

**BRAZOSPORT
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2014**

**KENNEMER, MASTERS & LUNSFORD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2014*

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
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The Following Exhibits Were Not Applicable to the Brazosport Independent School District:

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Brazosport Independent School District
Name of School District

Brazoria
County

020-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2014, at a meeting of the board of trustees of such school district on the 13th day of January, 2015.


Mason Howard
Signature of Board Secretary


Ron Damian
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are) (attach list if necessary):

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FINANCIAL SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

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Lake Jackson, Texas 77566
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El Campo, Texas 77437
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Independent Auditor's Report

To the Board of Trustees
Brazosport Independent School District
Freeport, Texas 77542

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brazosport Independent School District (the "District") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 the Brazosport Independent School District, as of August 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15-27 and 78 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 introductory section, combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, 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 combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas
December 17, 2014

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

As management of the Brazosport Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 61,839,167 (*net position*). Of this amount, \$ 19,052,062 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 57,179,333. Approximately 44 percent of this total amount, \$ 24,959,915, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 25,065,212, or 29 percent of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 28 through 30 of this report.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-five (25) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other twenty-two (22) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 32 through 36 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded dental and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 37 through 39 of this report.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and 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 reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position that can be found on pages 40 through 41. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 76 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 78 of this report.

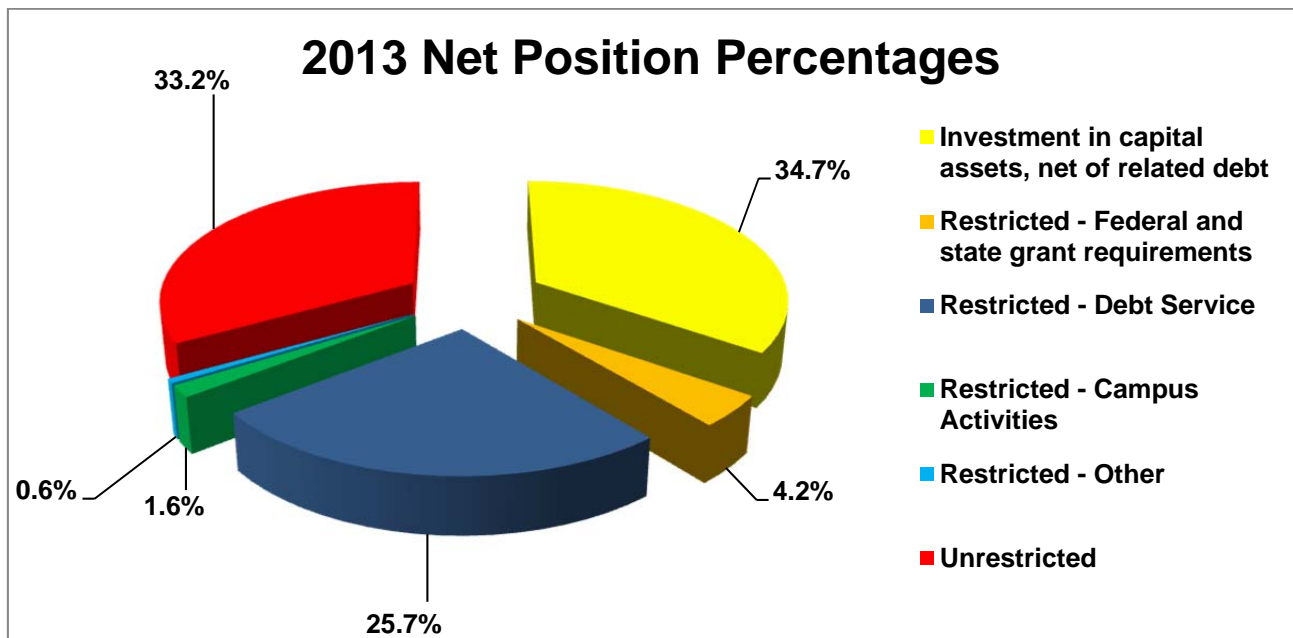
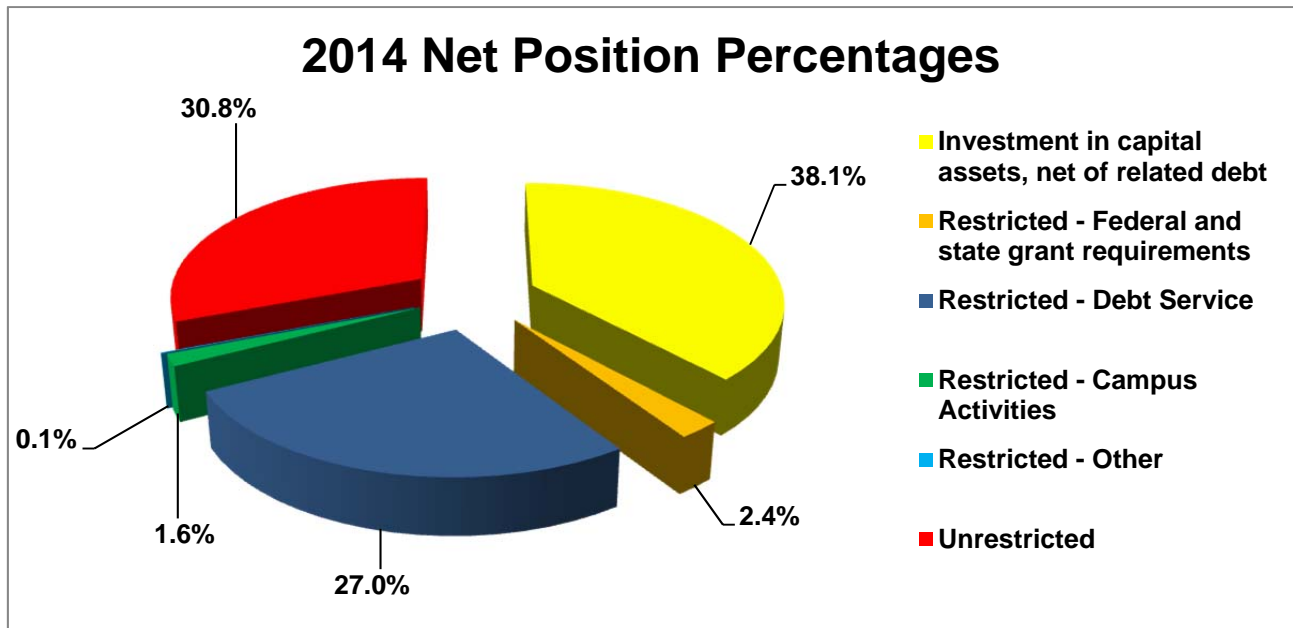
The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 80 through 83 and 84 through 87 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 61,839,167 as of August 31, 2014. Net position of the District's governmental activities increased by \$ 6,475,874, from \$ 55,363,293 to \$ 61,839,167.

The District's Net Position

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 67,876,945	\$ 69,980,223
Capital assets	<u>148,199,445</u>	<u>148,948,072</u>
Total assets	<u>216,076,390</u>	<u>218,928,295</u>
Deferred outflows of resources	<u>141,953</u>	<u> </u>
Total deferred outflows of resources	<u>141,953</u>	<u>-0-</u>
Long-term liabilities outstanding	146,393,411	156,329,905
Other liabilities	<u>7,985,765</u>	<u>7,235,097</u>
Total liabilities	<u>154,379,176</u>	<u>163,565,002</u>
Deferred inflows of resources:		
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Net Position:		
Net investment in capital assets	23,570,450	19,251,460
Restricted	19,216,655	17,752,444
Unrestricted	<u>19,052,062</u>	<u>18,359,389</u>
Total net position	<u>\$ 61,839,167</u>	<u>\$ 55,363,293</u>



Investment in capital assets (e.g., land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 23,570,450. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$ 19,216,655 approximately 31 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$ 19,052,062 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

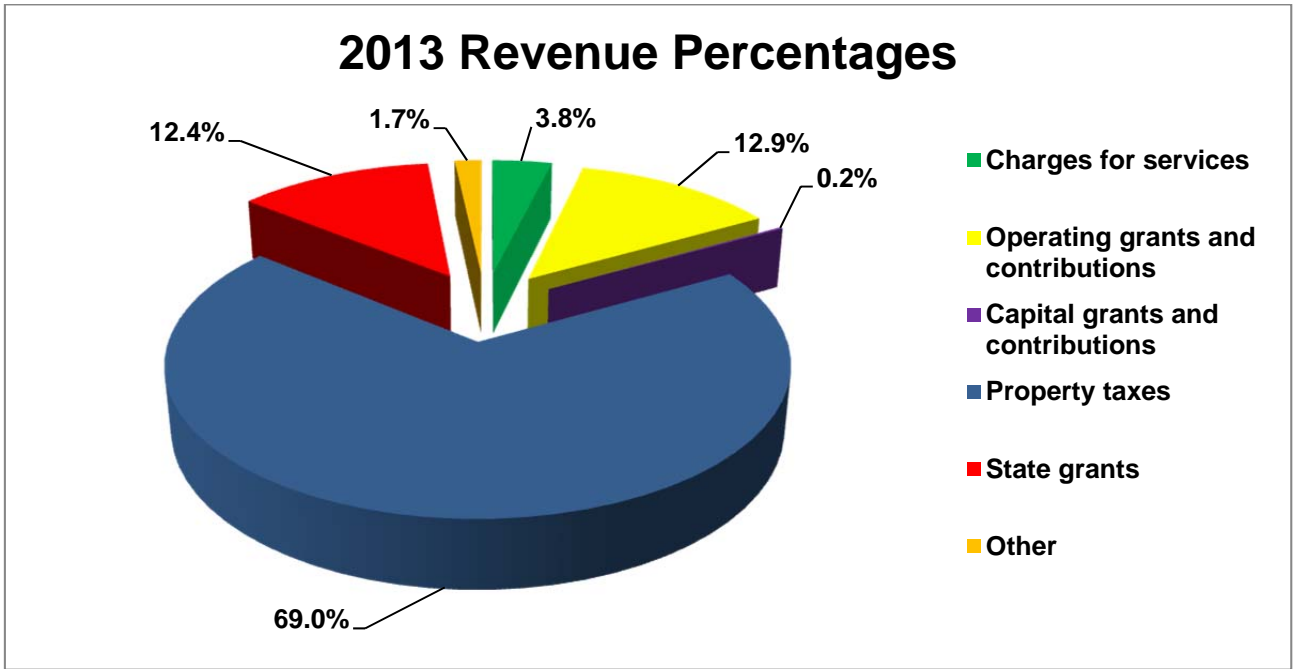
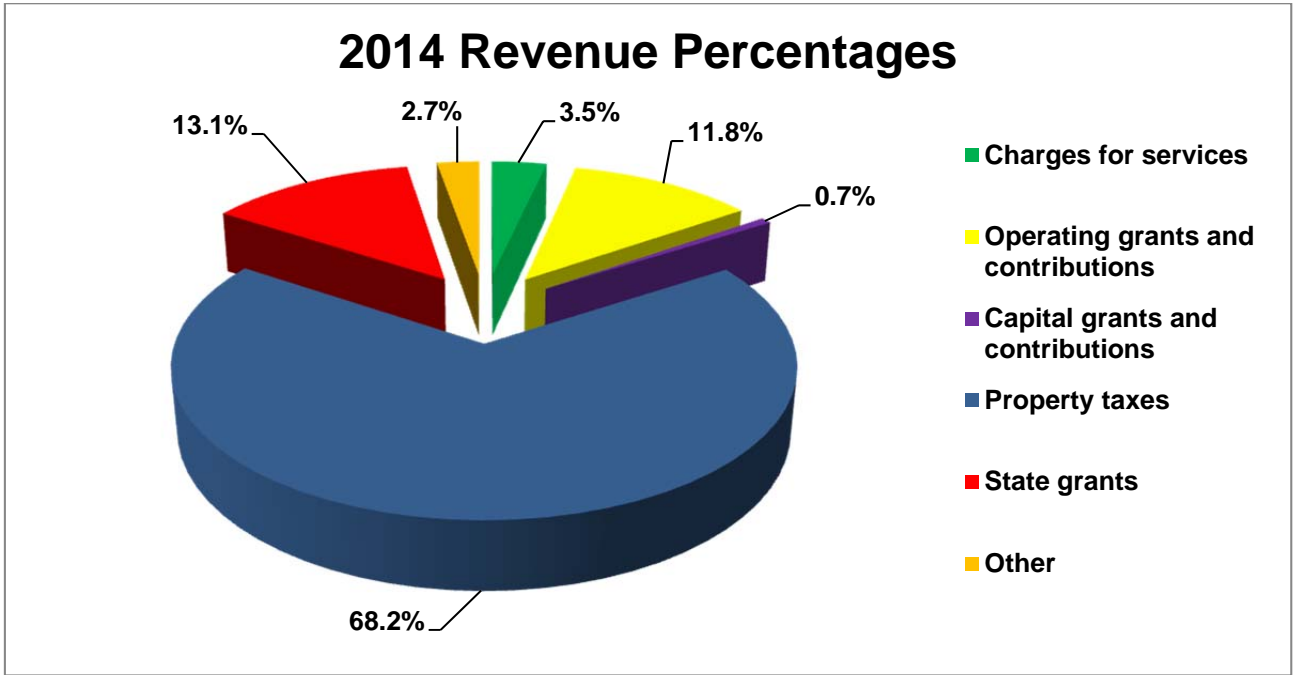
BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*MANAGEMENT'S DISCUSSION AND ANALYSIS*

