

**BROADDUS
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

Broaddus Independent School District
Annual Financial Report
For The Year Ended August 31, 2014

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Introductory Section

CERTIFICATE OF BOARD

Broaddus Independent School District
Name of School District

San Augustine
County

203-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2014, at a meeting of the board of trustees of such school district on the 17th day of November, 2014



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

HALLS, JOHNSON, MCLEMORE & REDFIELD, LLP

1329 N. University Dr., Suite A3
Nacogdoches, TX 75961

Independent Auditor's Report

To the Board of Trustees
Broaddus Independent School District
P.O. Box 58
Broaddus, Texas 75929

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 Broaddus Independent School District ("the District") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District'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 Broaddus Independent School District as of August 31, 2014, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2014, Broaddus Independent School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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 Broaddus Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of Broaddus 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 Broaddus Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Halls, Johnson, McLemore & Redfield, LLP

Halls, Johnson, McLemore & Redfield, LLP.
Nacogdoches, TX
October 30, 2014

Basic Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Broaddus Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

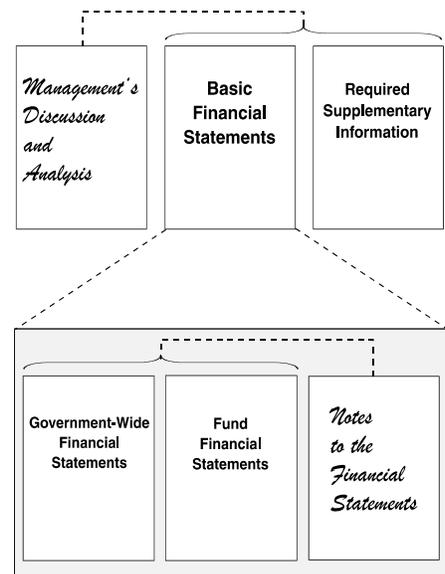
- The District's total combined net position was \$6,391,160 at August 31, 2014, a decrease of \$788,537 from the prior year.
- During the current year, the District's expenses were \$4,577,089, compared to \$4,536,173 in the prior year. The net expenses, after deducting amounts paid to the District for charges for services and grants were \$3,925,228 during the current year and \$3,916,709 in the prior year.
- During the current year, the District received \$596,114 in operating and capital grants compared to \$560,536 for the prior year.
- The general fund reported a fund balance this year of \$2,767,231, which includes \$1,600,000 committed by the School Board for future construction projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. 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.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.



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 liabilities) are 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, one needs to consider additional non-financial factors such as changes in the District's tax base, or changes in student enrollment numbers.

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 the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps 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 the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District's fiduciary funds consist only of money held on behalf of student organizations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The following table provides a comparative summary of the District's net position:

	Governmental Activities		Amount	
	8/31/2014	8/31/2013	of Change	% Change
Current and other assets	\$ 4,065,038	\$ 4,382,058	\$ (317,020)	-7.23%
Capital assets	6,952,695	7,284,296	(331,601)	-4.55%
Total assets	11,017,733	11,666,354	(648,621)	-5.56%
Current liabilities	907,467	334,599	572,868	171.21%
Long term liabilities	3,719,106	4,152,057	(432,951)	-10.43%
Total liabilities	4,626,573	4,486,656	139,917	3.12%
Net position:				
Invested in capital assets	3,233,589	3,262,466	(28,877)	-0.89%
Restricted	39,658	48,132	(8,474)	-17.61%
Unrestricted	3,117,913	3,869,100	(751,187)	-19.42%
Total net position	\$ 6,391,160	\$ 7,179,698	\$ (788,538)	-10.98%

Net position of the District's governmental activities decreased 11% to \$6,391,160 during the year ending August 31, 2014. However some of the net position is either restricted as to the purposes it can be used for, or invested in capital assets (buildings, vehicles, equipment, and so on). Consequently, unrestricted net position was \$3,117,913 at year end.

