

BRACKETT INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
JUNE 30, 2013

BRACKETT INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

<u>Exhibit</u>	<u>TABLE OF CONTENTS</u>	<u>Page</u>
	CERTIFICATE OF BOARD	3
	Independent Auditor's Report	4-6
	Management's Discussion and Analysis	7-11
	<u>Basic Financial Statements</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	12
B-1	Statement of Activities	13
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	14
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	16
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	18
E-2	Statement of Changes in Fiduciary Fund Net Position	19
	Notes to Financial Statements	20-32
	<u>Required Supplementary Information</u>	
G-1	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	33
	<u>Combining and Other Statements</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	34-35
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	36-37
	Agency Funds:	
H-3	Statement of Changes in Assets and Liabilities	38
	<u>T.E.A. Required Schedules</u>	
J-1	Schedule of Delinquent Taxes Receivable	39-40
J-2	Schedule of Expenditures for Computations of Indirect Cost for 2014-2015 - General and Special Revenue Funds	41
J-3	Fund Balance and Cash Flow Calculation Worksheet	42
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program	43

TABLE OF CONTENTS (CONTINUED)

<u>Exhibit</u>		<u>Page</u>
	<u>Federal Section</u>	
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	46-47
	Schedule of Findings and Questioned Costs	48-49
	Summary Schedule of Prior Audit Findings	50
	Corrective Action Plan	51
K-1	Schedule of Expenditures of Federal Awards	52
	Notes on Accounting Policies for Federal Awards	53
	Schools First Questionnaire	

CERTIFICATE OF BOARD

Brackett Independent School District
Name of School District

Kinney
County

136901
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 June 30, 2013 at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2013.

Signature of Board Secretary

Signature of Board President

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

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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LUGALDE, TEXAS 78801-5305

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Independent Auditor's Report

To the Board of Trustees
Brackett Independent School District
Brackettville, Texas

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 Brackett Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brackett Independent School District, as of June 30, 2013, and the respective changes in financial position 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 4-6 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brackett Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements 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 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 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked **UNAUDITED** and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2013, on our consideration of the Brackett Independent School 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 Brackett Independent School District's internal control over financial reporting and compliance.

Coleman, Horton & Company, LLP

Certified Public Accountants
Uvalde, Texas
August 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of Brackett Independent School District (the District) is presented in six sections, management's discussion and analysis (this part), basic financial statements, required supplementary information, combining and other schedules, T.E.A. required schedules, and the federal section. This section of the District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the District's financial section, which follows.

Overview of the Basic Financial Statements

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

- * The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- * The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- * The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

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

The two government-wide statements report the District's *net position* and how it has changed. Net position-the difference between the District's assets and deferred outflows less the liabilities and deferred inflows is one way to measure the District's financial health or *position*.

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

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has one major fund:

- * *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, then explain the relationship (or differences) between them.

- * *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust agreement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Highlights

- * The District's combined net position was \$10,381,021 at June 30, 2013, a decrease of \$180,313.

		<u>Governmental Activities</u>	
		<u>Current Year</u>	<u>Prior Year</u>
* During the year, the District's revenues were \$6,635,058 as reflected below:			
a)	Taxes	\$1,800,449	\$1,725,657
b)	State revenue	3,885,501	3,860,429
c)	Federal revenue	622,566	781,180
d)	Investment earnings	9,986	11,224
e)	Charges for services	286,111	110,179
f)	Other revenue	<u>30,445</u>	<u>33,890</u>
	Total	<u>\$6,635,058</u>	<u>\$6,522,559</u>

		<u>Governmental Activities</u>	
		<u>Current Year</u>	<u>Prior Year</u>
* During the year, the District's expenses were \$6,815,371 as reflected below:			
a)	Instruction and instructional related	\$3,695,431	\$3,750,453
b)	Instructional and school leadership	331,790	291,116
c)	Guidance, social work, health, transportation	424,724	391,625
d)	Food services	348,423	329,508
e)	Extracurricular activities	394,860	356,592
f)	General administration	411,894	411,756
g)	Plant maintenance and security	777,919	713,151
h)	Data processing services	178,405	196,684
i)	Payments to fiscal agent/member districts - shared service	<u>251,925</u>	<u>264,577</u>
	Total Expenses	<u>\$6,815,371</u>	<u>\$6,705,462</u>