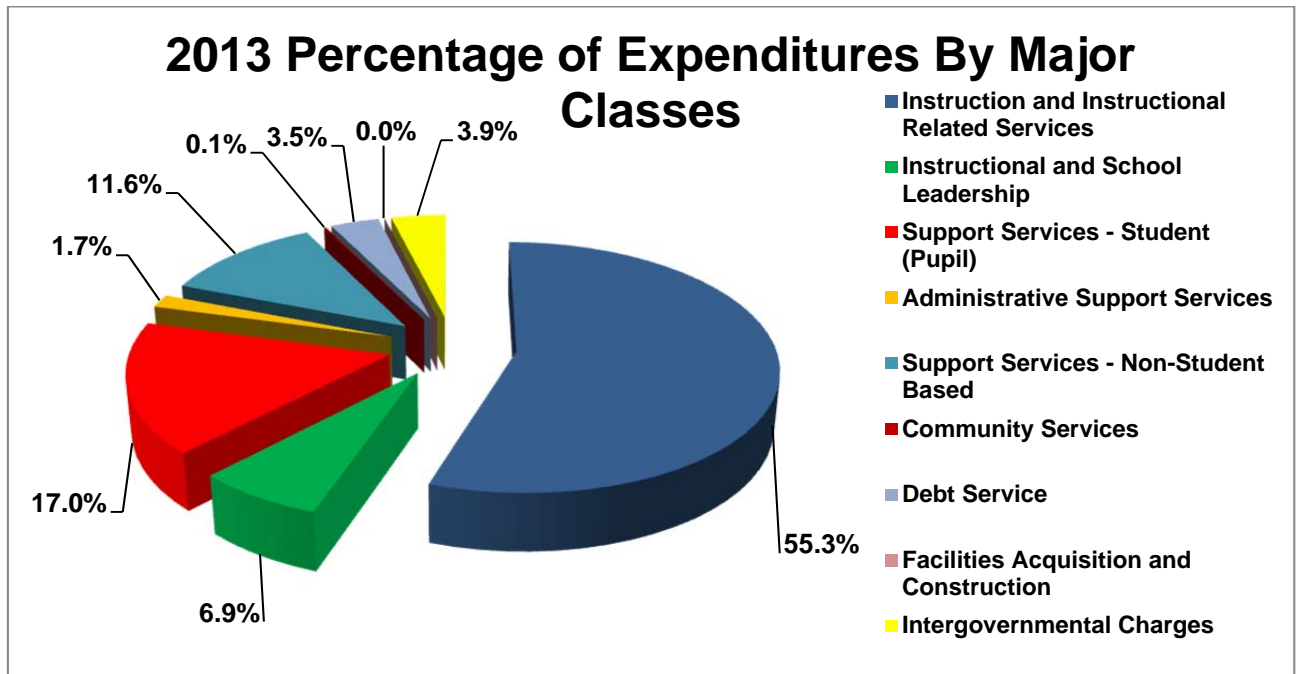
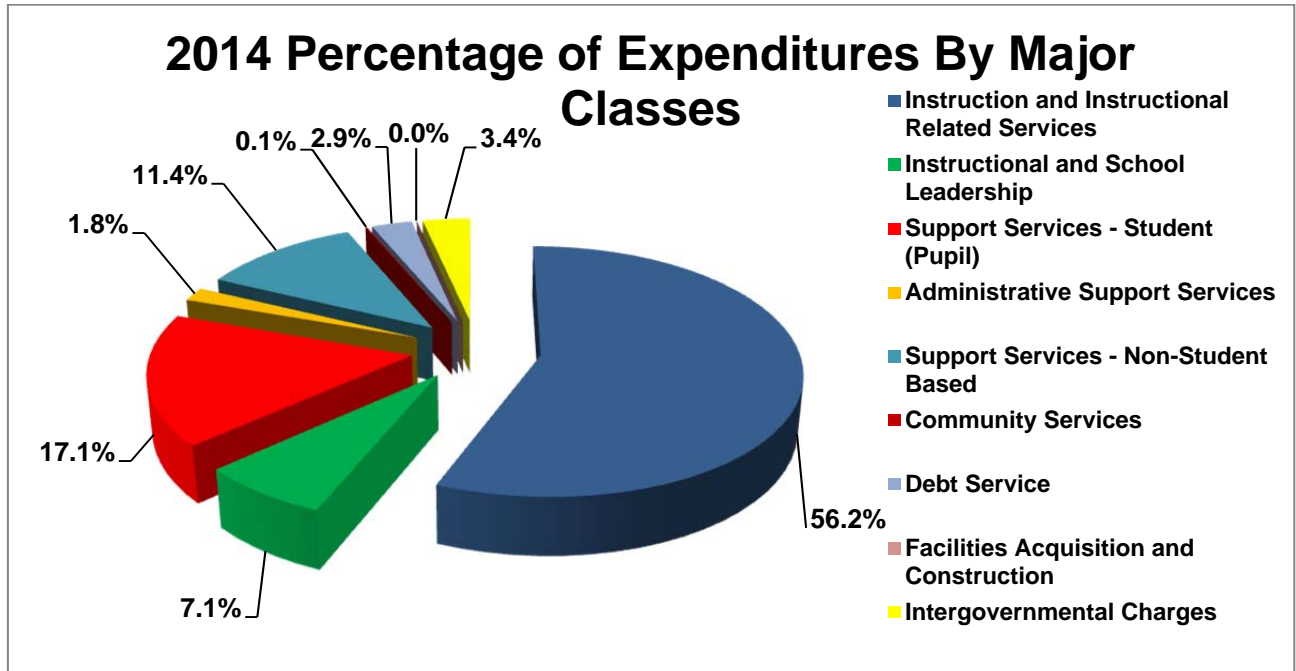
AUGUST 31, 2014

Governmental activities. The District's total net position increased \$ 6,475,874. The total cost of all *governmental activities* this year was \$ 116,117,903. The amount that our taxpayers paid for these activities through property taxes was \$ 83,695,188 or 72 percent.

Changes in the District's Net Position

	<u>2014</u>	<u>2013</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 4,258,449	\$ 4,481,541
Operating grants & contributions	14,458,873	14,988,142
Capital grants & contributions	815,403	216,093
General Revenues:		
Property taxes	83,695,188	80,533,859
State grants	16,041,181	14,454,567
Other	<u>3,324,683</u>	<u>1,954,407</u>
Total revenues	<u>122,593,777</u>	<u>116,628,609</u>
Expenses:		
Instruction	61,832,613	58,978,377
Instructional resources & media services	1,631,952	1,615,737
Curriculum & staff development	1,919,660	1,874,299
Instructional leadership	1,924,320	1,724,997
School leadership	6,277,074	6,100,162
Guidance, counseling & evaluation services	3,763,020	3,390,074
Social work services	133,110	130,085
Health services	1,177,681	1,025,245
Student transportation	2,526,170	2,576,671
Food service	7,104,855	7,249,904
Extracurricular activities	5,167,705	4,751,047
General administration	2,065,419	1,919,049
Plant maintenance and operations	10,204,783	9,824,069
Security and monitoring services	575,078	448,804
Data processing services	2,484,928	2,781,728
Community services	55,258	60,610
Debt service-interest and fees long-term debt	3,321,929	3,902,364
Contracted instructional services between public schools	1,124,014	1,186,550
Payments related to shared services arrangements	2,239,293	2,596,435
Other governmental	<u>589,041</u>	<u>579,322</u>
Total expenses	<u>116,117,903</u>	<u>112,715,529</u>
Increase in net position	6,475,874	3,913,080
Beginning net position	<u>55,363,293</u>	<u>51,450,213</u>
Ending net position	<u>\$ 61,839,167</u>	<u>\$ 55,363,293</u>





BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 57,179,333, a decrease of \$ 3,155,837. Approximately 44 percent of this total amount \$ 24,959,915 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, committed* or *assigned* to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 328,355, 2) for prepaid items \$ 1,179,778, 3) for federal and state grant restrictions \$ 1,377,736, 4) for capital acquisitions and contractual obligations \$ 5,939,028, 5) to pay debt service \$ 16,589,042, 6) other restricted \$ 1,055,479, 7) claims and judgments \$ 250,000, 8) capital expenditures for equipment \$ 500,000, and 9) other assigned \$ 5,000,000.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 25,065,212, while the total fund balance was \$ 33,668,612. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 29 percent of the total general fund expenditures, while total fund balance represents 38 percent of that same amount.

The fund balance of the District's general fund increased \$ 4,210,089 during the current fiscal year. Key factors related to this change are as follows:

- Numerous functional expenditures were less than amounts originally budgeted, primarily due to
 - Reduced payroll costs due to budgeting at midpoint and unfilled vacancies, along with turnover of employees resulting in a lower experienced workforce occurring throughout the year.
 - Debt service reserve that was budgeted as an expenditure.
 - Greater than anticipated energy savings as a result of the District Energy Savings Project.
 - Lower property insurance costs.
 - Lower fuel and repair costs for transportation/maintenance along with reduced costs associated with truancy, post district travel and disciplinary alternative education (JJAEP).

The debt service fund has a total restriction for debt service (fund balance) of \$ 15,044,042. The net increase in the restriction for debt service during the current year in the debt service fund was \$ 1,832,146. Following are factors contributing to this change:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

- Stronger than budgeted tax collections.
- The District currently has two QZAB bonds outstanding, which require annual payments totaling \$ 779,580 to be made into a sinking fund. Funding necessary to make the payments is received from property tax collections. Tax collections are recorded as revenues, which increase fund balance, however, payments into the sinking fund are not considered expenditures until the bonds mature.

The capital projects fund has a total restriction for capital acquisitions and contractual obligations (fund balance) of \$ 5,939,028. The net decrease in the restriction for capital acquisitions and contractual obligations in the capital projects fund was \$ 8,394,041. Following are factors contributing to this change:

- Planned expenditures associated with the 2012 Bond program.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at August 31, 2014 amounted to \$ 2,136,997. The total increase in net position was \$ 371,434.

General Fund Budgetary Highlights

The District made the following amendments to budgeted revenue.

- \$ 2,004,585 increase in General Fund revenue to reflect stronger than anticipated tax collections.

Following is a summary of amendments made to appropriations:

- \$ 1,736,352 increase for a one-time health care incentive.
- \$ 49,052 increase for K-12 Insight
- \$ 21,066 increase for prior year carryover purchase orders
- \$ 50,361 additional campus allotment innovative initiatives
- \$ 2,004,585 additional budgeted for contingencies

This positive variance in expenditures is the result of delays of certain planned expenditures along with lower than expected payroll and related costs, overestimates of TRS On-Behalf Payments and lower than anticipated fuel, utilities, insurance supplies and contracted services costs.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2014

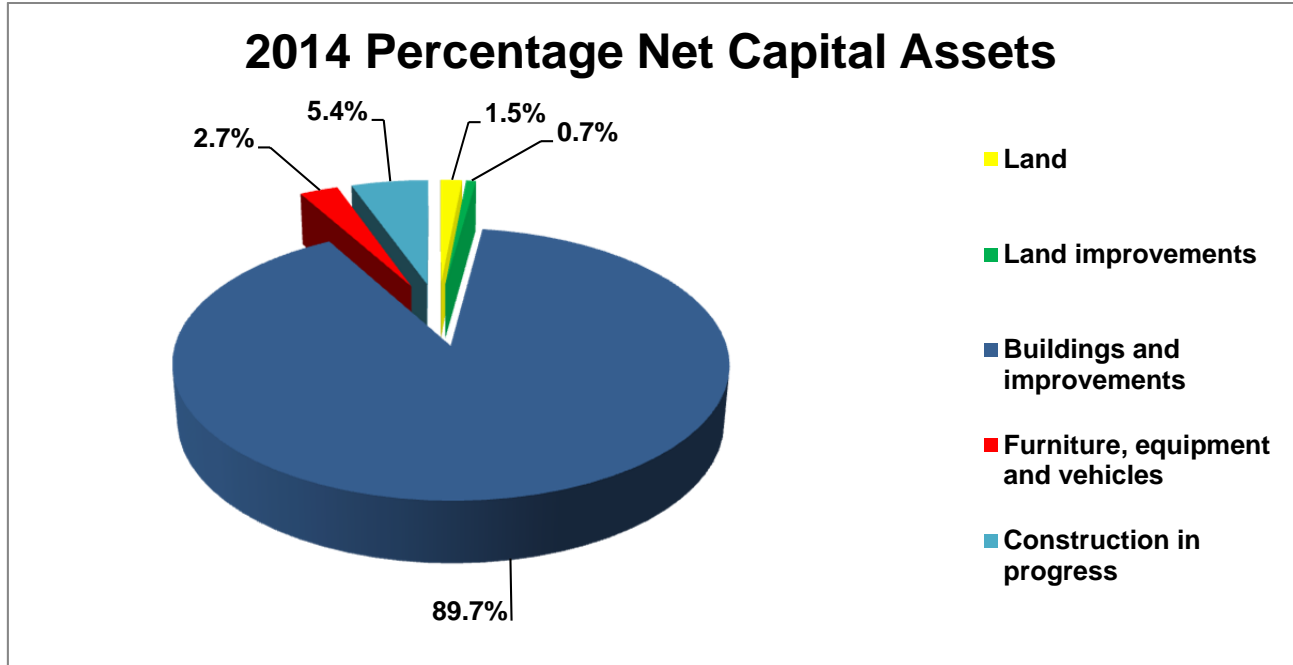
Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2014 amounts to \$ 148,199,445 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, furniture, equipment and vehicles, and construction in progress.

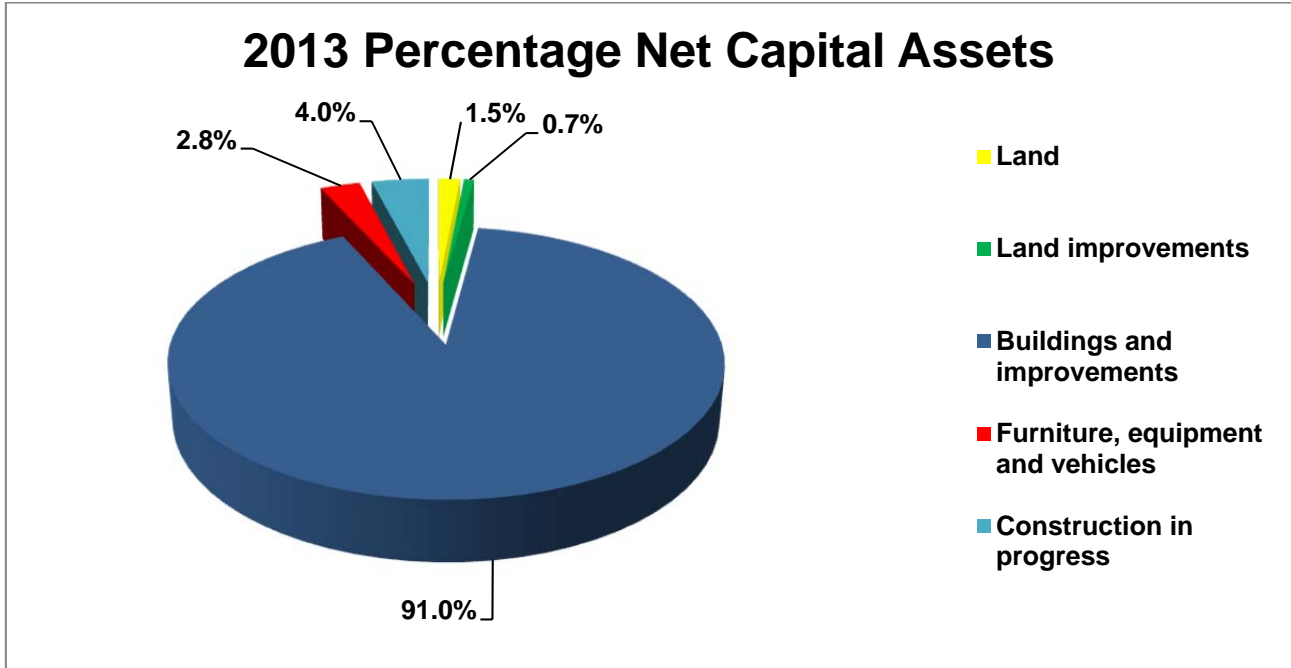
**District's Capital Assets
 (net of depreciation)**

	<u>2014</u>	<u>2013</u>
Land	\$ 2,260,973	\$ 2,260,973
Land improvements	969,315	1,098,407
Buildings and improvements	133,012,701	135,519,906
Furniture, equipment and vehicles	3,928,495	4,161,397
Construction in progress	<u>8,027,961</u>	<u>5,907,389</u>
Total at historical cost	<u>\$ 148,199,445</u>	<u>\$ 148,948,072</u>

Additional information on the District's capital assets can be found in Note 5 on pages 64 through 65 of this report.