Governmental Activities

Comparative data is accumulated and presented below to assist analysis. The following table provides a summary of the District's operational activities and changes in net position:

		Summary of Activities & Changes in Net Position			
		Governmental Activities			
		8/31/2014	8/31/2013	Amount Of Change	% Change
Program revenues:					
	Charges for services	\$ 55,747	\$ 58,928	\$ (3,181)	-5.40%
	Operating grants/contributions	596,114	560,536	35,578	6.35%
	Capital grants/contributions	-	-	-	
General revenues:					
	Property taxes	1,324,255	1,493,210	(168,955)	-11.31%
	Investment earnings	5,534	6,177	(643)	-10.41%
	Foundation and unrestricted grants	2,232,874	2,971,079	(738,205)	-24.85%
	Other general revenues	5,843	27,741	(21,898)	-78.94%
	Total revenues/contributions	<u>4,220,367</u>	<u>5,117,671</u>	<u>(897,304)</u>	<u>-17.53%</u>
Function					
Expenses:					
11	Instruction	2,265,937	2,296,809	(30,872)	-1.34%
12	Instructional Resources and Media Services	9,202	5,756	3,446	59.87%
13	Curriculum and Staff Development	7,163	7,406	(243)	-3.28%
21	Instructional Leadership	3,943	3,844	99	2.58%
23	School Leadership	324,382	238,004	86,378	36.29%
31	Guidance, Counseling, & Evaluation Services	63,029	62,757	272	0.43%
33	Health Services	72,007	67,277	4,730	7.03%
34	Student Transportation	314,327	329,560	(15,233)	-4.62%
35	Food Service	304,928	309,439	(4,511)	-1.46%
36	Cocurricular/Extracurricular Activities	140,219	136,330	3,889	2.85%
41	General Administration	272,291	270,306	1,985	0.73%
51	Plant Maintenance and Operations	410,279	410,597	(318)	-0.08%
52	Security and Monitoring Services	14,370	13,691	679	4.96%
53	Data Processing Services	159,222	82,980	76,242	91.88%
72	Interest on Long-term Debt	103,041	186,255	(83,214)	-44.68%
73	Bond Issuance Cost & Fees	250	17,756	(17,506)	-98.59%
93	Payments to Shared Services Arrangements	71,583	71,583	-	0.00%
99	Other Intergovernmental Charges	40,916	25,823	15,093	58.45%
	Total expenses	<u>4,577,089</u>	<u>4,536,173</u>	<u>40,916</u>	<u>0.90%</u>
	Change in net position	(356,722)	581,498	(938,220)	-161.35%
	Prior period adjustment	(431,815)	-		
	Beginning net position	7,179,697	6,598,199	581,498	8.81%
	Ending net position	<u>\$ 6,391,160</u>	<u>\$ 7,179,697</u>	<u>(788,537)</u>	<u>-10.98%</u>

- Property tax rates increased to \$1.17 per \$100 valuation. The property values decreased from the prior year by approximately \$15.5 million.
- Data Processing expenses increased because the District purchase several new computers totaling \$56,922 and added contractual services totaling \$12,187 through the Region VII ESC.
- Interest on Long-term debt was decreased due to a principal reduction payment.
- The prior period adjustment consists of the write-off of debt issue costs in accordance with recently promulgated governmental accounting principles and the recognition of the potential reimbursement for prior over-funding of the Impact Aid program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$4,185,220 compared with \$4,937,255 in the prior year. Property tax revenue was slightly lower due to lower values. State foundation revenue decreased by \$618,356 due to an increase in local funding percentage.

The District's total expenditures in its governmental funds totaled \$4,678,439 compared with \$4,361,553 in the prior year. In comparing 2014 with 2013 expenditures, the most significant variances were attributed to data processing and debt service.

Comparative data for the District's fund balances of its Governmental Funds are presented in the following table to assist analysis:

Summary of the District's Fund Balances

	Governmental Funds		Amount of Change
	8/31/2014	8/31/2013	
General Fund	\$ 2,767,231	\$ 3,553,564	\$ (786,333)
Food Service Fund	39,658	48,132	(8,474)
Total - Governmental	<u>\$ 2,806,889</u>	<u>\$ 3,601,696</u>	<u>\$ (794,807)</u>

Budgetary Highlights

Over the course of the year, the District revised its budget several times. After these adjustments, actual expenditures for the General Fund were \$366,037 under final budget amounts. Resources available were \$636,208 over the final budgeted amount.