- * The general fund reported a fund balance this year of \$5,654,187, a decrease of \$75,839 from the prior year.
- * The food service fund reported a loss of \$59,125 before transfers from the general fund of \$90,000.
- * The District's combined net position were \$10,381,021 at June 30, as reflected below:

	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Current and other assets	\$ 6,201,244	\$ 6,197,318
Capital and non-current assets	<u>4,525,308</u>	<u>4,658,351</u>
Total Assets	<u><u>\$10,726,552</u></u>	<u><u>\$10,855,669</u></u>
Current liabilities	\$ 345,531	\$ 294,335
Long term liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u><u>\$ 345,531</u></u>	<u><u>\$ 294,335</u></u>
Net position:		
Invested in capital assets net of related debt	\$ 4,525,308	\$ 4,658,351
Restricted	52,350	21,475
Unrestricted	<u>5,803,363</u>	<u>5,881,508</u>
Total Net Position	<u><u>\$10,381,021</u></u>	<u><u>\$10,561,334</u></u>

- * Property tax rates were not changed from the past year. The taxable value increased during the year by \$6,312,870. The tax levy increased by \$65,654.
- * State aid increased for the year by \$25,072.
- * Federal source revenue decreased for the year by \$158,614.

Capital Assets and Debt Administration

Capital Assets

Capital assets for the District decreased during the fiscal year June 30, 2013 by \$133,043. It is the District's policy to charge off as a current expenditure any purchases less than \$5,000. The total capital assets recorded were land and its improvements, buildings, equipment and vehicles as reflected below:

	District's Capital Assets	
	<u>Governmental Activities</u>	
	<u>Current Year</u>	<u>Prior Year</u>
Land	\$ 479,896	\$ 479,896
Buildings and improvements	10,196,638	10,196,638
Vehicles & equipment	<u>1,169,151</u>	<u>1,071,722</u>
Totals at historical cost	11,845,685	11,748,256
Total accumulated depreciation	<u>(7,320,377)</u>	<u>(7,089,905)</u>
Net capital assets	<u><u>\$ 4,525,308</u></u>	<u><u>\$ 4,658,351</u></u>

Long-term Debt

The District has no long-term debt obligations as of June 30, 2013.

Budgetary Highlights

The budget was amended several times during the year as more accurate data on revenues and expenditures were obtained. Tax revenues and state funding were the primary reason for these amendments. Expenditure amendments were approved as warranted. Instructional and facility expense was well below expected amounts. State revenue was less than anticipated.

Contacting the District's Financial Management

This financial report is designed for customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services department.

BASIC FINANCIAL STATEMENTS

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

		Primary	Government
Data			
Control			
Codes			Governmental Activities
ASSETS			
1110	Cash and Cash Equivalents	\$	5,078,056
1220	Property Taxes Receivable (Delinquent)		165,751
1230	Allowance for Uncollectible Taxes		(16,575)
1240	Due from Other Governments		948,210
1410	Prepayments		25,802
	Capital Assets:		
1510	Land		479,896
1520	Buildings, Net		3,658,759
1530	Furniture and Equipment, Net		386,653
1000	Total Assets		10,726,552
LIABILITIES			
2110	Accounts Payable		31,292
2160	Accrued Wages Payable		237,290
2200	Accrued Expenses		1,949
2300	Unearned Revenue		75,000
2000	Total Liabilities		345,531
NETPOSITION			
3200	Invested in Capital Assets, Net of Related Debt		4,525,308
3820	Restricted for Federal and State Programs		52,350
3900	Unrestricted		5,803,363
3000	Total Net Position	\$	10,381,021