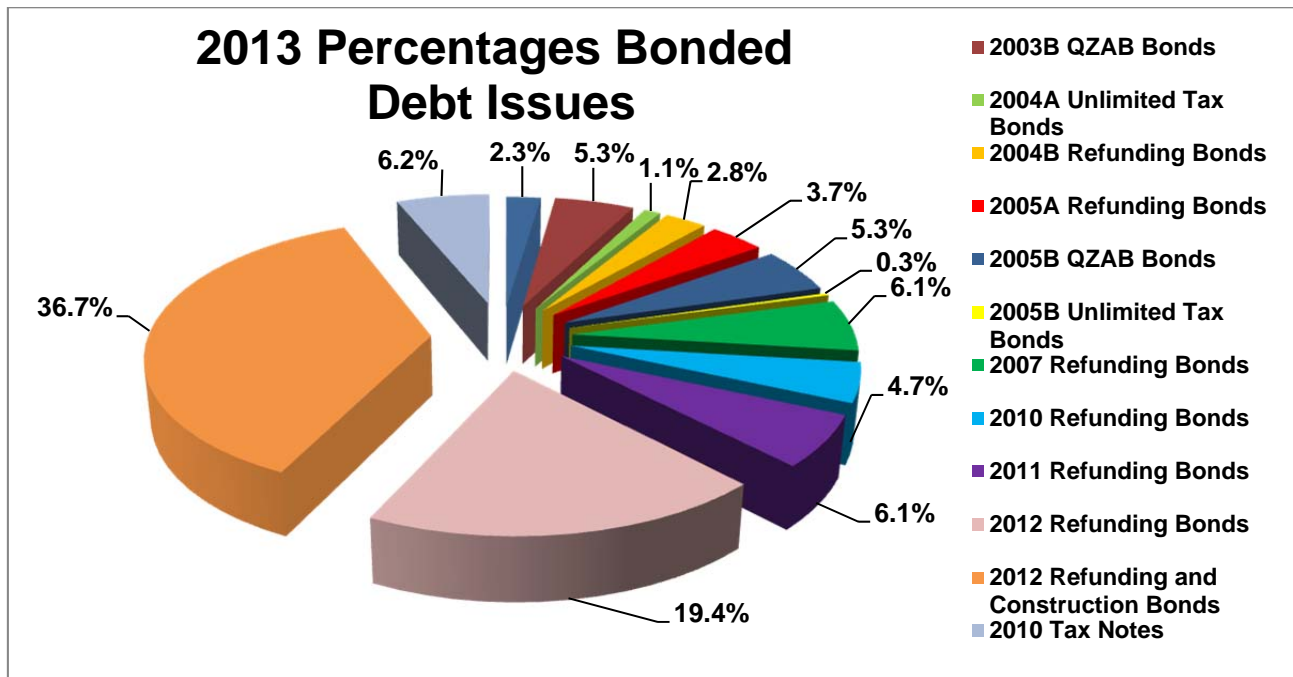
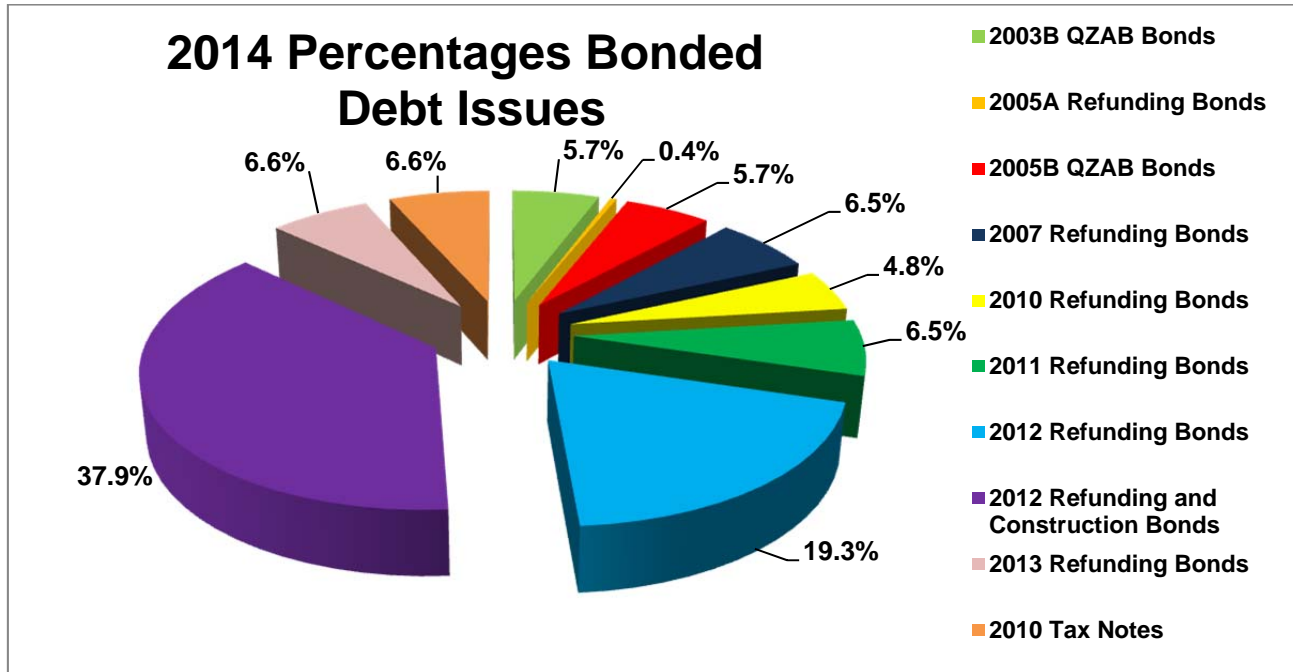
BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014



Long-term debt. At August 31, 2014, the District had total long-term debt outstanding of \$ 146,393,411, a decrease of \$ 9,936,494 from the previous year. Long-term debt is made of general obligation bonds of \$ 131,645,046, tax notes of \$ 9,330,000, capital leases of \$ 181,282, premium received on general obligation bonds of \$ 5,096,674, and accrued interest of \$ 140,409.

District's Long-Term Debt:

	<u>2014</u>	<u>2013</u>
General obligations bonds	\$ 131,645,046	\$ 141,418,238
Tax notes	9,330,000	9,330,000
Capital leases	181,282	8,622
Components of Long-Term Debt:		
Premium on general obligation bonds	5,096,674	5,430,481
Accrued interest payable	<u>140,409</u>	<u>142,564</u>
 Total long-term debt	 <u>\$ 146,393,411</u>	 <u>\$ 156,329,905</u>



Moody's Aaa rating on the District's bonded indebtedness is provided by a guarantee of the Texas Permanent School Fund for timely payment of principal and interest in the event the District is unable to meet debt service requirements. Moody's Aaa underlying rating is representative of the District's sizable but highly concentrated tax base, low debt levels, and modest financial reserves.

Additional information on the District's long-term debt can be found in Notes 6 and 7 on pages 66 through 70 of this report.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Economic Factors and Next Year's Budgets and Rates

- Certified tax values for fiscal year 2015 increased by approximately \$ 137,000,000 or 2.05% from fiscal tax year 2014. In addition, the collection percentage has been adjusted to pre-recession levels of 98% vs the prior year budget of 96%. These factors will generate an additional \$ 2,700,000 of revenue in the general fund and approximately \$ 540,000 for the debt service fund. The increase in value was roughly \$ 400,000,000 lower than anticipated due to a delay in start-up of a new plant from December 2013 to January 2014.
- A slight decrease in refined average daily attendance of 123 is budgeted to reflect actual declines for 2013-14. The attendance percentage rates are expected to remain stable at 95%.
- Based on legislative changes (83rd session) and decreases in weighted average daily attendance, the District anticipates decline of roughly \$ 1,700,000 of state funding for 2014-15.
- No change in the tax rate of \$ 1.2553.
- For 2014-2015, the District increased general fund expenditures by roughly \$ 4,000,000 compared to prior year through staffing formula changes, additional TRS contributions, program offerings and compensation increases of 4%.

These indicators were taken into account when adopting the General Fund budget for 2014-2015. The District has appropriated revenues and expenditures in the 2014-2015 budget of \$ 91,805,222 and \$ 96,077,649, respectively. Total budgeted revenues increased 1.07% from the 2013-2014 budget primarily due to changes in property tax values and collection percentage along with state funding. Total expenditures increased by 4.34% due to staffing formula changes, additional program offerings and compensation increases.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Business and Governmental Affairs Officer, Brazosport Independent School District, P.O. Drawer Z, Freeport, Texas, 77541.

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

Exhibit A-1
Page 1 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 51,484,705
1120	Current investments	10,737,819
1220	Property taxes receivables	1,524,295
1230	Allowance for uncollectible taxes	(810,937)
1240	Due from other governments	2,090,854
1260	Internal balances	966,223
1290	Other receivables (net)	333,991
1300	Inventories	328,355
1410	Prepaid items	1,221,640
	Capital Assets:	
1510	Land and improvements (net)	3,230,288
1520	Building and improvements (net)	133,012,701
1530	Furniture, equipment and vehicles (net)	3,928,495
1580	Construction in progress	<u>8,027,961</u>
1000	Total assets	<u>216,076,390</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred outflows – bond refunding costs	<u>141,953</u>
	Total deferred outflows of resources	<u>141,953</u>
	LIABILITIES:	
2110	Accounts payable	2,487,043
2150	Payroll deductions and withholdings	541,563
2160	Accrued wages payable	2,905,331
2165	Accrued liabilities	297,344
2180	Due to other governments	43,788
2300	Unearned revenue	1,710,696
	Noncurrent Liabilities:	
2501	Due within one year	11,456,510
2502	Due in more than one year	<u>134,936,901</u>
2000	Total liabilities	<u>154,379,176</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows of resources	<u> </u>
	Total deferred inflows of resources	<u>-0-</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - Continued
AUGUST 31, 2014

Exhibit A-1
Page 2 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	NET POSITION:	
3200	Net investment in capital assets	\$ 23,570,450
	Restricted For:	
3820	Federal and state programs	1,472,172
3850	Debt service	16,689,004
3870	Campus activities	966,136
3890	Other	89,343
3900	Unrestricted	<u>19,052,062</u>
3000	Total net position	<u>\$ 61,839,167</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

Exhibit B-1
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 61,832,613	\$ 366,206	\$ 6,810,672	\$ 20,000	\$(54,635,735)
12	Instructional resources and media services	1,631,952	7,116	53,249		(1,571,587)
13	Curriculum and staff development	1,919,660	5,377	1,030,014		(884,269)
21	Instructional leadership	1,924,320	7,116	336,014		(1,581,190)
23	School leadership	6,277,074	36,758	276,808		(5,963,508)
31	Guidance, counseling, and evaluation services	3,763,020	18,887	895,591		(2,848,542)
32	Social work services	133,110	963	38,549		(93,598)
33	Health services	1,177,681	7,491	52,039		(1,118,151)
34	Student transportation	2,526,170	16,626	68,528		(2,441,016)
35	Food service	7,104,855	2,147,604	4,078,357	795,403	(83,491)
36	Extracurricular activities	5,167,705	1,579,834	17,913		(3,569,958)
41	General administration	2,065,419	7,476	74,002		(1,983,941)
51	Plant maintenance and operations	10,204,783	47,204	222,517		(9,935,062)
52	Security and monitoring services	575,078	2,568	21,385		(551,125)
53	Data processing services	2,484,928	7,223	61,419		(2,416,286)
61	Community services	55,258		41,722		(13,536)
72	Interest on long-term debt	3,204,501		380,094		(2,824,407)
73	Bond issuance costs and fees	117,428				(117,428)
91	Contracted instructional services between public schools	1,124,014				(1,124,014)
93	Payments related to shared services arrangements	2,239,293				(2,239,293)
99	Other intergovernmental	589,041				(589,041)
TG	Total governmental activities	<u>\$ 116,117,903</u>	<u>\$ 4,258,449</u>	<u>\$ 14,458,873</u>	<u>\$ 815,403</u>	<u>\$(96,585,178)</u>
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 69,096,870
DT	Property taxes, levied for debt service					14,598,318
SF	State aid-formula grants					16,041,181
GC	Grants and contributions not restricted to specific programs					1,020,226
IE	Investment earnings					435,677
MI	Miscellaneous					1,863,780
	Gain on sale of assets					<u>5,000</u>
TG	Total general revenues, special items, and transfers					<u>103,061,052</u>
CN	Change in net position					6,475,874
NB	Net position – beginning					<u>55,363,293</u>
NE	Net position – ending					<u>\$ 61,839,167</u>