Expenditures for the Cafeteria Fund were \$6,205 under the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2014, the District has invested \$11 million in a broad range of capital assets, including land, equipment, buildings, and vehicles.

Summary of the District's Capital Assets

	Governmental Activities		Amount of Change
	8/31/2014	8/31/2013	
Land	\$ 237,208	\$ 237,208	\$ -
Buildings and improvements	8,095,642	8,095,642	-
Equipment	1,965,887	1,882,638	83,249
Vehicles	687,352	687,352	-
Subtotal	10,986,089	10,902,840	83,249
Less accumulated depreciation	(4,033,394)	(3,618,544)	(414,850)
Net capital assets	<u>6,952,695</u>	<u>7,284,296</u>	<u>(331,601)</u>

During the current year, the District purchased playground equipment. During the prior year, the District purchased a computer server and cafeteria equipment.

Long Term Debt

At year-end the District had \$3.7 million in debt outstanding. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates on existing bonds.

Debt transactions are summarized as follows:

Summary of the District's Debt

	8/31/2014	8/31/2013
Balance of debt, beginning of year	\$ 4,152,057	\$ 4,390,724
Principal payments on bonds	(240,000)	(235,000)
Principal payments on lease	(219,105)	(30,517)
Amortization of bond premium/discount	26,154	26,850
Balance of debt, end of year	<u>\$ 3,719,106</u>	<u>\$ 4,152,057</u>

Interest expense totaled \$103,041 for fiscal 2014 and \$186,255 for fiscal 2013. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Several indicators were taken into account when adopting the general fund budget for the 2014-15 fiscal year. Budgeted revenues for the 2015 fiscal year are \$3,836,681 while previous year revenues were originally budgeted at \$3,049,294. The increase in budgeted revenues anticipates increased property tax and federal aid payments

General fund expenditures are budgeted for the 2014-15 fiscal year at \$3,924,010 compared to the original budgeted amount of \$4,194,722 for the prior year. The major decrease to expenditures is in the area of debt service.