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,541,675	\$ 206,587	\$ 539,217	\$ (2,795,871)
12 Instructional Resources and Media Services	119,735	-	5,026	(114,709)
13 Curriculum and Staff Development	34,021	-	1,403	(32,618)
21 Instructional Leadership	5,675	-	5,675	-
23 School Leadership	326,115	-	14,021	(312,094)
31 Guidance, Counseling and Evaluation Services	111,447	-	4,881	(106,566)
33 Health Services	35,921	-	1,350	(34,571)
34 Student (Pupil) Transportation	277,356	-	5,930	(271,426)
35 Food Services	348,423	56,364	209,234	(82,825)
36 Extracurricular Activities	394,860	23,160	5,873	(365,827)
41 General Administration	411,894	-	6,924	(404,970)
51 Facilities Maintenance and Operations	762,370	-	46,208	(716,162)
52 Security and Monitoring Services	15,549	-	280	(15,269)
53 Data Processing Services	178,405	-	7,793	(170,612)
93 Payments related to Shared Services Arrangements	251,925	-	-	(251,925)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 6,815,371</u>	<u>\$ 286,111</u>	<u>\$ 853,815</u>	<u>(5,675,445)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,800,449
SF	State Aid - Formula Grants	3,612,575
GC	Grants and Contributions not Restricted	41,677
IE	Investment Earnings	9,986
MI	Miscellaneous Local and Intermediate Revenue	30,445
TR	Total General Revenues	<u>5,495,132</u>
CN	Change in Net Position	(180,313)
NB	Net Position--Beginning	<u>10,561,334</u>
NE	Net Position--Ending	<u>\$ 10,381,021</u>

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 5,014,388	\$ 63,668	\$ 5,078,056
1220 Property Taxes - Delinquent	165,751	-	165,751
1230 Allowance for Uncollectible Taxes (Credit)	(16,575)	-	(16,575)
1240 Receivables from Other Governments	943,379	4,831	948,210
1410 Prepayments	25,802	-	25,802
1000 Total Assets	<u>\$ 6,132,745</u>	<u>\$ 68,499</u>	<u>\$ 6,201,244</u>
LIABILITIES			
2110 Accounts Payable	\$ 29,189	\$ 2,103	\$ 31,292
2160 Accrued Wages Payable	224,953	12,337	237,290
2200 Accrued Expenditures	240	1,709	1,949
2300 Unearned Revenues	75,000	-	75,000
2000 Total Liabilities	<u>329,382</u>	<u>16,149</u>	<u>345,531</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	149,176	-	149,176
2600 Total Inflows of Resources	<u>149,176</u>	<u>-</u>	<u>149,176</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	52,350	52,350
Committed Fund Balance:			
3510 Construction	1,137,000	-	1,137,000
3520 Claims and Judgements	100,000	-	100,000
3530 Capital Expenditures for Equipment	284,550	-	284,550
3545 Other Committed Fund Balance	200,000	-	200,000
3600 Unassigned Fund Balance	3,932,637	-	3,932,637
3000 Total Fund Balances	<u>5,654,187</u>	<u>52,350</u>	<u>5,706,537</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,132,745</u>	<u>\$ 68,499</u>	<u>\$ 6,201,244</u>

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds	\$ 5,706,537
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$11,748,256 and the accumulated depreciation was \$(7,089,905). The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase the net position.	4,658,351
2 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The effect of including the 2013 capital outlays is to increase the net position.	177,867
3 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease the net position.	(310,910)
4 Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue of \$149,176 as revenue. The effect of these reclassifications and recognitions is to increase the net position.	149,176
19 Net Assets of Governmental Activities	\$ 10,381,021

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 2,061,482	\$ 56,364	\$ 2,117,846
5800 State Program Revenues	3,821,767	63,734	3,885,501
5900 Federal Program Revenues	41,677	580,889	622,566
5020 Total Revenues	<u>5,924,926</u>	<u>700,987</u>	<u>6,625,913</u>
EXPENDITURES:			
Current:			
0011 Instruction	3,031,641	406,121	3,437,762
0012 Instructional Resources and Media Services	119,735	-	119,735
0013 Curriculum and Instructional Staff Development	34,021	-	34,021
0021 Instructional Leadership	-	5,675	5,675
0023 School Leadership	316,311	-	316,311
0031 Guidance, Counseling and Evaluation Services	111,137	-	111,137
0033 Health Services	35,144	-	35,144
0034 Student (Pupil) Transportation	391,638	-	391,638
0035 Food Services	-	319,143	319,143
0036 Extracurricular Activities	326,556	-	326,556
0041 General Administration	411,894	-	411,894
0051 Facilities Maintenance and Operations	698,260	29,173	727,433
0052 Security and Monitoring Services	15,549	-	15,549
0053 Data Processing Services	178,405	-	178,405
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	251,925	-	251,925
6030 Total Expenditures	<u>5,922,216</u>	<u>760,112</u>	<u>6,682,328</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,710</u>	<u>(59,125)</u>	<u>(56,415)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	90,000	90,000
7949 Other Resources	11,451	-	11,451
8911 Transfers Out (Use)	(90,000)	-	(90,000)
7080 Total Other Financing Sources (Uses)	<u>(78,549)</u>	<u>90,000</u>	<u>11,451</u>
1200 Net Change in Fund Balances	(75,839)	30,875	(44,964)
0100 Fund Balance - July 1 (Beginning)	<u>5,730,026</u>	<u>21,475</u>	<u>5,751,501</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 5,654,187</u>	<u>\$ 52,350</u>	<u>\$ 5,706,537</u>