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

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2014

Exhibit C-1
Page 1 of 2

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	98 Other Governmental Funds	Total Governmental Funds
ASSETS:						
1110	Cash and cash equivalents	\$ 29,448,372	\$ 15,016,102	\$ 832,494	\$ 3,795,258	\$ 49,092,226
1120	Investments	4,995,700		5,742,119		10,737,819
1220	Taxes receivable	1,285,544	238,751			1,524,295
1230	Allowance for uncollectible taxes	(693,902)	(117,035)			(810,937)
1240	Receivables from other governments	468,977			1,621,877	2,090,854
1260	Due from other funds	2,594,779	4,642	690	3,315,013	5,915,124
1290	Other receivables	263,846			70,145	333,991
1300	Inventories	233,919			94,436	328,355
1410	Deferred expenditures	<u>1,074,481</u>			<u>105,297</u>	<u>1,179,778</u>
1000	Total assets	<u>39,671,716</u>	<u>15,142,460</u>	<u>6,575,303</u>	<u>9,002,026</u>	<u>70,391,505</u>
DEFERRED OUTFLOWS OF RESOURCES						
1700	Deferred outflows of resources					-0-
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 39,671,716</u>	<u>\$ 15,142,460</u>	<u>\$ 6,575,303</u>	<u>\$ 9,002,026</u>	<u>\$ 70,391,505</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 878,766	\$	\$ 636,275	\$ 972,002	\$ 2,487,043
2150	Payroll deductions and withholdings	541,563				541,563
2160	Accrued wages payable	2,621,714			283,617	2,905,331
2170	Due to other funds	32,242			4,916,659	4,948,901
2180	Due to other governments	43,788				43,788
2300	Unearned revenue	<u>1,408,599</u>			<u>302,097</u>	<u>1,710,696</u>
2000	Total liabilities	<u>5,526,672</u>	<u>-0-</u>	<u>636,275</u>	<u>6,474,375</u>	<u>12,637,322</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2014

Exhibit C-1
Page 2 of 2

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	98 Other Governmental Funds	Total Governmental Funds
	DEFERRED INFLOWS OF RESOURCES					
1700	Deferred inflows of resources – property taxes	\$ 476,432	\$ 98,418	\$ _____	\$ _____	\$ 574,850
	Total deferred inflows of resources	<u>476,432</u>	<u>98,418</u>	<u>-0-</u>	<u>-0-</u>	<u>574,850</u>
	Fund Balances:					
	Non-Spendable:					
3410	Inventories	233,919			94,436	328,355
3430	Prepaid items	1,074,481			105,297	1,179,778
	Restricted:					
3450	Food service				1,377,736	1,377,736
3470	Capital acquisitions and contractual obligations			5,939,028		5,939,028
3480	Debt service	1,545,000	15,044,042			16,589,042
3490	Other				1,055,479	1,055,479
	Committed:					
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	500,000				500,000
	Assigned:					
3590	Other assigned fund balance	5,000,000				5,000,000
	Unassigned:					
3600	Unassigned fund balance	<u>25,065,212</u>	<u>_____</u>	<u>_____</u>	<u>(105,297)</u>	<u>24,959,915</u>
3000	Total fund balances	<u>33,668,612</u>	<u>15,044,042</u>	<u>5,939,028</u>	<u>2,527,651</u>	<u>57,179,333</u>
4000	Total liabilities, deferred inflows of resources and fund balances	\$ <u>39,671,716</u>	\$ <u>15,142,460</u>	\$ <u>6,575,303</u>	\$ <u>9,002,026</u>	\$ <u>70,391,505</u>

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

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

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 57,179,333
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 225,330,301 in assets less \$ 77,130,856 in accumulated depreciation.	148,199,445
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds. Unearned property tax revenues for the general fund and the debt service fund amounted to \$ 476,432 and \$ 98,418, respectively.	574,850
Other long-term assets are not available to pay for current year expenditures and, therefore, are not reported in the funds. This is the bond refunding costs, which is amortized over the life of the refunding bonds, or the refunded bonds, whichever is shorter. Net bond refunding costs were \$ 141,953 (bond refunding costs of \$ 155,000 less accumulated amortization of \$ 13,047).	141,953
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 5,096,674 (premium on sale of bonds of \$ 9,075,143 less amortization of \$ 3,978,469).	(5,096,674)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,136,997
Payables for bond principal are not reported in the funds.	(131,645,046)
Payable for tax note principal are not reported in the funds.	(9,330,000)
Payables for capital lease principal are not reported in the funds.	(181,282)
Payables for bond interest are not reported in the funds	(122,455)
Payable for tax note interest are not reported in the funds.	<u>(17,954)</u>
Net position of governmental activities – statement of net position (A-1)	<u>\$ 61,839,167</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2014

Exhibit C-2
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:						
5700	Local and intermediate sources	\$ 70,899,744	\$ 14,962,404	\$ 476,668	\$ 3,508,711	\$ 89,847,527
5800	State program revenues	19,347,813			1,285,355	20,633,168
5900	Federal program revenues	1,966,675			9,653,043	11,619,718
5020	Total revenues	<u>92,214,232</u>	<u>14,962,404</u>	<u>476,668</u>	<u>14,447,109</u>	<u>122,100,413</u>
EXPENDITURES:						
Current:						
0011	Instruction	50,638,973		3,510,045	4,590,544	58,739,562
0012	Instructional resources and media services	1,355,871			8	1,355,879
0013	Curriculum and staff development	902,951			1,000,637	1,903,588
0021	Instructional leadership	1,617,500			267,802	1,885,302
0023	School leadership	6,025,999			10,000	6,035,999
0031	Guidance, counseling, and evaluation services	2,947,981			764,952	3,712,933
0032	Social work services	98,590			34,188	132,778
0033	Health services	1,152,507				1,152,507
0034	Student transportation	1,869,004				1,869,004
0035	Food Service			258,860	7,484,815	7,743,675
0036	Extracurricular activities	2,664,666		512,339	1,224,989	4,401,994
0041	General administration	2,024,654			4,944	2,029,598
0051	Plant maintenance and operations	9,965,692		2,513,727		12,479,419
0052	Security and monitoring services	574,193		577,426		1,151,619
0053	Data processing services	1,631,099		1,512,204		3,143,303
0061	Community services	11,350			43,908	55,258
0071	Principal on long-term debt	47,015	9,695,000			9,742,015
0072	Interest on long-term debt	442,778	3,426,042			3,868,820
0073	Bond issuance costs and fees		117,428			117,428
0081	Capital outlay			116,108		116,108
0091	Contracted instructional services between public schools	1,124,014				1,124,014
0093	Payments related to shared services arrangements	2,239,293				2,239,293
0099	Other intergovernmental	589,041				589,041
6030	Total expenditures	<u>87,923,171</u>	<u>13,238,470</u>	<u>9,000,709</u>	<u>15,426,787</u>	<u>125,589,137</u>
1100	Excess (deficiency) of revenues over expenditures	<u>4,291,061</u>	<u>1,723,934</u>	<u>(8,524,041)</u>	<u>(979,678)</u>	<u>(3,488,724)</u>
OTHER FINANCING SOURCES (USES):						
7911	Issuance of bonds		9,415,000			9,415,000
7912	Sale of real and personal property				5,000	5,000
7913	Proceeds from capital lease	219,675				219,675
7915	Operating transfers in			130,000	170,647	300,647
7916	Premium on issuance of bonds		498,212			498,212
8911	Operating transfers out	(300,647)				(300,647)
8949	Payment to escrow agent		(9,805,000)			(9,805,000)
	Total other financing sources and (uses)	<u>(80,972)</u>	<u>108,212</u>	<u>130,000</u>	<u>175,647</u>	<u>332,887</u>
1200	Net change in fund balances	4,210,089	1,832,146	(8,394,041)	(804,031)	(3,155,837)
0100	Fund balances – beginning	<u>29,458,523</u>	<u>13,211,896</u>	<u>14,333,069</u>	<u>3,331,682</u>	<u>60,335,170</u>
3000	Fund balances – ending	<u>\$ 33,668,612</u>	<u>\$ 15,044,042</u>	<u>\$ 5,939,028</u>	<u>\$ 2,527,651</u>	<u>\$ 57,179,333</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT,
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

Exhibit C-2R
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$(3,155,837)
Amounts reported for <i>governmental activities</i> in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$ 5,823,568 exceeded capital outlay of \$ 5,274,882 in the current period.	(548,686)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Unearned property tax revenues for the general fund decreased by \$ 57,125 and the debt service fund decreased by \$ 12,418.	(69,543)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt \$ 9,695,000; and capital lease of \$ 47,015.	9,742,015
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 333,807. (Premium on bonds issued of \$ 498,212 less current amortization of \$ 832,019).	333,807
Long-term debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term debt proceeds from bonds and capital leases in the government funds were \$ 9,634,675 (\$ 9,415,000 refunding bonds and \$ 219,675 capital leases) less \$ 9,650,000 defeased through refunding.	15,325
Deferred refunding costs is another ruse in the governmental funds, but the costs increase long-term assets in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. The payments to the excrow agent of \$ 9,805,000 less the bond principal refunded of \$ 9,650,000 is the deferred refunding costs, less current amortization of \$ 13,047.	141,953
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental Activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of the assets disposed was \$ 199,941 (cost of \$ 702,182 less accumulated depreciation of \$ 502,241).	(199,941)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	2,155
Internal service funds are used by management to charge the costs of insurance, health and worker's compensation to individual funds. The net revenue of the internal service funds is reported in the governmental activities statement of activities (see D-2)	371,434
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	<u>(156,808)</u>
Change in net position of governmental activities (see B-1)	<u>\$ 6,475,874</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014

Exhibit D-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
	Current Assets:	
1110	Cash and cash equivalents	\$ 2,392,479
1410	Prepaid items	<u>41,862</u>
	Total assets	<u>2,434,341</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows of resources	<u> </u>
	Total deferred outflows of resources	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 2,434,341</u>
	LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION:	
	Liabilities:	
2165	Accrued expenses payable	<u>\$ 297,344</u>
	Total liabilities	297,344
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows of resources	<u> </u>
	Total deferred inflows of resources	<u>-0-</u>
	NET POSITION:	
3900	Unrestricted net position	<u>2,136,997</u>
	Total net position	<u>2,136,997</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,434,341</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2014

Exhibit D-2
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>1,037,814</u>
Total operating revenues	<u>1,037,814</u>
Operating Expenses:	
Insurance claims and expenses	<u>667,328</u>
Total operating expenses	<u>667,328</u>
Operating income	<u>370,486</u>
Nonoperating Revenues:	
Interest and investment revenue	<u>948</u>
Total nonoperating revenues	<u>948</u>
Changes in net position	371,434
Net position – beginning	<u>1,765,563</u>
Net position – ending	<u>\$ <u>2,136,997</u></u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2014

Exhibit D-3
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,037,860
Claims paid	<u>(783,734)</u>
Net cash provided by operating activities	<u>254,126</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided (used) by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided (used) by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment revenue	<u>948</u>
Net cash provided by investing activities	<u>948</u>
Net increase in cash and cash equivalents	255,074
Balances – beginning of year	<u>2,137,405</u>
Balances – end of year	\$ <u><u>2,392,479</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 370,486
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Other receivables	46
Accrued expenses payable	(74,544)
Prepaid items	<u>(41,862)</u>
Net cash provided by operating activities	\$ <u><u>254,126</u></u>

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

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

Exhibit E-1
Page 1 of 1

	Private- Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Assets:		
Cash and cash equivalents	\$ <u>11,063</u>	\$ <u>1,166,027</u>
Receivables:		
Other receivables		2,000
Due from other funds	24,145	1,225,924
Prepaid expenditures	<u> </u>	<u>1,314</u>
Total receivables	<u>24,145</u>	<u>1,229,238</u>
Total assets	<u>35,208</u>	<u>\$ 2,395,265</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows		
Total deferred outflows of resources	<u>-0-</u>	
Total assets and deferred outflows of resources	<u>\$ 35,208</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:		
Liabilities:		
Accounts payable	\$	\$ 57,329
Amounts due to student and employee groups		121,644
Due to other funds	<u> </u>	<u>2,216,292</u>
Total liabilities	<u>-0-</u>	<u>\$ 2,395,265</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows		
Total deferred inflows of resources	<u>-0-</u>	
NET POSITION:		
Held in trust for other purposes	<u>35,208</u>	
Total net position	<u>35,208</u>	
Total liabilities, deferred inflows of resources, and net position	<u>\$ 35,208</u>	

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2014

Exhibit E-2
Page 1 of 1

	<u>Private- Purpose Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ _____
Investment Earning:	
Interest	_____ 5
Total investment earnings	5
Less investment expense	_____
Net investment earnings	_____ 5
Total additions	_____ 5
DEDUCTIONS:	
Total deductions	_____ -0-
Change in net position	5
NET POSITION	
Net position – beginning of the year	_____ 35,203
Net position – end of the year	\$ <u>_____ 35,208</u>

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

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Brazosport Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 61, *"The Financial Reporting Entity: Omnibus – and amendment of GASB Statement No. 14 and No. 34"*. There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial 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. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation
(Continued)

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 compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the 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.

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

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation
(Continued)

The *debt service* fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

The *capital projects* fund accounts for the resources accumulated and made for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. The major revenue source includes investment earnings and other resources from proceeds from sale of general obligation bonded debt.

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded dental insurance plan provided for the benefit of eligible employees and its self-funded worker's compensation program. The revenues of these funds are received from both the general and special revenue funds, and District employees and the expenses are comprised of claims paid on behalf of the District and its employees. The general fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. See Note 12 for additional discussion of the District's self-funded insurance plans.

The dental insurance plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. As of August 31, 2014, liabilities totaled \$ 37,154 and net position of the dental insurance plan was \$ 604,516.

The worker's compensation program provides for incurred but not reported costs for worker's compensation claims through the establishment of undiscounted liability accounts and net position. As of August 31, 2014, undiscounted liabilities totaled \$ 260,190 and net position of the worker's compensation program was \$ 1,532,481.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations for endowments received from individuals and/or organizations for specified donor purposes for which the principal and earned interest or revenue may be used.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

Cash and Investments

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Interfund Receivables, Payables and Transfers

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). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables, payables and transfers.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district 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 February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value (adjusted) of the property tax roll on August 1, 2013, upon which the levy for the 2013-14 fiscal year was based, was \$ 6,409,126,185. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2014, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0400 and \$ 0.2153 per \$ 100 valuation, respectively, for a total of \$ 1.2553 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2014 were 99.40% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 591,642 and \$ 121,716 for the general and debt service funds, respectively.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their market value is recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Capital Assets and Depreciation

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Land improvements, buildings and building improvements, furniture, equipment and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	40-50
Furniture, equipment and vehicles	5-15

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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 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.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures or expenses in the current period.

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 the debt is reported as other financing resources. 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.

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, 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 funds 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, debt service fund and the food service (special revenue fund). The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The Official Budget was prepared for adoption for the general fund, food service (special revenue fund) and debt service fund prior to August 31, 2013. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final budget amendment on August 26, 2014.