If these estimates are realized, the District's budgetary general fund balance is expected to be approximately \$87,329 lower than the August 13, 2014 balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 3,025,076
1120	Current Investments	632,636
1225	Property Taxes Receivable (Net)	350,683
1240	Due from Other Governments	54,847
1250	Accrued Interest	1,796
Capital Assets:		
1510	Land	237,208
1520	Buildings and Improvements, Net	5,301,412
1530	Furniture and Equipment, Net	1,414,075
1000	Total Assets	<u>11,017,733</u>
LIABILITIES:		
2165	Accrued Liabilities	126,577
2180	Due to Other Governments	780,890
Noncurrent Liabilities:		
2501	Due Within One Year	250,000
2502	Due in More Than One Year	3,469,106
2000	Total Liabilities	<u>4,626,573</u>
NET POSITION:		
3200	Net Investment in Capital Assets	3,233,589
Restricted For:		
3820	State and Federal Programs	39,658
3900	Unrestricted	3,117,913
3000	Total Net Position	<u>\$ 6,391,160</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 2,265,937	\$ --	\$ 298,947	\$ (1,966,990)
12	Instructional Resources and Media Services	9,202	--	--	(9,202)
13	Curriculum and Staff Development	7,163	--	3,190	(3,973)
21	Instructional Leadership	3,943	--	600	(3,343)
23	School Leadership	324,382	--	16,184	(308,198)
31	Guidance, Counseling, & Evaluation Services	63,029	--	3,342	(59,687)
33	Health Services	72,007	--	16,978	(55,029)
34	Student Transportation	314,327	--	8,827	(305,500)
35	Food Service	304,928	50,728	224,877	(29,323)
36	Cocurricular/Extracurricular Activities	140,219	5,019	1,471	(133,729)
41	General Administration	272,291	--	8,827	(263,464)
51	Facilities Maintenance and Operations	410,279	--	8,547	(401,732)
52	Security and Monitoring Services	14,370	--	--	(14,370)
53	Data Processing Services	159,222	--	4,324	(154,898)
72	Interest on Long-term Debt	103,041	--	--	(103,041)
73	Bond Issuance Costs and Fees	250	--	--	(250)
93	Payments Related to Shared Services Arrangement:	71,583	--	--	(71,583)
99	Other Intergovernmental Charges	40,916	--	--	(40,916)
TG	Total Governmental Activities	<u>4,577,089</u>	<u>55,747</u>	<u>596,114</u>	<u>(3,925,228)</u>
TP	Total Primary Government	<u>\$ 4,577,089</u>	<u>\$ 55,747</u>	<u>\$ 596,114</u>	<u>(3,925,228)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,324,255
IE	Investment Earnings				5,534
GC	Grants and Contributions Not Restricted to Specific Progra				2,232,874
MI	Miscellaneous				5,843
TR	Total General Revenues				<u>3,568,506</u>
CN	Change in Net Position				(356,722)
NB	Net Position - Beginning				7,179,697
PA	Prior Period Adjustment				(431,815)
	Net Position - Beginning, as Restated				6,747,882
NE	Net Position - Ending				<u>\$ 6,391,160</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 2,982,790	\$ 42,287	\$ 3,025,077
1120	Current Investments	632,636	--	632,636
1225	Taxes Receivable, Net	350,683	--	350,683
1240	Due from Other Governments	--	54,847	54,847
1250	Accrued Interest	1,796	--	1,796
1260	Due from Other Funds	49,813	--	49,813
1000	Total Assets	<u>4,017,718</u>	<u>97,134</u>	<u>4,114,852</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 118,914	\$ 7,663	\$ 126,577
2170	Due to Other Funds	--	49,813	49,813
2180	Due to Other Governments	780,890	--	780,890
2000	Total Liabilities	<u>899,804</u>	<u>57,476</u>	<u>957,280</u>
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	350,683	--	350,683
2600	Total Deferred Inflows of Resources	<u>350,683</u>	<u>--</u>	<u>350,683</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	39,658	39,658
Committed Fund Balances:				
3510	Construction	1,600,000	--	1,600,000
3600	Unassigned	1,167,231	--	1,167,231
3000	Total Fund Balances	<u>2,767,231</u>	<u>39,658</u>	<u>2,806,889</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 4,017,718</u>	<u>\$ 97,134</u>	<u>\$ 4,114,852</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 2,806,889
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	6,952,695
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	350,683
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,719,106)
Rounding difference	<u>(1)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 6,391,160</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 1,305,504	\$ 50,728	\$ 1,356,232
5800 State Program Revenues	2,321,717	31,803	2,353,520
5900 Federal Program Revenues	58,281	417,187	475,468
5020 Total Revenues	<u>3,685,502</u>	<u>499,718</u>	<u>4,185,220</u>
EXPENDITURES:			
Current:			
0011 Instruction	1,786,134	193,780	1,979,914
0012 Instructional Resources and Media Services	9,202	--	9,202
0013 Curriculum and Staff Development	95	7,068	7,163
0021 Instructional Leadership	--	3,943	3,943
0023 School Leadership	319,145	--	319,145
0031 Guidance, Counseling, & Evaluation Services	62,715	--	62,715
0033 Health Services	55,901	14,771	70,672
0034 Student Transportation	278,201	--	278,201
0035 Food Service	--	288,630	288,630
0036 Cocurricular/Extracurricular Activities	86,340	--	86,340
0041 General Administration	270,653	--	270,653
0051 Facilities Maintenance and Operations	407,394	--	407,394
0052 Security and Monitoring Services	3,255	--	3,255
0053 Data Processing Services	159,222	--	159,222
0071 Principal on Long-term Debt	459,105	--	459,105
0072 Interest on Long-term Debt	76,887	--	76,887
0073 Bond Issuance Costs and Fees	250	--	250
0081 Capital Outlay	83,249	--	83,249
0093 Payments to Shared Service Arrangements	71,583	--	71,583
0099 Other Intergovernmental Charges	40,916	--	40,916
6030 Total Expenditures	<u>4,170,247</u>	<u>508,192</u>	<u>4,678,439</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(484,745)	(8,474)	(493,219)
1200 Net Change in Fund Balances	<u>(484,745)</u>	<u>(8,474)</u>	<u>(493,219)</u>
0100 Fund Balances - Beginning	3,553,564	48,132	3,601,696
1300 Prior Period Adjustment	(301,588)	--	(301,588)
Fund Balances - Beginning, as Restated	3,251,976	48,132	3,300,108
3000 Fund Balances - Ending	<u>\$ 2,767,231</u>	<u>\$ 39,658</u>	<u>\$ 2,806,889</u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ (493,219)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	83,249
The depreciation of capital assets used in governmental activities is not reported in the funds.	(414,849)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	35,147
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	240,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	219,105
Accretion of bond discounts are reported in the funds but not in the SOA.	(26,154)
Rounding difference	(1)
	<u> </u>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>(356,722)</u></u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2014