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ (44,964)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The effect of removing the 2013 capital outlays is to increase the net position.	177,867
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the net position.	(310,910)
Various other reclassifications and recognitions are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred tax revenue of \$(2,306). The net effect of these reclassifications and recognitions is to decrease the net position.	(2,306)
Change in Net Assets of Governmental Activities	<hr/> \$ (180,313) <hr/>

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	836-849 Investment Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 16,669	\$ 83,195
Total Assets	<u>16,669</u>	<u>\$ 83,195</u>
LIABILITIES		
Due to Student Groups	-	\$ 83,195
Total Liabilities	<u>-</u>	<u>\$ 83,195</u>
NET POSITION		
Restricted for Scholarships	<u>16,669</u>	
Total Net Position	<u>\$ 16,669</u>	

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

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	836-849 Investment Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 9,300
Total Additions	<u>9,300</u>
DEDUCTIONS:	
Other Operating Costs	<u>5,500</u>
Total Deductions	<u>5,500</u>
Change in Net Position	3,800
 Total Net Position - July 1 (Beginning)	 <u>12,869</u>
 Total Net Position - June 30 (Ending)	 <u><u>\$ 16,669</u></u>

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

BRACKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brackett Independent School District (the "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 (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Brackett Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column indicates amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State 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.

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

2. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the District. The District's Investment Trust Fund is the scholarship fund.
3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

E. FUND BALANCE POLICY

Brackett Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to unrestricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to unassigned, assigned, then committed.

By a majority vote in a scheduled meeting the Board of Trustees may commit fund balances and it may modify or rescind commitments. The Board may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

F. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments in Tex Pool and Lone Star Investments at cost, which approximates fair value.
3. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from the Texas Association of School Boards Risk Management Fund. Risk of loss is not retained by the District.
4. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
5. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
7. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government.
8. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	10
Vehicles	7
Equipment	5

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” for the General Fund and Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the Food Service Fund budget report is Exhibit J4.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

<u>June 30, 2013</u> <u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 52,350
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u>\$ 52,350</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. **DEPOSITS AND INVESTMENTS**

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not engaging in foreign currency transactions.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Brackett Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2013, Brackett Independent School District had the following investments. These investments are recorded as cash equivalents on the District's balance sheet.

Investment Type	Investment Maturities (in years)					Credit Rating
	Fair Value	Less Than 1	1-5	6-10	More Than 10	
Lone Star Pool Investment	\$3,392,817	\$3,392,817	\$ -	\$ -	\$ -	AAAm
Tex Pool Investment Pool	<u>891,483</u>	<u>891,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAAm
	<u>\$4,284,300</u>	<u>\$4,284,300</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

As of June 30, 2013 the District had cash on deposit of \$643,620 in excess of depository insurance, but collateralized by securities held by an agent not in the District's name.

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of stable net asset value of \$1. The book value of the position in the pools is the same as the number of shares in each pool; the market value of a share should approximately equal the book value of a share.

Additional policies and contractual provisions governing deposits and investments for Brackett Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to state sponsored investment pools covered by the District's credit risk policy.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to only approved investment instruments that ensure preservation of capital.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the use of final and weighted average maturity limits and diversification.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currency.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property 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.

D. INTERFUND BALANCES AND TRANSFERS

The general fund transferred \$90,000 to the food service fund in support of operations.