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances at August 31, 2014, which were subsequently provided for in the 2014-15 budgets, totaled \$ 228,084. This is reflected as unassigned fund balance in the general fund.

Fund Equity

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees has delegated authority to the Superintendent and the Executive Director of Business Support Services. 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 as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

The District implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

As of August 31, 2014, non-spendable fund balances include \$ 233,919 for inventories and \$ 1,074,481 for prepaid items in the General Fund, \$ 94,436 for inventories in the Child Nutrition Program (special revenue fund) and \$ 105,297 for prepaid items in the Instructional Material Allotment (special revenue fund). Restricted fund balances include \$ 1,545,000 for debt service in the General Fund, \$ 15,044,042 for the debt service fund, \$ 5,939,028 for the capital projects fund, \$ 1,377,736 for the Child Nutrition Program (special revenue fund), and \$ 1,055,479 for Instructional Material Allotment, Campus Activity, Lowe's Grants, PPCD Program, Dow Education Grants Program, and BISD Education Foundation (special revenue funds). Committed fund balances include \$ 250,000 for claims and judgments and \$ 500,000 for capital expenditures for equipment in General Fund. Assigned fund balances include \$ 5,000,000 for other purposes in the General Fund. Unassigned fund balance includes \$ 25,065,212 in the General Fund and \$ (105,297) in the Instructional Material Allotment Program (special revenue fund).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after June 15, 2012.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The statement was implemented and did not have an impact on the District's financial statements, although it has reclassified items previously recorded as assets and liabilities within the District's financial statements as deferred outflows and inflows of resources. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. The statement was implemented and did not have an impact on the District's financial statements.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. The statement was implemented and did have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2012 and was adopted in the prior fiscal year.

GASB Statement No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", was issued March 2012. This statement is effective for periods beginning after December 15, 2012. The statement was implemented and did not have an impact on the District's financial statements.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", was issued June 2012. This statement is effective for periods beginning after June 15, 2013. The statement was implemented and did not have an impact on the District's financial statements.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The management of the District does believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2014.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued April 2013. This statement is effective for periods beginning after June 15, 2013. The statement was implemented and did not have an impact on the District's financial statements.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The management of the District believes that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2014.

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net assets at August 31, 2014 are as follows:

	Governmental Funds	Proprietary (Internal Service) Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 8,861	\$	\$ 900	\$ 9,761
Financial Institution Deposits:				
Demand deposits	6,957,034	2,392,479	1,165,127	10,514,640
Repurchase agreement	9,515,701			9,515,701
Public Funds Investment Pool:				
Lone Star	<u>32,610,630</u>	<u> </u>	<u>11,063</u>	<u>32,621,693</u>
	<u>\$49,092,226</u>	<u>\$ 2,392,479</u>	<u>\$ 1,177,090</u>	<u>\$52,661,795</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2014, in addition to petty cash of \$ 9,761, the carrying amount of the District's cash, savings, and time deposits was \$ 10,514,640. The financial institutions balances were \$ 10,860,404 at August 31, 2014. Financial institution balances of \$ 250,000 were covered by federal depository insurance, and \$ 10,610,404 were covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated financial institutions, which act as the pledging bank's agent.

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Depository:

- a. Name of bank: Texas Gulf Bank, Freeport, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 27,596,004.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 24,514,337 and occurred on February 13, 2014.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the U.S. or its agencies and instrumentalities;
2. Obligations of the State of Texas or its agencies;
3. Other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities;
4. Obligations of states, 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;
5. Guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas;
6. Fully collateralized repurchase agreements; and,
7. Public funds investment pool meeting the requirements of Government Code 2256.016-2256.019.

The District participates in two investment services repurchase agreement of U.S. Government securities agreement with the Bank of New York Mellon for the purpose of investing funds to pay future matured bonds. This agreement governs the sale and purchase of U.S. Government-backed securities by and between the District and the depository on scheduled dates.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

These agreements are not considered deposits and are not insured by federal deposit insurance or any other insurance. These investments have a custodial risk as uninsured and unregistered, with securities held by the financial institution's trust department or agent in the District's name.

The District entered into these agreements for the purpose of repaying bonds. These agreements shall not be terminable upon demand. The District will participate in these agreements until completion of terms with interest rates guaranteed to provide sufficient funds to repay the 2003 and 2005 QZAB bonds. The District will repay these bonds with these investments.

The District participates in one Local Government Investment Pool (LGIP): Lone Star Investment Pool. The Lone Star Investment Pool (the Pool) was established on July 25, 1991, as a public funds investment pool in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. Lone Star is a 2(a)7 like fund, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Standard and Poor's has assigned its "AAAm", "AAAm", and "AAAF" fund risk ratings to the Pool's Government Overnight Fund, Corporate Overnight Fund, and Corporate Overnight Plus Fund, respectively.

The "AAAm" rating is the highest possible ranking and demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. The "AAAF" credit quality rating indicates that the portfolio holdings provide extremely strong protection against losses from credit defaults. Standard and Poor's reviews investments of the Government Overnight Fund, the Corporate Overnight Fund, and the Corporate Overnight Plus Fund, periodically.

At August 31, 2014, the Government Overnight Fund had a weighted average maturity of 49 days, the Corporate Overnight Fund had a weighted average maturity of 49 days, and the Corporate Overnight Plus Fund had a weighted average maturity of 66 days. Although these three funds had weighted average maturities of 49, 49 and 66 days, respectively, the District considers holdings of these funds to have a one day weighted average maturity. This is due to the fact that the share position can normally be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The District's investment in LGIP are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The following table includes the portfolio balances of all investment types of the District at August 31, 2014:

	<u>Cost</u>	<u>Market Value</u>	<u>Weighted Average Maturity (In Days)</u>
Local Government Investment Pool:			
Lone Star Investment Pool:			
Government Overnight Fund	\$ 130,838	\$ 130,838	49
Corporate Overnight Fund	5,193	5,193	49
Corporate Overnight Plus Fund	<u>32,485,662</u>	<u>32,485,662</u>	66
Total local government investment pool	32,621,693	32,621,693	66
Certificates of deposit	748,190	748,190	55
Commercial paper	<u>9,989,629</u>	<u>9,989,629</u>	49
	10,737,819	10,737,819	62
Repurchase agreement	<u>9,515,701</u>	<u>9,515,701</u>	
Total investments	<u>\$ 52,875,213</u>	<u>\$ 52,875,213</u>	

Credit Risk – As of August 31, 2014, 75% of the investment portfolio was invested in AAAM or AAAs rated funds in the LGIP (2(a)7 likepools), 2% invested in certificates of deposit, 100% covered by FDIC insurance, and 23% invested in commercial paper with Standard and Poor’s rated A-1 or better.. The Repurchase Agreement is invested in direct obligations of the United States of America backed by the full faith and credit of the United States of America.

Interest rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District’s cash flow requirements.

Fair Value Measures

Financial Accounting Standards Board Accounting Standards Codification 820-10, *Fair Value Measurements* (FASB Codification 820-10), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Codification 820-10 are described below:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Fair Value Measures (Continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of August 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial paper	\$ <u>9,989,629</u>	\$ _____	\$ _____	\$ <u>9,989,629</u>
Total assets at fair value	\$ <u>9,989,629</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>9,989,629</u>

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended August 31, 2014, and holds no direct investments in derivatives at August 31, 2014.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES, AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of August 31, 2014, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 1,285,544	\$ 238,751	\$	\$ 1,524,295
Receivables from other governments	468,977		1,621,877	2,090,854
Other receivables	<u>263,846</u>		<u>70,145</u>	<u>333,991</u>
Gross receivables	2,018,367	238,751	1,692,022	3,949,140
Less: allowance for uncollectibles	<u>693,902</u>	<u>117,035</u>		<u>810,937</u>
Net receivables	<u>\$ 1,324,465</u>	<u>\$ 121,716</u>	<u>\$ 1,692,022</u>	<u>\$ 3,138,203</u>

Receivables/Payables from/to 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. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of August 31, 2014 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General fund	\$ 441,962	\$ 6,242	\$ 20,773	\$ 468,977
Other funds		<u>1,541,310</u>	<u>80,567</u>	<u>1,621,877</u>
Total	<u>\$ 441,962</u>	<u>\$ 1,547,552</u>	<u>\$ 101,340</u>	<u>\$ 2,090,854</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)****Receivables/Payables from/to Other Governments (Continued)**

Amounts due to federal, state, and local governments as of August 31, 2014 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>
Major Governmental Funds:	
General Fund	\$ <u>43,788</u>
 Totals	 \$ <u><u>43,788</u></u>

For the year ended August 31, 2014, the District was determined to be subject to Chapter 10 under the Texas Education Code (TEC). During the year ended August 31, 2014, the District was required to pay \$ 1,124,742 to the state and at August 31, 2014, the District had paid the state \$ 1,080,954. The under payment in the amount of \$ 43,788 is recorded as a payable to other governments. The amount incurred as Chapter 41 costs of \$ 1,124,014 (after settlements) is reported as expenditures under Function 91 - Contracted Instructional Services Between Public Schools. The District will continue to be classified as a Chapter 41 District for the 2014-2015 year.

Deferred Inflows of Resources and Unearned Revenues

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2014, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources (Unavailable)</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 476,432	\$
Delinquent property taxes receivable (debt service fund)	98,418	
Federal food commodities		87,521
State entitlements		1,380,932
State grants		159,915
Local grants		54,661
Advance Funding:		
Other	<u> </u>	<u>27,667</u>
 Totals:	 \$ <u><u>574,850</u></u>	 \$ <u><u>1,710,696</u></u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at August 31, 2014 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 2,593,924	\$ 25,962
Debt Service Fund		4,642
Capital Projects		690
Fiduciary Funds	<u>855</u>	<u>948</u>
Total general fund	<u>2,594,779</u>	<u>32,242</u>
Special Revenue Funds:		
General Fund:		
ESEA, Title I, Part A	11,919	528,232
IDEA - Part B, Formula	3,514	527,753
IDEA - Part B, Preschool		11,036
Child Nutrition Program	342,770	2,504,123
ESEA, Title II, Part A	3,139	63,314
ESEA, Title III, Part A		40,421
ESL Summer Proram	4,452	4,452
Instruction Material Allotment Program	632,120	
Lowe's Grants	1,153	
PPCD Program	70,280	125
Region IV Professional Development	14,206	
Fluor Industries Grant	2,517	
PASS Grants	23,422	12,214
Dow Education Grants	5,468	
Houston Saengerbund	3,013	
BISD Education Foundation	5,735	
Agency Fund:		
Campus Activity Funds	<u>2,191,305</u>	<u>1,224,989</u>
	<u>3,315,013</u>	<u>4,916,659</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)****Interfund Receivables and Payables (Continued)**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
Debt Service Fund:		
General Fund	\$ <u>4,642</u>	\$ <u> </u>
Capital Projects Fund:		
General Fund	<u>690</u>	<u> </u>
Fiduciary Funds:		
Trust Fund:		
Agency Fund	24,145	
Agency Funds:		
General Fund	935	842
Special Revenue Fund	1,224,989	2,191,305
Trust Fund		<u>24,145</u>
	<u>1,250,069</u>	<u>2,216,292</u>
Total	\$ <u>7,165,193</u>	\$ <u>7,165,193</u>

Interfund Transfers

Interfund transfers for the year ended August 31, 2014 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Funds	\$	\$ 170,647
Capital Projects Funds		<u>130,000</u>
	<u>-0-</u>	<u>300,647</u>
Special Revenue Funds:		
General Fund:		
Child Nutrition Program	<u>170,647</u>	<u> </u>
Capital Projects:		
General Fund:	<u>130,000</u>	<u> </u>
	\$ <u>300,647</u>	\$ <u>300,647</u>

This transfer was made to cover planned expenditures in the capital projects fund.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 5. CAPITAL ASSETS

Changes in Capital Assets and Accumulated Depreciation

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2014:

	<u>September 1, 2013</u>	<u>Additions</u>	<u>Retirements & Adjustments</u>	<u>August 31, 2014</u>
Non-Depreciated Capital Assets:				
Land	\$ 2,260,973	\$	\$	\$ 2,260,973
Construction in progress	<u>5,907,389</u>	<u>3,826,388</u>	<u>1,705,816</u>	<u>8,027,961</u>
Total non-depreciated	<u>8,168,362</u>	<u>3,826,388</u>	<u>1,705,816</u>	<u>10,288,934</u>
Depreciated Capital Assets:				
Land improvements	5,938,769	43,333	(113,942)	6,096,044
Buildings and improvements	191,124,235	2,044,965	(258,786)	193,427,986
Furniture, equipment & vehicles	<u>15,526,235</u>	<u>1,066,012</u>	<u>1,074,910</u>	<u>15,517,337</u>
Total depreciated	<u>212,589,239</u>	<u>3,154,310</u>	<u>702,182</u>	<u>215,041,367</u>
Total additions/retirements		<u>\$ 6,980,698</u>	<u>\$ 2,407,998</u>	
Accumulated Depreciated:				
Land improvements	\$ 4,840,362	\$ 251,578	\$(34,789)	\$ 5,126,729
Buildings and improvements	55,604,329	4,750,730	(60,226)	60,415,285
Furniture, equipment & vehicles	<u>11,364,838</u>	<u>821,260</u>	<u>597,256</u>	<u>11,588,842</u>
Total accumulated depreciation	<u>71,809,529</u>	<u>\$ 5,823,568</u>	<u>\$ 502,241</u>	<u>77,130,856</u>
Net depreciated capital assets	<u>140,779,710</u>			<u>137,910,511</u>
Net capital assets	<u>\$ 148,948,072</u>			<u>\$ 148,199,445</u>

See Note 1 for additional information regarding capital assets.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 5. CAPITAL ASSETS (Continued)

Depreciation Expense

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 3,017,527
0012	Instructional resources and media services	273,622
0013	Curriculum and staff development	14,220
0021	Instructional leadership	36,567
0023	School leadership	228,415
0031	Guidance, counseling, and evaluation services	43,582
0033	Health services	22,594
0034	Student transportation	659,950
0035	Food service	401,654
0036	Extracurricular activities	765,048
0041	General administration	33,246
0051	Plant maintenance and operations	313,140
0053	Data processing services	<u>14,003</u>
	Total depreciation expense	<u>\$ 5,823,568</u>

Governmental Fund Construction Commitments

At August 31, 2014, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>
Brazoswood High Roof Replacement	\$ 1,100,200	\$ 970,378	\$ 129,822
Slade Fieldhouse Roof Replacement	23,000	19,665	3,335
Lake Jackson Intermediate Gym Roof	80,700	75,922	4,778
Brazosport High Roof Replacement	358,100	322,485	35,615
Clute Intermediate Gym Roof Replacement	86,700	81,485	5,215
Gladys Polk Elementary Roof Replacement	322,074	307,275	14,799
A.P. Beutel Elementary Playground Upgrade	285,000	226,540	58,460
Cafeteria Serving Lines Upgrades	325,000	258,865	66,135
Carpet/Flooring District Wide	345,000	165,060	179,940
Upgrade Ventilation & Fume Control	7,800	4,524	3,276
Expanded Bus and Employee Parking	26,300	19,496	6,804
Security Vestibule Entrance	33,360	19,349	14,011
Keyless Building Entry	274,175	249,384	24,791
Wired Network Infrastructure Upgrade	2,305,927	2,271,791	34,136
Wireless Infrastructure Upgrade	<u>1,616,050</u>	<u>1,349,914</u>	<u>266,136</u>
	<u>\$ 7,189,386</u>	<u>\$ 6,342,133</u>	<u>\$ 847,253</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 6. LONG-TERM DEBT

Loans

Short-term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. The District did not borrow any funds through loan transactions during the year ended August 31, 2014.