Data Control Codes	Agency Fund	Student Activity
ASSETS:		
1110 Cash and Cash Equivalents	\$	46,643
1000 Total Assets		<u>46,643</u>
LIABILITIES:		
Current Liabilities:		
2190 Due to Student Groups	\$	46,643
2000 Total Liabilities		<u>46,643</u>
NET POSITION:		
3000 Total Net Position	\$	<u><u>--</u></u>

The accompanying notes are an integral part of this statement.

BROADDUS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies

The basic financial statements of Broaddus Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

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

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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 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 1 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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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. The allowance for uncollectible property taxes was \$87,645 at August 31, 2014.

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

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	15-20
Vehicles	5-10
Equipment	5-15

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net positions.

g. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source – property taxes. This amount is deferred and recognized as an inflow of resources in the period that the taxes become available.

BROADDUS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure or expense is incurred for a purpose for which both restricted and unrestricted resources are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	N/A	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,705,356 and the bank balance was \$3,785,235. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

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

The District's investments at August 31, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	N/A	\$ 632,636
Total Investments		<u>\$ 632,636</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2014, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Lone Star Liquidity Plus Investment Fund - AAAM by Standard and Poor's
Texas CLASS Investment Fund - AAAM by Standard and Poor's

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

BROADDUS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 237,208			\$ 237,208
Construction in progress	-			-
Total capital assets not being depreciated	237,208	-	-	237,208
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,095,642			8,095,642
Equipment	1,882,638	83,249		1,965,887
Vehicles	687,352			687,352
Total capital assets being depreciated	10,665,632	83,249	-	10,748,881
Less accumulated depreciation for:				
Buildings and improvements	(2,635,539)	(158,691)		(2,794,230)
Equipment	(462,979)	(218,232)		(681,211)
Vehicles	(520,026)	(37,927)		(557,953)
Total accumulated depreciation	(3,618,544)	(414,850)	-	(4,033,394)
Total capital assets being depreciated, net	7,047,088	(331,601)	-	6,715,487
Governmental activities capital assets, net	\$ 7,284,296	\$ (331,601)	\$ -	\$ 6,952,695

Depreciation was charged to functions as follows:

Instruction	\$ 286,023
School leadership	5,237
Guidance, counseling, & evaluation	314
Health services	1,335
Student transportation	36,126
Food services	16,298
Extracurricular activities	53,879
General administration	1,638
Plant maintenance and operations	2,885
Security and monitoring services	11,115
Total depreciation	\$ 414,850

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

E. Interfund Balances and Activities

1. Balances due to and due from other funds at August 31, 2014, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	ESEA Title I Basic	\$ 32,079	Supplement cash needs
General Fund	ESEA Title II	5,270	Supplement cash needs
General Fund	ESEA Title VI	12,464	Supplement cash needs
	Total	<u>\$ 49,813</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2014, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
None		\$ -	
	Total	<u>\$ -</u>	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2014, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities:</i>					
General obligation bonds	\$ 4,165,000		\$ 240,000	\$ 3,925,000	\$ 250,000
Bond premium (discount)	(232,048)	26,154		(205,894)	-
Capital lease	219,105		219,105	-	-
Total governmental activities	<u>\$ 4,152,057</u>	<u>\$ 26,154</u>	<u>\$ 459,105</u>	<u>\$ 3,719,106</u>	<u>\$ 250,000</u>

Bonds payable are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Balance</u>
<i>Governmental Activities:</i>				
2011 Maintenance Tax Refunding Bonds	1.25-4.30%	\$ 4,575,000	2027	\$ 3,925,000
Total governmental activities				<u>\$ 3,925,000</u>