Transfers to Nonmajor Governmental Funds:

General Fund	\$ 90,000
Intrafund	<u>-</u>
Total General Fund	<u>\$ 90,000</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2013, were as follows:

	<u>Property Taxes</u>	<u>Due From Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 165,751	\$ 943,379	\$ -	\$ -	\$1,109,130
Nonmajor Governmental Funds	<u>-</u>	<u>4,831</u>	<u>-</u>	<u>-</u>	<u>4,831</u>
Total Governmental Activities	<u>\$ 165,751</u>	<u>\$ 948,210</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,113,961</u>
Amount not scheduled for collection during the subsequent year	<u>\$ 16,575</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,575</u>

Payables at June 30, 2013, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Due to Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 29,189	\$ 225,193	\$ -	\$ -	\$ -	\$ 254,382
Nonmajor Governmental Funds	<u>2,103</u>	<u>14,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,149</u>
Total Governmental Activities	<u>\$ 31,292</u>	<u>\$ 239,239</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 270,531</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended June 30, 2013 was as follows:

	Primary Government			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 479,896	\$ -	\$ -	\$ 479,896
Buildings	10,196,638	-	-	10,196,638
Equipment	<u>1,071,722</u>	<u>177,867</u>	<u>80,438</u>	<u>1,169,151</u>
Total at historical cost	<u>11,748,256</u>	<u>177,867</u>	<u>80,438</u>	<u>11,845,685</u>
Less accumulated depreciation				
Buildings	6,319,585	218,294	-	6,537,879
Equipment	<u>770,320</u>	<u>92,616</u>	<u>80,438</u>	<u>782,498</u>
Total accumulated depreciation	<u>7,089,905</u>	<u>310,910</u>	<u>80,438</u>	<u>7,320,377</u>
Governmental activities capital assets, net	<u>\$ 4,658,351</u>	<u>\$ (133,043)</u>	<u>\$ -0-</u>	<u>\$ 4,525,308</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 103,913
School Leadership	9,804
Guidance, Counseling & Evaluation Services	310
Health Services	777
Student (Pupil) Transportation	63,585
Food Services	29,280
Extracurricular Activities	68,304
Plant Maintenance and Operations	<u>34,937</u>
Total depreciation expense	<u>\$ 310,910</u>

G. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapital) lease agreements for copiers provide for minimum future rental payments as of June 30, 2013, as follows:

2014	\$ 22,391
2015	\$ 12,860

Rental expenditures for 2013 were \$27,233.

H. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas public schools.

Each district's local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Brackett Independent School District provides an additional five days leave above the state granted five days per year. Personal leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

I. PENSION PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts					
<u>Year</u>	<u>Member</u>		<u>State</u>		<u>Statutory Minimum</u>
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Amount</u>
2013	6.4%	\$255,816	6.400%	\$255,816	\$ 16,442
2012	6.4%	\$241,499	6.000%	\$226,405	\$ 16,742
2011	6.4%	\$221,875	6.644%	\$230,334	\$ 18,342

J. MEDICARE PART D - ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf to Brackett Independent School District for fiscal years 2011, 2012, and 2013 were \$13,200, \$12,980, and \$12,012, respectively.

K. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013-2011.

<u>Year</u>	Contribution Rates					
	<u>Active Member</u>		<u>State</u>		<u>School District</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2013	.65%	\$ 25,979	.5%	\$ 19,984	.55%	\$ 21,982
2012	.65%	\$ 24,527	1.0%	\$ 37,735	.55%	\$ 20,754
2011	.65%	\$ 22,534	1.0%	\$ 34,667	.55%	\$ 19,067

L. LITIGATION

The District's attorney indicates there is no litigation in progress or pending as of year end.

M. COMMITMENTS AND CONTINGENCIES

During the year the District has received monies from various State and Federal sources. These monies are designated for a specific purpose and the expenditures for the funds are based on actual payments and accruals. The possibility exists, based on a separate audit by any regulatory agency, that costs charged to a specific grant may be disallowed and such disallowed cost would become an obligation of the General Fund. Disallowed costs, if any, are unknown.

N. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Other	\$ 75,000	\$ -	\$ 75,000
Total Unearned Revenue	<u>\$ 75,000</u>	<u>\$ -0-</u>	<u>\$ 75,000</u>

O. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 943,379	\$ -	\$ -	\$ 943,379
Special Revenue	<u>176</u>	<u>4,655</u>	<u>-</u>	<u>4,831</u>
Total	<u>\$ 943,555</u>	<u>\$ 4,655</u>	<u>\$ -0-</u>	<u>\$ 948,210</u>

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Property Taxes	\$ 1,802,755	\$ -	\$ 1,802,755
Penalties, Interest and Other Tax-related Income	18,944	-	18,944
Investment Income	9,986	-	9,986
Food Sales	-	56,364	56,364
Co-curricular	23,160	-	23,160
Other	<u>206,637</u>	<u>-</u>	<u>206,637</u>
Total	<u>\$ 2,061,482</u>	<u>\$ 56,364</u>	<u>\$ 2,117,846</u>