General Obligation Bonds

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts are amortized using the effective interest method.

The following is a summary of the District's general obligation bonded debt as of August 31, 2014:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2003	\$ 8,000,000	2018	0.00	\$ 8,000,000
2005	14,530,000	2016	2.50-5.00	525,000
2005	8,000,000	2021	0.00	8,000,000
2007	8,010,000	2022	4.00	6,915,000
2007	1,682,270	2018	4.00	2,211,758
2010	6,985,000	2019	2.00-5.00	6,785,000
2011	7,365,000	2023	2.00-4.00	6,880,000
2011	2,036,256	2021	3.00	2,238,288
2012	30,385,000	2023	2.00-4.00	27,195,000
2012	56,870,000	2025	2.00-3.00	53,635,000
2013	<u>9,415,000</u>	2023	3.00	<u>9,260,000</u>
Total	\$ <u>153,278,526</u>			\$ <u>131,645,046</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 6. LONG-TERM DEBT (Continued)****General Obligation Bonds (Continued)**

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2015	\$ 10,785,000	\$ 3,120,031	\$ 13,905,031
2016	11,200,000	2,832,331	14,032,331
2017	11,565,000	2,505,981	14,070,981
2018	19,970,000	2,218,331	22,188,331
2019	12,580,000	1,935,981	14,515,981
2020-2024	61,650,000	4,591,150	66,241,150
2025	<u>4,715,000</u>	<u>61,885</u>	<u>4,776,885</u>
Totals	<u>\$ 132,465,000</u>	<u>\$ 17,265,690</u>	<u>\$ 149,730,690</u>

Difference in bond payable and future principal payments is due to \$ 819,954 of accretion, which will occur in future years prior to payment.

During the year ended August 31, 2014, the District issued \$ 9,415,000 of Unlimited Tax Refunding Bonds, Series 2013, for the advance partial refunding of previously issued outstanding bonds (Series 2003A, 2004B and 2005). The District placed the proceeds of the refunding issues in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issues being refunded. The difference between the cash flow required to service the new debt and complete the refunding at the date of the refunding was \$ 1,043,050. The economic gain resulting from the transaction was \$ 1,110,651. The funds of the escrow account were used to purchase federal securities which will mature at such times and yield interest sufficient to pay the principal and interest on the Refunded Bonds when due. By this action, the District has affected the defeasance of the Refunded Bonds. Accordingly, the Refunded Bonds are considered to be extinguished and do not appear as a liability in the governmental activities statement of net position. At August 31, 2014, the escrow balance and the related bonds payable were \$ -0-.

The District entered into two repurchase agreements for 2003B Unlimited Tax School Building QZAB Bonds and the 2005 Unlimited Tax School Building QZAB Bonds. The 2003B Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 377,642 and will yield an interest rate of 4.21% with maturity date of August 15, 2018. The 2005 Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 401,939 and will yield an interest rate of 2.83% with maturity date of June 30, 2021. The total requirement deposited for the year ended August 31, 2014 was \$ 779,580. The sinking fund balance as of August 31, 2014 was \$ 9,401,921 (\$ 4,076,218 Series 2005 and \$ 5,325,703 Series 2003).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 6. LONG-TERM DEBT (Continued)****General Obligation Bonds (Continued)**

Presented below is a summary of the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Series</u> <u>2005</u>	<u>Series</u> <u>2003</u>	<u>Total</u> <u>Requirements</u>
2015	\$ 401,939	\$ 377,642	\$ 779,581
2016	401,939	377,641	779,580
2017	401,939	377,642	779,581
2018	401,939	377,641	779,580
2019	401,939		401,939
2020-2021	<u>803,878</u>		<u>803,878</u>
Total minimum requirements	<u>\$ 2,813,573</u>	<u>\$ 1,510,566</u>	<u>\$ 4,324,139</u>

Bond indebtedness of the District is recorded in the governmental activities statement of net assets, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

The District has entered into continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Brazosport Independent School District.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2014.

Maintenance Tax Note

On November 30, 2010 the District issued \$ 9,330,000 of Taxable Series 2010Q Maintenance Tax Qualified School Construction Notes, maturing in 2029. The notes have stated interest rates ranging from 3.75% to 5.20%. The bonds are to be paid from annual ad valorem maintenance taxes levied. The District has irrevocably designated the Series 2010Q Notes as "specified tax credit notes" within the meaning of Section 6431(F)(3)(b) of the Internal Revenue Code. Therefore, the District will be eligible to receive a cash subsidy from the United States Treasury in connection with the election. The Federal subsidy received by the District will not be pledged to payment of the Series 2010Q Notes and may be used for any lawful purpose of the District, including but not limited to, payment of debt service on the Series 2010Q Notes.

The following is a summary of the District's maintenance tax school construction note debt as of August 31, 2014:

<u>Date of Issue</u>	<u>Original</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>% Rates</u>	<u>Outstanding</u> <u>Balance</u>
2010	\$ <u>9,330,000</u>	2029	3.75-5.20	\$ <u>9,330,000</u>
Total	\$ <u>9,330,000</u>			\$ <u>9,330,000</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 6. LONG-TERM DEBT (Continued)

Maintenance Tax Note (Continued)

Presented below is a summary of maintenance tax note requirements to maturity:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2015	\$	409,584	409,584
2016		409,583	409,583
2017		409,584	409,584
2018		409,583	409,583
2019		409,584	409,584
2020-2024	4,635,000	1,352,669	5,987,669
2025-2029	<u>4,695,000</u>	<u>676,731</u>	<u>5,371,731</u>
	<u>\$ 9,330,000</u>	<u>\$ 4,077,318</u>	<u>\$ 13,407,318</u>

Current requirements for interest expenditures accounted for in the General Fund were \$ 409,584.

The 2010Q Maintenance Tax Qualified School Construction Notes call for annual payments of \$ 515,000 from August 15, 2012 through August 15, 2025 and \$ 530,000 from August 15, 2026 through August 15, 2029, and will yield \$ 9,330,000 for the payment of principal on the notes.

Presented below is a summary of sinking fund requirements and estimated Federal subsidy for the 2010Q Maintenance Tax Qualified School Construction Notes. Listed is the original subsidy followed by the adjusted and reduced subsidy as a result of the federal sequestration. Beginning March of 2013 the subsidy was reduced by 8.7% from the original subsidy and in October of 2014 from it was reduced by 7.2% the original subsidy amount.

<u>Year Ended</u> <u>August 31</u>	<u>Original</u> <u>Federal</u> <u>Subsidy</u>	<u>Reduced</u> <u>Federal</u> <u>Subsidy</u>	<u>Annual</u> <u>Sinking Fund</u> <u>Requirement</u>
2015	\$ 409,584	\$ 344,460	\$ 515,000
2016	409,583	344,459	515,000
2017	409,584	344,460	515,000
2018	409,583	344,459	515,000
2019	409,584	344,460	515,000
2020-2024	1,352,669	1,137,595	2,575,000
2025-2029	<u>676,731</u>	<u>569,131</u>	<u>2,635,000</u>
Totals	<u>\$ 4,077,318</u>	<u>\$ 3,429,024</u>	<u>\$ 7,785,000</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 6. LONG-TERM DEBT (Continued)****Changes in Long-Term Liabilities**

Long-term liability activity for the governmental activities for the year ended August 31, 2014, was as follows:

	<u>Balance</u> <u>09-01-13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-14</u>	<u>Due Within</u> <u>One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 141,418,238	\$ 9,571,808	\$ 19,345,000	\$ 131,645,046	\$ 10,785,000
Tax Notes	9,330,000			9,330,000	
Capital leases	8,622	219,675	47,015	181,282	54,919
Components of Long-Term Debt:					
Premium (discount) on general obligation bond	5,430,481	498,212	832,019	5,096,674	476,182
Accrued interest	<u>142,564</u>	<u>140,409</u>	<u>142,564</u>	<u>140,409</u>	<u>140,409</u>
Totals	<u>\$ 156,329,905</u>	<u>\$ 10,430,104</u>	<u>\$ 20,366,598</u>	<u>\$ 146,393,411</u>	<u>\$ 11,456,510</u>

NOTE 7. LEASES**Capital Leases**

The District leases various office machines under capital leases. During the year ended August 31, 2014, the District had \$ 219,675 of net additions of new office equipment through capital leases. The effective interest rate of the capital lease is 17.69%, expiring in 2018. The leased assets and related obligations are accounted for in the government activities column of the government-wide financial statements as capital assets and noncurrent liabilities. Current requirements for principal and interest expenditures accounted for in the General Fund, were \$ 47,015 and \$ 33,195, respectively.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of August 31, 2014:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2015	\$ 93,795
2016	93,795
2017	93,795
2018	<u>22,207</u>
	303,592
Less amount representing interest	<u>122,310</u>
Net present value of minimum lease payments	<u>\$ 181,282</u>

Operating Leases

As of August 31, 2014, the District is not involved in any non-cancelable lease agreements. All leases are on a "month-to-month" basis. The District did not incur any rental expenditures for the fiscal year ending August 31, 2014.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 8. PENSION PLAN OBLIGATIONS

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

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides a state contribution rate of 6.80% for fiscal year 2014 and 6.40% for fiscal year 2013 and 6.00% for fiscal year 2012. State law further provides a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2014, 2013 and 2012 were \$ 4,302,677, \$ 4,046,752 and \$ 4,067,987, respectively. The District paid additional state contributions for the years ended August 31, 2014, 2013 and 2012 in the amount of \$ 436,991, \$ 410,994 and \$ 413,157, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. Medicare part D contributions for the years ended August 31, 2014, 2013 and 2012 were \$ 183,718, \$ 154,078 and \$ 162,929, respectively. The District's total payroll for the years ended August 31, 2014, 2013 and 2012 were \$ 67,233,489, \$ 63,230,536 and \$ 63,562,283, respectively, of which \$ 60,925,018, \$ 61,626,463 and \$ 57,932,001 was covered payroll for this plan, respectively.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES**

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 951,306
Build America Bonds	---	380,094
ROTC Program	12.000	66,354
Medicaid Administrative Claiming Program (MAC)	93.778	15,147
Indirect Costs:		
School Breakfast Program	10.553	107,995
National School Lunch Program	10.555	392,005
ESEA, Title I, Part A - Improving Basic Programs	84.010	20,635
IDEA Part B - Formula	84.027	30,880
ESEA, Title II, Part A – Teacher and Principal Training and Recruiting	84.367A	<u>2,259</u>
		<u>\$ 1,966,675</u>

The School Health and Related Services (SHARS) funds and Build American Bond subsidy are not considered federal financial assistance for inclusion in the Schedule of Federal Financial Awards.

NOTE 10. LOCAL AND INTERMEDIATE REVENUES

During the current year, local and intermediate revenues for governmental funds consisted of the following:

<u>Fund</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 68,805,347	\$ 14,546,165	\$	\$	\$ 83,351,512
Food sales				2,097,227	2,097,227
Investment income	48,254	351,668	32,014	2,793	434,729
Penalties, interest and other tax related income	348,649	64,571			413,220
Co-curricular income	293,918				293,918
Other tuition and fees from patrons				31,562	31,562
Enterprise activities	12,923			1,293,990	1,306,913
Grants and contributions	14,548			26,811	41,359
Other	<u>1,376,105</u>		<u>444,654</u>	<u>56,328</u>	<u>1,877,087</u>
Total	<u>\$ 70,899,744</u>	<u>\$ 14,962,404</u>	<u>\$ 476,668</u>	<u>\$ 3,508,711</u>	<u>\$ 89,847,527</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2014, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 12. SELF-INSURANCE

Dental Plan

Beginning September 1, 2001, the District established its self-funding Dental (Health) Plan program. The accrued liability for the Dental Plan self-insurance program is projected to be \$ 37,154 as of August 31, 2014.

The dental plan is funded through the employee flex spending program. During the year ended August 31, 2014, the Plan received \$ 556,959 in employee contributions, of which \$ 15,548 were forfeitures.

The accrued liability for the Dental Plan self-insurance of \$ 37,154 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2014, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the dental plan claims liability amounts in fiscal 2012-2013 and 2013-2014 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2012-2013 Dental Plan	\$ 45,536	\$ 443,730	\$ 458,321	\$ 30,945
2013-2014 Dental Plan	\$ 30,945	\$ 411,970	\$ 405,761	\$ 37,154

Workers' Compensation

Beginning September 1, 2001, the District established its self-funding Workers' Compensation program. The District met its statutory worker's compensation obligations by participating as a self-funded member of the TASB Risk Management Fund. The accrued liability for the Workers' Compensation self-insurance program is projected to be \$ 260,190 as of August 31, 2014.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2014. The District currently purchases specific excess coverage of \$ 325,000 per occurrence from Midwest Employers Casualty Company and \$ 1,000,000 in the aggregate. Claims administration is also provided by Texas Association of School Boards.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 12. SELF-INSURANCE (Continued)

The accrued liability for Workers' Compensation self insurance of \$ 260,190 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2014, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

The following year-by-year exposure details the number of annual claims.