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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2014, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities		
	Principal	Interest	Total
2015	\$ 250,000	\$ 141,003	\$ 391,003
2016	255,000	135,377	390,377
2017	260,000	129,003	389,003
2018	270,000	121,852	391,852
2019	275,000	113,753	388,753
2020 to 2024	1,540,000	413,730	1,953,730
2025 to 2029	1,075,000	93,085	1,168,085
Total governmental activities	<u>\$ 3,925,000</u>	<u>\$ 1,147,803</u>	<u>\$ 5,072,803</u>

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2014, as follows:

<u>Year Ending August 31,</u>	
2015	\$ 15,006
2016	6,776
2017	6,776
2018	6,776
Total governmental activities	<u>\$ 35,334</u>
Rental expenditures	<u>\$ 24,188</u>

H. Risk Management

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

The District participated with other school districts in the TASB Risk Management Fund Workers Compensation Program (the Fund), which is a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the Fund for its workers compensation insurance coverage. The Agreement for Formation of the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial companies for catastrophic claims.

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

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trс.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.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a 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 2014 to 2012 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.

Year	Member		State		Statutory Minimum Amount
	Rate	Amount	Rate	Amount	
2014	6.4%	\$ 157,822	6.8%	\$ 128,262	\$ 27,681
2013	6.4%	151,170	6.4%	126,506	14,188
2012	6.4%	150,622	6.0%	118,600	8,947

J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 Web site 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.

BROADDUS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

b. 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 2014–2012.

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 16,028	1.00%	\$ 18,862	0.55%	\$ 13,563
2013	0.65%	15,354	0.50%	9,883	0.55%	12,896
2012	0.65%	15,297	1.00%	19,767	0.55%	12,737

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of District were \$6,858, \$6,399, and \$6,186, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan) through the TRS Active Care Program. The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2014.

BROADDUS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education services with the following school districts:

Special Education Services

Broaddus ISD
Brookeland ISD
Hemphill ISD – Fiscal Agent
West Sabine ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hemphill ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Other Disclosures

A prior period adjustment was posted to the Government-wide Governmental Activities and the General Fund for \$301,588 to accrue a payable for the potential reimbursement of Impact Aid received in prior years. The District was notified that past Impact Aid calculations erroneously overstated the amount of aid for the District. Impact Aid is calculated based on the number of acres held by the U.S. government times the average property values per acre at the District's property tax rate, net of Federal Forest revenues received.

Another prior period adjustment was posted to the Government-wide Governmental Activities for \$130,227 because the District adopted new accounting guidance contained in the Government Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. In compliance with the Statement, the District wrote off debt issue costs that had previously been reported as an asset.

	<u>Government- Wide</u>	<u>General Fund</u>
Accrual for reimbursement for over- funding of past Impact Aid program	\$ 301,588	\$ 301,588
Elimination of debt issue costs in compliance with GASB 65	<u>130,227</u>	<u>-</u>
Total	<u>\$ 431,815</u>	<u>\$ 301,588</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