REQUIRED SUPPLEMENTARY INFORMATION

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,085,941	\$ 2,085,941	\$ 2,061,482	\$ (24,459)
5800 State Program Revenues	3,949,781	3,949,781	3,821,767	(128,014)
5900 Federal Program Revenues	35,000	35,000	41,677	6,677
5020 Total Revenues	6,070,722	6,070,722	5,924,926	(145,796)
EXPENDITURES:				
Current:				
0011 Instruction	3,430,187	3,359,187	3,031,641	327,546
0012 Instructional Resources and Media Services	123,904	123,904	119,735	4,169
0013 Curriculum and Instructional Staff Development	37,920	37,920	34,021	3,899
0023 School Leadership	322,316	322,316	316,311	6,005
0031 Guidance, Counseling and Evaluation Services	105,988	111,988	111,137	851
0033 Health Services	43,624	43,624	35,144	8,480
0034 Student (Pupil) Transportation	270,896	395,896	391,638	4,258
0036 Extracurricular Activities	343,306	343,306	326,556	16,750
0041 General Administration	467,913	467,913	411,894	56,019
0051 Facilities Maintenance and Operations	725,849	760,849	698,260	62,589
0052 Security and Monitoring Services	23,123	23,123	15,549	7,574
0053 Data Processing Services	192,488	192,488	178,405	14,083
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	355,000	260,000	251,925	8,075
6030 Total Expenditures	6,442,514	6,442,514	5,922,216	520,298
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(371,792)	(371,792)	2,710	374,502
OTHER FINANCING SOURCES (USES):				
7949 Other Resources	5,000	5,000	11,451	6,451
8911 Transfers Out (Use)	(90,000)	(90,000)	(90,000)	-
7080 Total Other Financing Sources (Uses)	(85,000)	(85,000)	(78,549)	6,451
1200 Net Change in Fund Balances	(456,792)	(456,792)	(75,839)	380,953
0100 Fund Balance - July 1 (Beginning)	5,730,026	5,730,026	5,730,026	-
3000 Fund Balance - June 30 (Ending)	\$ 5,273,234	\$ 5,273,234	\$ 5,654,187	\$ 380,953

COMBINING AND OTHER STATEMENTS

BRACKETT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

Data Control Codes		205	211	212	224
		Head Start	ESEA I, A Improving Basic Program	ESEA Title I Part C Migrant	IDEA - Part B Formula
ASSETS					
1110	Cash and Cash Equivalents	\$ 2,184	\$ 8,417	\$ 696	\$ 1,851
1240	Receivables from Other Governments	-	-	-	-
1000	Total Assets	<u>\$ 2,184</u>	<u>\$ 8,417</u>	<u>\$ 696</u>	<u>\$ 1,851</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	1,803	7,394	649	1,729
2200	Accrued Expenditures	381	1,023	47	122
2000	Total Liabilities	<u>2,184</u>	<u>8,417</u>	<u>696</u>	<u>1,851</u>
FUNDBALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,184</u>	<u>\$ 8,417</u>	<u>\$ 696</u>	<u>\$ 1,851</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	289 Rural School Achievement Program	404 Student Success Initiative	410 State Textbook Fund	Total Nonmajor Governmental Funds
\$ 53,290	\$ (3,241)	\$ 647	\$ -	\$ (176)	\$ -	\$ 63,668
-	4,655	-	-	176	-	4,831
<u>\$ 53,290</u>	<u>\$ 1,414</u>	<u>\$ 647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,499</u>
\$ 689	\$ 1,414	\$ -	\$ -	\$ -	\$ -	\$ 2,103
251	-	511	-	-	-	12,337
-	-	136	-	-	-	1,709
<u>940</u>	<u>1,414</u>	<u>647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,149</u>
52,350	-	-	-	-	-	52,350
<u>52,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,350</u>
<u>\$ 53,290</u>	<u>\$ 1,414</u>	<u>\$ 647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,499</u>