<u>Fiscal Year</u>	<u>Claims</u>
2005-06	200
2006-07	185
2007-08	173
2008-09	148
2009-10	112
2010-11	84
2011-12	76
2012-13	73
2013-14	84
9 Yr. Average	126

Changes in the workers' compensation claims liability amounts in fiscal 2012-2013 and 2013-2014 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2012-2013 Workers' Compensation	\$ 482,665	\$ 74,152	\$ 215,874	\$ 340,943
2013-2014 Workers' Compensation	\$ 340,943	\$ 255,358	\$ 336,111	\$ 260,190

NOTE 13. UNEMPLOYMENT COMPENSATION POOL

During the year ended August 31, 2014, Brazosport Independent School District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 13. UNEMPLOYMENT COMPENSATION POOL (Continued)

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustee in February of the following year. The Fund's audited financial statements as of August 31, 2013 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 14. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement ("SSA") for teaching and services for the Juvenile Justice Alternative Education Program with seven other school districts. The District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. Brazoria County is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District does not have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brazosport Independent School District. The District reimburses Brazoria County for expenditures attributable to their participation. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the expenditures attributable to the District's participation.

Expenditures:

6200	Professional and Contracted Services	\$	-0-
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The District participates in a Shared Services Arrangement for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend Independent School District, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brazosport Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District's participation is not available

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 15. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS (Continued)

The District reimburses Fort Bend Independent School District for their share of expenditures incurred which exceed the state funded portion. Local revenues are utilized to cover these expenditures. The District included the following expenditures in these financial statements.

Expenditures:

6400	Other Operating Costs	\$	129,073
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The District participates in a Shared Services Arrangement with Deer Park Independent School District for the supply of electricity and ancillary services to all facilities of the District. Deer Park Independent School District is the fiscal agent. All services are provided by the fiscal agent for the supply of electricity, the negotiation to purchase electricity, ancillary services, or other energy related products and services, and to encourage efficiency of operation and conservation on behalf of the buyer. The District does not account for revenues of expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Deer Park ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Brazosport Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District included the following expenditures in these financial statements.

Expenditures:

6400	Other Operating Costs	\$	2,110,220
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NOTE 16. SUBSEQUENT EVENT

The District has evaluated subsequent events through December 17, 2014, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014**

Exhibit G-1
Page 1 of 1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 68,581,327	\$ 70,596,875	\$ 70,899,744	\$ 302,869
5800	State program revenues	20,653,007	20,653,007	19,347,813	(1,305,194)
5900	Federal program revenues	<u>1,599,967</u>	<u>1,599,967</u>	<u>1,966,675</u>	<u>366,708</u>
5020	Total revenues	<u>90,834,301</u>	<u>92,849,849</u>	<u>92,214,232</u>	<u>(635,617)</u>
EXPENDITURES:					
Current:					
0011	Instruction	51,373,690	52,202,021	50,638,973	1,563,048
0012	Instructional resources and media services	1,472,249	1,685,925	1,355,871	330,054
0013	Curriculum and staff development	1,114,051	1,286,972	902,951	384,021
0021	Instructional leadership	1,732,492	1,922,294	1,617,500	304,794
0023	School leadership	6,384,373	6,532,789	6,025,999	506,790
0031	Guidance, counseling, and evaluation services	3,466,006	3,736,864	2,947,981	788,883
0032	Social work services	91,200	167,588	98,590	68,998
0033	Health services	1,160,977	1,486,177	1,152,507	333,670
0034	Student transportation	2,627,871	2,418,671	1,869,004	549,667
0036	Extracurricular activities	2,986,110	3,504,891	2,664,666	840,225
0041	General administration	2,019,247	2,301,839	2,024,654	277,185
0051	Plant maintenance and operations	9,957,980	10,384,037	9,965,692	418,345
0052	Security and monitoring services	719,346	880,226	574,193	306,033
0053	Data processing services	1,701,623	1,971,823	1,631,099	340,724
0061	Community services	10,500	11,600	11,350	250
0071	Principal on long-term debt	98,871	98,871	47,015	51,856
0072	Interest on long-term debt	931,144	931,144	442,778	488,366
0091	Contracted instructional services between public schools	1,126,056	1,276,056	1,124,014	152,042
0093	Payments related to shared services arrangements	2,453,125	2,449,141	2,239,293	209,848
0095	Payments to Juvenile Justice Alternative Education Programs	60,000	60,000		60,000
0099	Other intergovernmental	<u>595,000</u>	<u>595,000</u>	<u>589,041</u>	<u>5,959</u>
6030	Total expenditures	<u>92,081,911</u>	<u>95,903,929</u>	<u>87,923,171</u>	<u>7,980,758</u>
1100	Excess of revenues over expenditures	<u>(1,247,610)</u>	<u>(3,054,080)</u>	<u>4,291,061</u>	<u>7,345,141</u>
OTHER FINANCING SOURCES:					
7913	Proceeds from capital lease			219,675	219,675
8911	Operating transfers out		(296,800)	(300,647)	(3,847)
	Total other financing sources	<u>-0-</u>	<u>(296,800)</u>	<u>(80,972)</u>	<u>215,828</u>
1200	Net change in fund balances	<u>(1,247,610)</u>	<u>(3,350,880)</u>	<u>4,210,089</u>	<u>7,560,969</u>
0100	Fund balances – beginning	<u>29,458,523</u>	<u>29,458,523</u>	<u>29,458,523</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 28,210,913</u>	<u>\$ 26,107,643</u>	<u>\$ 33,668,612</u>	<u>\$ 7,560,969</u>

OTHER SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	Special				
	211	224	225	240	244
	ESEA, Title I Part A	IDEA - Part B, Formula	IDEA - Part B, Preschool	Child Nutrition Program	Career & Technical Basic Grant
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
1110	Cash and cash equivalents	\$	\$	\$	\$
1240	Receivables from other governments	634,586	659,288	14,271	3,795,258
1250	Other receivables	284			127,819
1260	Due from other funds	11,919	3,514		46,128
1310	Inventories				342,770
1410	Deferred expenditures				94,436
1000	Total assets	<u>646,789</u>	<u>662,802</u>	<u>14,271</u>	<u>4,406,411</u>
DEFERRED OUTFLOWS OF RESOURCES					
1700	Deferred outflows of resources				
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 646,789</u>	<u>\$ 662,802</u>	<u>\$ 14,271</u>	<u>\$ 4,406,411</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
2110	Accounts payable	\$ 48,058	\$ 16,300	\$	\$ 257,360
2160	Accrued wages payable	70,499	118,749	3,235	85,235
2170	Due to other funds	528,232	527,753	11,036	2,504,123
2300	Unearned revenue				87,521
2000	Total liabilities	<u>646,789</u>	<u>662,802</u>	<u>14,271</u>	<u>2,934,239</u>
DEFERRED INFLOWS OF RESOURCES					
1700	Deferred inflows of resources				
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:					
Non-Spendable:					
3410	Inventories				94,436
3430	Prepaid items				
Restricted:					
3450	Food service				1,377,736
3480	Other				
Unassigned:					
3600	Unassigned fund balance				
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,472,172</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 646,789</u>	<u>\$ 662,802</u>	<u>\$ 14,271</u>	<u>\$ 4,406,411</u>

Revenue Funds							
255	263	288	385	410	429	461	480
ESEA, Title II, Part A	ESEA, Title III Part A	ESL Summer Program	Orientation & Mobility Program	Instructional Materials Allotment	State Funded SRF	Campus Activity Funds	Lowe's Grants
\$ 64,925	\$ 40,421	\$	\$	\$ 80,567	\$	\$	\$
3,139		4,452		632,120		2,191,305	1,153
				105,297			
<u>68,064</u>	<u>40,421</u>	<u>4,452</u>	<u>-0-</u>	<u>817,984</u>	<u>-0-</u>	<u>2,191,305</u>	<u>1,153</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 68,064</u>	<u>\$ 40,421</u>	<u>\$ 4,452</u>	<u>\$ -0-</u>	<u>\$ 817,984</u>	<u>\$ -0-</u>	<u>\$ 2,191,305</u>	<u>\$ 1,153</u>
\$ 173	\$	\$	\$	\$ 650,095	\$	\$	\$
4,577							
63,314	40,421	4,452		159,915		1,224,989	
<u>68,064</u>	<u>40,421</u>	<u>4,452</u>	<u>-0-</u>	<u>810,010</u>	<u>-0-</u>	<u>1,224,989</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
				105,297			
				7,974		966,316	1,153
				(105,297)			
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,974</u>	<u>-0-</u>	<u>966,316</u>	<u>1,153</u>
<u>\$ 68,064</u>	<u>\$ 40,421</u>	<u>\$ 4,452</u>	<u>\$ -0-</u>	<u>\$ 817,984</u>	<u>\$ -0-</u>	<u>\$ 2,191,305</u>	<u>\$ 1,153</u>

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

		482	483	484	486	Special 490
Data Control Codes		PPCD Program	Region VI Professional Development	Fluor Industries Grant	PASS Grant	Dow Education Grants
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments					
1250	Other receivables				23,733	
1260	Due from other funds	70,280	14,206	2,517	23,422	5,468
1310	Inventories					
1410	Deferred expenditures					
1000	Total assets	<u>70,280</u>	<u>14,206</u>	<u>2,517</u>	<u>47,155</u>	<u>5,468</u>
DEFERRED OUTFLOWS OF RESOURCES						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 70,280</u>	<u>\$ 14,206</u>	<u>\$ 2,517</u>	<u>\$ 47,155</u>	<u>\$ 5,468</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$	\$	\$ 16	\$
2160	Accrued wages payable	1,322				
2170	Due to other funds	125			12,214	
2300	Unearned revenue		14,206	2,517	34,925	
2000	Total liabilities	<u>1,447</u>	<u>14,206</u>	<u>2,517</u>	<u>47,155</u>	<u>-0-</u>
DEFERRED INFLOWS OF RESOURCES						
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories					
3430	Prepaid items					
Restricted:						
3450	Food service					
3480	Other	68,833				5,468
Unassigned:						
3600	Unassigned fund balance					
3000	Total fund balances	<u>68,833</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,468</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 70,280</u>	<u>\$ 14,206</u>	<u>\$ 2,517</u>	<u>\$ 47,155</u>	<u>\$ 5,468</u>

Revenue Funds

494	496	498	499	
Houston A+ Challenge	Houston Saengerbund	BISD Education Foundation	HUSSC	Total Nonmajor Governmental (See C-2)
\$	\$	\$	\$	\$ 3,795,258
				1,621,877
				70,145
	3,013	5,735		3,315,013
				94,436
				105,297
<u>-0-</u>	<u>3,013</u>	<u>5,735</u>	<u>-0-</u>	<u>9,002,026</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 3,013</u>	<u>\$ 5,735</u>	<u>\$ -0-</u>	<u>\$ 9,002,026</u>
\$	\$	\$	\$	\$ 972,002
				283,617
	3,013			4,916,659
				302,097
<u>-0-</u>	<u>3,013</u>	<u>-0-</u>	<u>-0-</u>	<u>6,474,375</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
				94,436
				105,297
		5,735		1,377,736
				1,055,479
				(105,297)
<u>-0-</u>	<u>-0-</u>	<u>5,735</u>	<u>-0-</u>	<u>2,527,651</u>
<u>\$ -0-</u>	<u>\$ 3,013</u>	<u>\$ 5,735</u>	<u>\$ -0-</u>	<u>\$ 9,002,026</u>

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

Data Control Codes		Special				
		211	224	225	240	244
		ESEA, Title I Part A	IDEA - Part B, Formula	IDEA - Part B, Preschool	Child Nutrition Program	Career & Technical Basic Grant
REVENUES:						
5700	Local and intermediate sources	\$ 583	\$ 492	\$	\$ 2,110,361	\$
5800	State program revenues				163,737	
5900	Federal program revenues	<u>1,994,021</u>	<u>2,747,917</u>	<u>65,940</u>	<u>4,177,369</u>	<u>103,305</u>
5020	Total revenues	<u>1,994,604</u>	<u>2,748,409</u>	<u>65,940</u>	<u>6,451,467</u>	<u>103,305</u>
EXPENDITURES:						
Current:						
0011	Instruction	1,316,166	1,892,295	65,940		27,267
0012	Instructional resources and media services					
0013	Curriculum and staff development	481,738	71,828			
0021	Instructional leadership	120,790	86,443			9,931
0023	School leadership					
0031	Guidance, counseling and evaluation services		697,843			66,107
0032	Social work services	34,188				
0035	Food service				7,484,815	
0036	Extracurricular activities					
0041	General administration					
0061	Community services	<u>41,722</u>				
6030	Total expenditures	<u>1,994,604</u>	<u>2,748,409</u>	<u>65,940</u>	<u>7,484,815</u>	<u>103,305</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,033,348)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES):						
7912	Sale of real and personal property				5,000	
7915	Operating transfers in				<u>170,647</u>	
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>175,647</u>	<u>-0-</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(857,701)</u>	<u>-0-</u>
0100	Fund balances - beginning				<u>2,329,873</u>	
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,472,172</u>	<u>\$ -0-</u>

Revenue Funds

255	263	288	385	410	429	461	480
ESEA, Title II, Part A	ESEA, Title III Part A	ESL Summer Program	Orientation & Mobility Program	Instructional Materials Allotment	State Funded SRF	Campus Activity Funds	Lowe's Grants
\$ 8	\$ 27	\$	\$ 5,658	\$ 1,115,640	\$ 320	\$ 1,293,990	\$
<u>453,200</u>	<u>106,839</u>	<u>4,452</u>					
<u>453,208</u>	<u>106,866</u>	<u>4,452</u>	<u>5,658</u>	<u>1,115,640</u>	<u>320</u>	<u>1,293,990</u>	<u>-0-</u>
	61,363	4,452	5,658	1,107,666	320	10,000	996 8
415,950	31,121						
37,258	13,380						
	1,002						
						1,224,989	
<u>453,208</u>	<u>106,866</u>	<u>4,452</u>	<u>5,658</u>	<u>1,107,666</u>	<u>320</u>	<u>1,234,989</u>	<u>1,004</u>
				<u>7,974</u>	<u>-0-</u>	<u>59,001</u>	<u>(1,004)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,974</u>		<u>59,001</u>	<u>(1,004)</u>
						<u>907,315</u>	<u>2,157</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,974</u>	<u>\$ -0-</u>	<u>\$ 966,316</u>	<u>\$ 1,153</u>