BROADDUS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,243,694	\$ 1,243,694	\$ 1,305,504	\$ 61,810
5800	State Program Revenues	1,805,600	1,805,600	2,321,717	516,117
5900	Federal Program Revenues	--	--	58,281	58,281
5020	Total Revenues	<u>3,049,294</u>	<u>3,049,294</u>	<u>3,685,502</u>	<u>636,208</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,915,771	1,932,614	1,786,134	146,480
0012	Instructional Resources and Media Services	11,182	11,182	9,202	1,980
0013	Curriculum and Staff Development	150	150	95	55
	Total Instruction & Instr. Related Services	<u>1,927,103</u>	<u>1,943,946</u>	<u>1,795,431</u>	<u>148,515</u>
Instructional and School Leadership:					
0023	School Leadership	323,735	323,735	319,145	4,590
	Total Instructional & School Leadership	<u>323,735</u>	<u>323,735</u>	<u>319,145</u>	<u>4,590</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	64,238	65,220	62,715	2,505
0033	Health Services	53,424	59,187	55,901	3,286
0034	Student (Pupil) Transportation	306,314	307,610	278,201	29,409
0036	Cocurricular/Extracurricular Activities	93,530	95,592	86,340	9,252
	Total Support Services - Student (Pupil)	<u>517,506</u>	<u>527,609</u>	<u>483,157</u>	<u>44,452</u>
Administrative Support Services:					
0041	General Administration	282,861	287,930	270,653	17,277
	Total Administrative Support Services	<u>282,861</u>	<u>287,930</u>	<u>270,653</u>	<u>17,277</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	468,722	468,722	407,394	61,328
0052	Security and Monitoring Services	3,000	3,255	3,255	--
0053	Data Processing Services	111,708	165,920	159,222	6,698
	Total Support Services - Nonstudent Based	<u>583,430</u>	<u>637,897</u>	<u>569,871</u>	<u>68,026</u>
Debt Service:					
0071	Principal on Long-Term Debt	226,652	451,483	459,105	(7,622)
0072	Interest on Long-Term Debt	219,435	166,185	76,887	89,298
0073	Bond Issuance Costs and Fees	--	250	250	--
	Total Debt Service	<u>446,087</u>	<u>617,918</u>	<u>536,242</u>	<u>81,676</u>
Capital Outlay:					
0081	Capital Outlay	--	83,249	83,249	--
	Total Capital Outlay	<u>--</u>	<u>83,249</u>	<u>83,249</u>	<u>--</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	85,000	73,083	71,583	1,500
0099	Other Intergovernmental Charges	29,000	40,917	40,916	1
	Total Intergovernmental Charges	<u>114,000</u>	<u>114,000</u>	<u>112,499</u>	<u>1,501</u>
6030	Total Expenditures	<u>4,194,722</u>	<u>4,536,284</u>	<u>4,170,247</u>	<u>366,037</u>
1100	Excess (Deficiency) of Revenues Over (Under)				

BROADDUS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1
 Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Expenditures	<u>(1,145,428)</u>	<u>(1,486,990)</u>	<u>(484,745)</u>	<u>1,002,245</u>
1200	Net Change in Fund Balance	<u>(1,145,428)</u>	<u>(1,486,990)</u>	<u>(484,745)</u>	<u>1,002,245</u>
0100	Fund Balance - Beginning	3,553,564	3,553,564	3,553,564	--
1300	Prior Period Adjustment	--	--	(301,588)	(301,588)
0100	Fund Balance - Beginning, as Restated	3,553,564	3,553,564	3,251,976	(301,588)
3000	Fund Balance - Ending	<u>\$ 2,408,136</u>	<u>\$ 2,066,574</u>	<u>\$ 2,767,231</u>	<u>\$ 700,657</u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

BROADDUS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2014

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ 37,736
1240	Due from Other Governments	32,079	5,034
1000	Total Assets	<u>32,079</u>	<u>42,770</u>
LIABILITIES:			
Current Liabilities:			
2160	Accrued Wages Payable	\$ --	\$ 7,663
2170	Due to Other Funds	32,079	--
2000	Total Liabilities	<u>32,079</u>	<u>7,663</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	35,107
3000	Total Fund Balances	<u>--</u>	<u>35,107</u>
4000	Total Liabilities and Fund Balances	<u>\$ 32,079</u>	<u>\$ 42,770</u>

255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ -- 5,270 <u>5,270</u>	\$ -- 12,464 <u>12,464</u>	\$ 4,551 -- <u>4,551</u>	\$ 42,287 54,847 <u>97,134</u>
\$ -- 5,270 <u>5,270</u>	\$ -- 12,464 <u>12,464</u>	\$ -- -- <u>--</u>	\$ 7,663 49,813 <u>57,476</u>
<u>--</u> <u>--</u>	<u>--</u> <u>--</u>	<u>4,551</u> <u>4,551</u>	<u>39,658</u> <u>39,658</u>
\$ <u>5,270</u>	\$ <u>12,464</u>	\$ <u>4,551</u>	\$ <u>97,134</u>

BROADDUS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program
REVENUES:		
5700 Local and Intermediate Sources	\$ --	\$ 50,728
5800 State Program Revenues	--	1,498
5900 Federal Program Revenues	<u>150,318</u>	<u>223,379</u>
5020 Total Revenues	<u>150,318</u>	<u>275,605</u>
EXPENDITURES:		
Current:		
0011 Instruction	143,097	--
0013 Curriculum and Staff Development	3,878	--
0021 Instructional Leadership	3,343	--
0033 Health Services	--	--
0035 Food Service	--	288,630
6030 Total Expenditures	<u>150,318</u>	<u>288,630</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>--</u>	<u>(13,025)</u>
1200 Net Change in Fund Balances	--	(13,025)
0100 Fund Balances - Beginning	<u>--</u>	<u>48,132</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 35,107</u>

