESC Region 15			
Head Start	93.600	08CH7152/01	<u>924,790</u>
Total passed through ESC Region 15			<u>924,790</u>
Passed through Texas Education Agency			
Medicaid Administrative Claiming Program -MAC	93.778		<u>29,572</u>
Total passed through Texas Education Agency			<u>29,572</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>954,362</u></u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Texas Education Agency			
School Breakfast Program *	10.553	71401501	397,126
National School Lunch Program - cash assistance *	10.555	71301501	951,158
Summer Food Service Program for Children *	10.559	3001401	<u>17,415</u>
Total passed through Texas Education Agency			<u>1,365,699</u>
Passed through San Angelo Packing Co:			
National School Lunch Program - noncash assistance *	10.555		<u>120,125</u>
Total passed through San Angelo Packing Co.			<u>120,125</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,485,824</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,178,160</u>

* Clustered Programs as required by OMB A-133 Compliance Supplement, June 2015

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

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

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

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

Note 4: Medicaid revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

	<u>Total</u>
Federal Awards per Schedule of Expenditures of Federal Awards	\$ 5,178,160
Medicaid reimbursement	<u>125,872</u>
Total Federal Program Revenues - Exhibit C-2	<u>\$ 5,304,032</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2015

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ (3,062,353)
SF13	Pension Expense (6147) at fiscal year-end.	\$ 283,060