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

Data Control Codes		Special				
		482	483	484	486	490
		PPCD Program	Region VI Professional Development	Fluor Industries Grant	PASS Grant	Dow Education Grants
	REVENUES:					
5700	Local and intermediate sources	\$ 31,562	\$ 14,944	\$ 7,483	\$ 34,876	\$
5800	State program revenues					
5900	Federal program revenues					
5020	Total revenues	<u>31,562</u>	<u>14,944</u>	<u>7,483</u>	<u>34,876</u>	<u>-0-</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	31,366		7,483	34,876	9,677
0012	Instructional resources and media services					
0013	Curriculum and staff development					
0021	Instructional leadership					
0023	School leadership		10,000			
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0035	Food service					
0036	Extracurricular activities					
0041	General administration		4,944			
0061	Community services					
6030	Total expenditures	<u>31,366</u>	<u>14,944</u>	<u>7,483</u>	<u>34,876</u>	<u>9,677</u>
1100	Excess (deficiency) of revenues over expenditures	<u>196</u>	<u>-0-</u>	<u>-0-</u>		<u>(9,677)</u>
	OTHER FINANCING SOURCES (USES):					
7912	Sale of real and personal property					
7915	Operating transfers in					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	196				(9,677)
0100	Fund balances - beginning	<u>68,637</u>				<u>15,145</u>
3000	Fund balances - ending	<u>\$ 68,833</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,468</u>

Revenue Funds				
494	496	498	499	
Houston A+ Challenge	Houston Saengerbund	BISD Education Foundation	HUSSC	Total Nonmajor Governmental (See C-2)
\$ 1,398	\$ 2,987	\$	\$ 10,000	\$ 3,508,711
				1,285,355
				<u>9,653,043</u>
<u>1,398</u>	<u>2,987</u>	<u>-0-</u>	<u>10,000</u>	<u>14,447,109</u>
1,398	2,987	634	10,000	4,590,544
				8
				1,000,637
				267,802
				10,000
				764,952
				34,188
				7,484,815
				1,224,989
				4,944
		<u>2,186</u>		<u>43,908</u>
<u>1,398</u>	<u>2,987</u>	<u>2,820</u>	<u>10,000</u>	<u>15,426,787</u>
<u>-0-</u>	<u>-0-</u>	<u>(2,820)</u>	<u>-0-</u>	<u>(979,678)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,000</u>
				<u>170,647</u>
				<u>175,647</u>
<u>-0-</u>	<u>-0-</u>	<u>(2,820)</u>	<u>-0-</u>	<u>(804,031)</u>
		<u>8,555</u>		<u>3,331,682</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,735</u>	<u>\$ -0-</u>	<u>\$ 2,527,651</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2014

Exhibit H-3
Page 1 of 1

<u>Data Control Codes</u>		<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	ASSETS:			
	Current Assets:			
1110	Cash and cash equivalents	\$ 641,670	\$ 1,750,809	\$ 2,392,479
1410	Prepaid items	<u> </u>	<u>41,862</u>	<u>41,862</u>
	Total current assets	641,670	1,792,671	2,434,341
	DEFERRED OUTFLOWS OF RESOURCES:			
1700	Deferred outflows of resources	<u> </u>	<u> </u>	<u>-0-</u>
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 641,670</u>	<u>\$ 1,792,671</u>	<u>\$ 2,434,341</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
	Liabilities:			
2165	Accrued expenses payable	<u>37,154</u>	<u>260,190</u>	<u>297,344</u>
	Total liabilities	37,154	260,190	297,344
	DEFERRED INFLOWS OF RESOURCES:			
2600	Deferred inflows of resources	<u> </u>	<u> </u>	<u>-0-</u>
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	NET POSITION:			
3900	Unrestricted net position	<u>604,516</u>	<u>1,532,481</u>	<u>2,136,997</u>
	Total net position	<u>604,516</u>	<u>1,532,481</u>	<u>2,136,997</u>
	Total liabilities, deferred inflows of resources and net position	<u>\$ 641,670</u>	<u>\$ 1,792,671</u>	<u>\$ 2,434,341</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2014

Exhibit H-4
Page 1 of 1

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>556,959</u>	\$ <u>480,855</u>	\$ <u>1,037,814</u>
Total operating revenues	<u>556,959</u>	<u>480,855</u>	<u>1,037,814</u>
Operating Expenses:			
Insurance claims and expenses	<u>411,970</u>	<u>255,358</u>	<u>667,328</u>
Total operating expenses	<u>411,970</u>	<u>255,358</u>	<u>667,328</u>
Operating income	<u>144,989</u>	<u>225,497</u>	<u>370,486</u>
Nonoperating Revenues:			
Interest and investment revenue	<u>237</u>	<u>711</u>	<u>948</u>
Total nonoperating revenues	<u>237</u>	<u>711</u>	<u>948</u>
Change in net position	145,226	226,208	371,434
Net position – beginning	<u>459,290</u>	<u>1,306,273</u>	<u>1,765,563</u>
Net position – ending	<u>\$ 604,516</u>	<u>\$ 1,532,481</u>	<u>\$ 2,136,997</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2014

Exhibit H-5
Page 1 of 1

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 557,005	\$ 480,855	\$ 1,037,860
Claims paid	(405,761)	(377,973)	(783,734)
Net cash provided by operating activities	<u>151,244</u>	<u>102,882</u>	<u>254,126</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net cash provided (used) by noncapital financing activities	<u> </u>	<u> </u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net cash provided (used) by capital and related financing activities	<u> </u>	<u> </u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>237</u>	<u>711</u>	<u>948</u>
Net cash provided by investing activities	<u>237</u>	<u>711</u>	<u>948</u>
Net increase in cash and cash equivalents	151,481	103,593	255,074
Balances – beginning of the year	<u>490,189</u>	<u>1,647,216</u>	<u>2,137,405</u>
Balances – end of the year	<u>\$ 641,670</u>	<u>\$ 1,750,809</u>	<u>\$ 2,392,479</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income	\$ 144,989	\$ 225,497	\$ 370,486
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Assets and Liabilities:			
Other receivables	46		46
Accrued expenses payable	6,209	(80,753)	(74,544)
Prepaid items	<u> </u>	<u>(41,862)</u>	<u>(41,862)</u>
Net cash provided by operating activities	<u>\$ 151,244</u>	<u>\$ 102,882</u>	<u>\$ 254,126</u>

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

Last Ten Years Ended August 31,	1		2		3		10	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes		Beginning Balance September 1, 2013	
	Maintenance		Debt Service					
2004 and Prior	\$	Various	\$	Various	\$	Various	\$	167,157
2005		1.362600		0.160200		5,946,464,855		53,215
2006		1.362600		0.210200		6,167,488,798		49,732
2007		1.228200		0.195500		6,422,002,991		54,836
2008		0.948400		0.185500		6,785,512,912		55,492
2009		1.010000		0.182200		7,328,104,426		67,437
2010		1.040000		0.188500		6,666,775,818		78,477
2011		1.040000		0.201500		6,238,933,790		120,907
2012		1.040000		0.201500		6,068,476,601		325,890
2013		1.040000		0.219500		6,431,912,070		669,956
2014 (School Year Under Audit)		1.040000		0.215300		6,409,126,185		
1000 Totals							\$	<u>1,643,099</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2014
\$	\$ 6,130	\$ 334	\$(62,534)	\$ 98,159
	1,944	229	(628)	50,414
	2,643	407	(1,286)	45,396
	4,128	657	(1,371)	48,680
	4,365	854	(1,669)	48,604
	7,614	1,374	(1,767)	56,682
	22,882	4,147	5,185	56,633
	45,159	8,750	4,328	71,326
	77,989	15,110	4,625	237,416
	277,848	58,642	(17,631)	315,835
<u>80,453,761</u>	<u>68,360,792</u>	<u>14,151,999</u>	<u>2,554,180</u>	<u>495,150</u>
<u>\$ 80,453,761</u>	<u>\$ 68,811,494</u>	<u>\$ 14,242,503</u>	<u>\$ 2,481,432</u>	<u>\$ 1,524,295</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
AUGUST 31, 2014
UNAUDITED

Exhibit J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/14 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>33,668,612</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	1,308,400
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	1,545,000
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	750,000
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	5,000,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing deferred revenues)	8,006,471
7	Estimate of two months' average cash disbursements during the regular School session (9/1/13 – 5/31/14)	14,637,195
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)	<u>3,900,000</u>
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>35,147,066</u>
13	Excess (deficit) unassigned General Fund fund balance (1- 12)	\$(<u>1,478,454</u>)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FOOD SERVICE SPECIAL REVENUE FUND
YEAR ENDED AUGUST 31, 2014*

Exhibit J-4
Page 1 of 1

Data Control Codes		Food Service Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 2,131,000	\$ 2,131,000	\$ 2,110,361	\$(20,639)
5800	State program revenues	40,500	240,500	163,737	(76,763)
5900	Federal program revenues	<u>3,997,500</u>	<u>4,397,500</u>	<u>4,177,369</u>	<u>(220,131)</u>
5020	Total revenues	<u>6,169,000</u>	<u>6,769,000</u>	<u>6,451,467</u>	<u>(317,533)</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>6,169,000</u>	<u>7,664,282</u>	<u>7,484,815</u>	<u>179,467</u>
6030	Total expenditures	<u>6,169,000</u>	<u>7,664,282</u>	<u>7,484,815</u>	<u>179,467</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	(895,282)	(1,033,348)	(138,066)
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real and personal property			5,000	5,000
7915	Operating transfers in		<u>166,800</u>	<u>170,647</u>	<u>3,847</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>166,800</u>	<u>175,647</u>	<u>8,847</u>
1200	Net change in fund balances	-0-	(728,482)	(857,701)	(129,219)
0100	Fund balances – beginning	<u>2,329,873</u>	<u>2,329,873</u>	<u>2,329,873</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 2,329,873</u>	<u>\$ 1,601,391</u>	<u>\$ 1,472,172</u>	<u>\$(129,219)</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2014

Exhibit J-5
Page 1 of 1

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 14,232,094	\$ 14,232,094	\$ 14,962,404	\$ 730,310
5020	Total revenues	14,232,094	14,232,094	14,962,404	730,310
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	10,380,778	10,380,778	9,695,000	685,778
0072	Interest on long-term debt	3,668,384	3,668,384	3,426,042	242,342
0073	Bond issuance costs and fees	125,734	125,734	117,428	8,306
6030	Total expenditures	14,174,896	14,174,896	13,238,470	936,426
1100	Excess (deficiency) of revenues over expenditures	57,198	57,198	1,723,934	1,666,736
	OTHER FINANCING SOURCES (USES):				
7911	Issuance of bonds			9,415,000	9,415,000
7916	Premium on issuance of bonds			498,212	498,212
8949	Payment to escrow agent			(9,805,000)	(9,805,000)
	Total other financing sources and (uses)	-0-	-0-	108,212	108,212
1200	Net change in fund balances	57,198	57,198	1,832,146	1,774,948
0100	Fund balances – beginning	13,211,896	13,211,896	13,211,896	-0-
3000	Fund balances – ending	\$ 13,269,094	\$ 13,269,094	\$ 15,044,042	\$ 1,774,948

FEDERAL AWARDS SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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Independent Auditor's Report

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 Trustees
Brazosport Independent School District
Freeport, Texas 77541

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 Brazosport Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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.

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Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas
December 17, 2014

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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979-297-4075

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Independent Auditor's Report

Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Trustees
Brazosport Independent School District
Freeport, Texas 77541

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the 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 the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 the 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 requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kennemer, Masters & Hunsford, LLC

Lake Jackson, Texas
December 17, 2014

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, 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 internal control findings, 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): No.
7. Major programs include:
 - Special Education Cluster:
 - 84.027 Grants to States (IDEA, Part B)
 - 84.173 Preschool Grants (IDEA Preschool)
 - ESEA, Title I, Part A Cluster Programs:
 - 84.010 ESEA, Title I, Part A – Improving Basic Programs
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 308,650.
9. Low risk auditee: Yes.

II. Findings related to the financial statements

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.

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

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2014

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1
PAGE 1 OF 2

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	13610101020905	\$ 1,785
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	14610101020905	1,752,559
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	15610101020905	130,661
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905104	14,015
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905106	11,831
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905110	75,065
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905114	19,425
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	14610112020905116	<u>9,315</u>
			<u>2,014,656</u>
IDEA - Part B, Formula **	84.027	146600010209056600	2,643,953
IDEA - Part B, Formula **	84.027	156600010209056600	<u>134,844</u>
			<u>2,778,797</u>
Vocational Education - Basic Grant	84.048	1442000602090504	<u>103,305</u>
			<u>103,305</u>
IDEA - Part B, Preschool **	84.173	146610010209056610	62,705
IDEA - Part B, Preschool **	84.173	156610010209056610	<u>3,235</u>
			<u>65,940</u>
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	14671001020905	<u>106,839</u>
			<u>106,839</u>
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	14694501020905	414,125
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	15694501020905	<u>41,334</u>
			<u>455,459</u>
English Second Language (ESL) - Summer School Program	84.369A	069551402	<u>4,452</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>5,529,448</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1
PAGE 2 OF 2

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program ***	10.555	020905	\$ <u>462,549</u>
			<u>462,549</u>
Passed Through State Department of Education:			
School Breakfast Program ***	10.553	71401301	894,103
National School Lunch Program ***	10.555	71301301	<u>3,320,717</u>
			<u>4,214,820</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>4,677,369</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	-	\$ <u>66,354</u>
TOTAL DEPARTMENT OF DEFENSE			\$ <u>66,354</u>
<u>U.S. Department of Health & Human Services</u>			
Passed Through State Department of Human Services:			
Medicaid Administrative Claiming Program – MAC	93.778	-	\$ <u>15,147</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			\$ <u>15,147</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>10,288,318</u>
* , ** , *** - Cluster Programs			
RECONCILIATION:			
Federal Program Revenues (Exhibit C-2)			\$ 11,619,718
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			(951,306)
Build America Bonds not considered federal revenue for the Schedule of Federal Awards			(380,094)
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>10,288,318</u>

See notes to supplemental Schedule of Expenditures of Federal Awards

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

NOTE 1 – BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. 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 liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds 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 revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 429,502, while the monetary value of goods used and recognized as income and expenditures was \$ 462,549.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 3 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-2:

Total shown on Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ 11,619,718
Federal Revenue Not Included in the Schedule of Federal Awards:	
School Health and Related Services (SHARS)	951,306
Build American Bonds	<u>380,094</u>
Total federal revenue (Exhibit C-2)	<u>\$ 10,288,318</u>

SCHEDULE FOR ELECTRONIC FILING

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BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AUGUST 31, 2014

SCHEDULE L-1
Page 1 of 1

<u>Code</u>	<u>Questions</u>	<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? – Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 520,157

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