BRACKETT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes		205	211	212	224
		Head Start	ESEA I, A Improving Basic Program	ESEA Title I Part C Migrant	IDEA - Part B Formula
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	41,320	222,077	23,075	10,000
5020	Total Revenues	41,320	222,077	23,075	10,000
EXPENDITURES:					
Current:					
0011	Instruction	41,320	216,402	23,075	10,000
0021	Instructional Leadership	-	5,675	-	-
0035	Food Services	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
6030	Total Expenditures	41,320	222,077	23,075	10,000
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	289 Rural School Achievement Program	404 Student Success Initiative	410 State Textbook Fund	Total Nonmajor Governmental Funds
\$ 56,364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,364
1,798	-	-	-	1,760	60,176	63,734
226,374	4,655	45,469	7,919	-	-	580,889
284,536	4,655	45,469	7,919	1,760	60,176	700,987
-	-	45,469	7,919	1,760	60,176	406,121
-	-	-	-	-	-	5,675
314,728	4,415	-	-	-	-	319,143
28,933	240	-	-	-	-	29,173
343,661	4,655	45,469	7,919	1,760	60,176	760,112
(59,125)	-	-	-	-	-	(59,125)
90,000	-	-	-	-	-	90,000
90,000	-	-	-	-	-	90,000
30,875	-	-	-	-	-	30,875
21,475	-	-	-	-	-	21,475
\$ 52,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,350

BRACKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	BALANCE JULY 1 2012	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2013
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 67,999	\$ 131,491	\$ 116,295	\$ 83,195
Liabilities:				
Due to Student Groups	\$ 67,999	\$ 131,491	\$ 116,295	\$ 83,195
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 67,999	\$ 131,491	\$ 116,295	\$ 83,195
Liabilities:				
Due to Student Groups	\$ 67,999	\$ 131,491	\$ 116,295	\$ 83,195

T.E.A. REQUIRED SCHEDULES

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2013

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.297500	0.000000	114,760,495
2006	1.297500	0.000000	131,710,458
2007	1.190000	0.000000	137,707,426
2008	0.970000	0.000000	138,484,984
2009	1.040000	0.000000	149,039,423
2010	1.040000	0.000000	160,285,192
2011	1.040000	0.000000	165,112,692
2012	1.040000	0.000000	171,185,385
2013 (School year under audit) *	1.040000	0.000000	177,498,255
1000 TOTALS			

* The District has a "Chapter 313 Agreement" in effect for the 2012-2013 school year in the amount of \$82,080,000. This amount is not included in the above value of \$177,498,255.

(10) Beginning Balance 7/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2013
\$ 25,163	\$ -	\$ 401	\$ -	\$ (410)	\$ 24,352
4,535	-	138	-	(99)	4,298
4,408	-	371	-	(106)	3,931
4,272	-	908	-	(128)	3,236
5,060	-	1,496	-	(279)	3,285
8,034	-	2,126	-	46	5,954
12,660	-	3,771	-	57	8,946
23,198	-	8,303	-	(290)	14,605
80,983	-	55,138	-	(1,279)	24,566
-	1,845,982	1,730,103	-	(43,301)	72,578
<u>\$ 168,313</u>	<u>\$ 1,845,982</u>	<u>\$ 1,802,755</u>	<u>\$ -</u>	<u>\$ (45,789)</u>	<u>\$ 165,751</u>

BRACKETT INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 98,372	\$ 123,717	\$ -	\$ -	\$ 222,089
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	7,204	-	-	-	7,204
6212	Audit Services	-	-	-	13,200	-	-	13,200
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	118,313	-	-	-	-	118,313
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	11,671	-	-	11,671
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	5,125	-	-	5,125
6240	Contr. Maint. and Repair	-	-	-	-	1,286	-	1,286
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	-	-	-	6,330	-	-	6,330
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	269	-	-	6,531	-	-	6,800
6410	Travel, Subsistence, Stipends	4,812	-	512	682	-	-	6,006
6420	Ins. and Bonding Costs	-	-	-	3,276	-	-	3,276
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	-	-	385	10,209	-	-	10,594
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 5,081	\$ 118,313	\$ 106,473	\$ 180,741	\$ 1,286	\$ -	\$ 411,894

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 6,682,328

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 177,867
Total Debt & Lease (6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 727,433
Food (Function 35, 6341 and 6499)	(13) 152,814
Stipends (6413)	(14) 1,680
Column 4 (above) - Total Indirect Cost	180,741

SubTotal:

1,240,535

Net Allowed Direct Cost

\$ 5,441,793

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 10,196,638
Historical Cost of Building over 50 years old	(16) \$ -
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 1,169,151
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BRACKETT INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 6/30/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$	5,654,187
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$	-	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)		-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,721,550		
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)		-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)		-	
7	Estimate of two month's average cash disbursements during the fiscal year.	1,272,000		
8	Estimate of delayed payments from state sources (58xx).		-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.		-	
10	Estimate of delayed payments from federal sources (59xx)	76,000		
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)			<u>3,069,550</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		\$	<u><u>2,584,637</u></u>

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

The district prefers to maintain an additional one month operating reserve. Also, construction and renovation projects are under consideration.