255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 50,728
--	--	30,305	31,803
<u>18,561</u>	<u>24,929</u>	--	<u>417,187</u>
<u>18,561</u>	<u>24,929</u>	<u>30,305</u>	<u>499,718</u>
--	24,929	25,754	193,780
3,190	--	--	7,068
600	--	--	3,943
14,771	--	--	14,771
--	--	--	288,630
<u>18,561</u>	<u>24,929</u>	<u>25,754</u>	<u>508,192</u>
--	--	4,551	(8,474)
--	--	4,551	(8,474)
--	--	--	48,132
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,551</u>	<u>\$ 39,658</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BROADDUS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2014

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2005 and Prior Years	\$	Various	\$	Various	\$	Various
2006		1.50		--		57,174,886
2007		1.37		--		59,642,912
2008		1.04		--		60,859,751
2009		1.04		--		63,000,839
2010		1.04		--		67,603,952
2011		1.17		--		65,984,021
2012		1.17		--		71,978,254
2013		1.04		--		123,617,961
2014 (School Year Under Audit)		1.17		--		108,150,984

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 104,519	\$ --	\$ 4,625	\$ --	\$ (5,090)	\$ 94,804
21,327	--	1,480	--	(55)	19,792
20,830	--	1,241	--	(212)	19,377
19,031	--	1,371	--	(50)	17,610
20,114	--	1,724	--	(38)	18,352
23,804	--	3,503	--	(17)	20,284
34,039	--	5,005	--	1,393	30,427
38,759	--	7,801	--	486	31,444
118,447	--	69,036	--	453	49,864
--	1,261,303	1,157,076	--	32,147	136,374
<u>\$ 400,870</u>	<u>\$ 1,261,303</u>	<u>\$ 1,252,862</u>	<u>\$ --</u>	<u>\$ 29,017</u>	<u>\$ 438,328</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BROADDUS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 60,950	\$ 60,950	\$ 50,728	\$ (10,222)
5800	State Program Revenues	2,000	2,000	1,498	(502)
5900	Federal Program Revenues	209,500	209,500	223,379	13,879
5020	Total Revenues	<u>272,450</u>	<u>272,450</u>	<u>275,605</u>	<u>3,155</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	270,154	294,835	288,630	6,205
	Total Support Services - Student (Pupil)	<u>270,154</u>	<u>294,835</u>	<u>288,630</u>	<u>6,205</u>
6030	Total Expenditures	<u>270,154</u>	<u>294,835</u>	<u>288,630</u>	<u>6,205</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	2,296	(22,385)	(13,025)	9,360
1200	Net Change in Fund Balance	<u>2,296</u>	<u>(22,385)</u>	<u>(13,025)</u>	<u>9,360</u>
0100	Fund Balance - Beginning	48,132	48,132	48,132	--
3000	Fund Balance - Ending	<u>\$ 50,428</u>	<u>\$ 25,747</u>	<u>\$ 35,107</u>	<u>\$ 9,360</u>

HALLS, JOHNSON, MCLEMORE & REDFIELD, LLP

1329 N. University Dr., Suite A3
Nacogdoches, TX 75961

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*

Board of Trustees
Broaddus Independent School District
P.O. Box 58
Broaddus, Texas 75929

Members of the Board of Trustees:

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 Broaddus Independent School District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Broaddus Independent School District's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Broaddus 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 Broaddus Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Broaddus 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 Broaddus 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.

Respectfully submitted,

Halls, Johnson, McLemore & Redfield, LLP

Halls, Johnson, McLemore & Redfield, LLP.
Nacogdoches, TX
October 30, 2014

BROADDUS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

The District's total federal expenditures were less than \$500,000; consequently, the District is not required to undergo a Single Audit.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

BROADDUS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - no prior findings		

BROADDUS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

N/A - no current findings

BROADDUS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2014

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