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 48,000	\$ 48,000	\$ 56,364	\$ 8,364
5800 State Program Revenues	9,000	9,000	1,798	(7,202)
5900 Federal Program Revenues	215,000	215,000	226,374	11,374
5020 Total Revenues	272,000	272,000	284,536	12,536
EXPENDITURES:				
0035 Food Services	316,000	316,000	314,728	1,272
0051 Facilities Maintenance and Operations	46,000	46,000	28,933	17,067
6030 Total Expenditures	362,000	362,000	343,661	18,339
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,000)	(90,000)	(59,125)	30,875
OTHER FINANCING SOURCES(USES):				
7915 Transfers In	90,000	90,000	90,000	-
7080 Total Other Financing Sources (Uses)	90,000	90,000	90,000	-
1200 Net Change in Fund Balances	-	-	30,875	30,875
0100 Fund Balance - July 1 (Beginning)	21,475	21,475	21,475	-
3000 Fund Balance - June 30 (Ending)	\$ 21,475	\$ 21,475	\$ 52,350	\$ 30,875

FEDERAL SECTION

COLEMAN, HORTON & COMPANY, LLP

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

To the Board of Trustees
Brackett Independent School District
Brackettville, Texas

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 the Brackett Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Brackett Independent School District's basic financial statements, and have issued our report thereon dated August 16, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Coleman, Horton & Company, LLP

Certified Public Accountants
Uvalde, Texas
August 16, 2013

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. NOPAL ST.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Brackett Independent School District
Brackettville, Texas

Report on Compliance for Each Major Federal Program

We have audited the Brackett Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Brackett Independent School District's major federal programs for the year ended June 30, 2013. Brackett Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Brackett Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Certified Public Accountants
Uvalde, Texas
August 16, 2013

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Report

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Control deficiency(ies) identified? ☐ Yes ☒ No

Control deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

2. Federal Awards

Internal control over material programs:

Control deficiency(ies) identified? ☐ Yes ☒ No

Control deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program
CFDA #10.559	Summer Feeding Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

B. Financial Statements Findings

----- None noted -----

C. Federal Award Findings and Questioned Costs

----- None noted -----

BRACKETT INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

----- Not Applicable -----

BRACKETT INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013

----- Not Applicable -----

BRACKETT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Rural School Achievement Program	84.358A	S358A120883	\$ 7,919
Total Direct Programs			\$ 7,919
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101136901	\$ 222,077
ESEA, Title I, Part C - Migratory Children	84.011	13615001136901	23,075
*IDEA - Part B, Formula	84.027	13660001136901	10,000
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501136901	45,469
Total Passed Through State Department of Education			\$ 300,621
TOTAL DEPARTMENT OF EDUCATION			\$ 308,540
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	O6CH7059	\$ 41,320
Total Passed Through State Department of Education			\$ 41,320
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 41,320
 U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401301	\$ 52,961
*National School Lunch Program - Cash Assistance	10.555	71301301	159,619
*National School Lunch Prog. - Non-Cash Assistance	10.555	136001	13,794
Total CFDA Number 10.555			173,413
*Summer Feeding Program - Cash Assistance	10.559	1361001	4,655
Total Child Nutrition Cluster			231,029
Total Passed Through the State Department of Agriculture			\$ 231,029
TOTAL DEPARTMENT OF AGRICULTURE			\$ 231,029
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ 580,889

*Clustered Programs.

The above amounts do not include Medicaid receipts of \$6,676 and SHARS receipts of \$35,001, which are reported as federal revenue in the general fund.

BRACKETT INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal 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 deferred revenues until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Brackett Independent School District fiscal year beginning July 1 2012, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Brackett Independent School District

Fiscal Year 2013

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	0