

*ANNUAL FINANCIAL REPORT*

of the

**BRENHAM  
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended  
August 31, 2016

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
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**INDEPENDENT SCHOOL DISTRICT**

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***INTRODUCTORY SECTION***

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CERTIFICATE OF BOARD

Brenham Independent School District                      Washington                      239-901  
Name of School District                      County                      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, 2016, at a meeting of the Board of Trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
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)

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

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

### 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 Brenham Independent School District (the "District"), as of and for the year ended August 31, 2016, 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.

### Auditors' 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 auditors' 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.

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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 District as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions, identified as Required Supplementary Information on 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, 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, the schedule of expenditures of federal awards, 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 January 11, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 11, 2017

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
For the Year Ended August 31, 2016

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Brenham Independent School District (the "District") for the year ending August 31, 2016. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2016 was \$24,161,888.
- For the year, the District's general fund reported a total fund balance of \$10,847,885, of which \$4,645 is nonspendable, \$1,400,000 is committed for construction, and \$9,443,240 is unassigned.
- At the end of the year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects funds) reported a combined ending fund balance of \$15,946,042.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic 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 *proprietary fund* statements provide information about services provided to parties inside the District. The proprietary funds include the internal service fund.
- *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 fiduciary resources belong. This fund includes student activity funds.

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

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2016

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

*Governmental Activities* – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

**FUND FINANCIAL STATEMENTS**

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2016

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.
- *Proprietary fund* – This fund includes the internal service fund. The District's workers' compensation activities are reported in the internal service fund and are shown in a separate statement of proprietary net position and a statement of changes in proprietary fund net position.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity 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 that are 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. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2016

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$24,161,888 at year end. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the year.

**Table 1**

Description	Governmental Activities		Total Change
	2016	2015	2016-2015
Current assets	\$ 19,818,616	\$ 15,935,978	\$ 3,882,638
Capital assets	56,128,463	58,310,017	(2,181,554)
<b>Total Assets</b>	<u>75,947,079</u>	<u>74,245,995</u>	<u>1,701,084</u>
Deferred charge on refunding	956,952	1,139,521	(182,569)
Deferred outflows - pensions	5,474,283	995,567	4,478,716
<b>Total Deferred Outflows of Resources</b>	<u>6,431,235</u>	<u>2,135,088</u>	<u>4,296,147</u>
Current liabilities	2,883,320	2,178,479	704,841
Long-term liabilities	53,886,064	50,953,852	2,932,212
<b>Total Liabilities</b>	<u>56,769,384</u>	<u>53,132,331</u>	<u>3,637,053</u>
Deferred inflows - pensions	1,447,042	1,094,501	352,541
<b>Total Deferred Inflows of Resources</b>	<u>1,447,042</u>	<u>1,094,501</u>	<u>352,541</u>
<b>Net Position:</b>			
Net investment in capital assets	19,574,857	19,548,130	26,727
Restricted	2,465,037	2,338,105	126,932
Unrestricted	2,121,994	268,016	1,853,978
<b>Total Net Position</b>	<u>\$ 24,161,888</u>	<u>\$ 22,154,251</u>	<u>\$ 2,007,637</u>

The District reported an increase of \$2,007,637 in net position from the prior year. This change in net position included an increase in unrestricted net position of \$1,853,978 and an increase in net investment in capital assets of \$26,727.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2016

Table 2 Changes in Net Position	Governmental Activities		Total Change
	2016	2015	2016-2015
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 960,899	\$ 3,105,712	\$ (2,144,813)
Operating grants and contributions	4,736,818	4,300,881	435,937
General revenues:			
Property taxes	27,781,041	26,104,782	1,676,259
Grants and contributions not restricted for specific programs	19,674,946	15,297,869	4,377,077
Investment earnings	77,163	18,447	58,716
Other revenue	809,946	139,659	670,287
<b>Total Revenue</b>	<u>54,040,813</u>	<u>48,967,350</u>	<u>5,073,463</u>
<b>Expenses</b>			
Instruction	29,211,698	27,493,803	1,717,895
Instructional resources and media services	725,065	697,975	27,090
Curriculum/instructional staff development	414,514	375,990	38,524
Instructional leadership	822,972	610,911	212,061
School leadership	2,536,800	2,337,923	198,877
Guidance, counseling, evaluation services	1,861,498	1,543,218	318,280
Social work services	57,240	36,424	20,816
Health services	568,273	527,370	40,903
Student (pupil) transportation	1,852,807	1,737,456	115,351
Food services	3,087,231	3,205,086	(117,855)
Extracurricular activities	1,705,477	1,779,662	(74,185)
General administration	1,939,739	1,866,748	72,991
Plant maintenance and operations	4,788,247	4,905,443	(117,196)
Security and monitoring services	293,025	286,757	6,268
Data processing services	803,563	770,945	32,618
Community services	126,034	127,709	(1,675)
Debt service - interest on long term debt	1,238,993	521,698	717,295
<b>Total Expenses</b>	<u>52,033,176</u>	<u>48,825,118</u>	<u>3,208,058</u>
<b>Change in Net Position</b>	<u>2,007,637</u>	<u>142,232</u>	<u>1,865,405</u>
Beginning net position	22,154,251	22,012,019	142,232
<b>Ending Net Position</b>	<u>\$ 24,161,888</u>	<u>\$ 22,154,251</u>	<u>\$ 2,007,637</u>

Total revenue increased by \$5,073,463 due to an increase in property tax revenue and grants. In addition, total expenses increased by \$3,208,058 due to increases in expenses for instruction.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2016

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year end August 31, 2016, the District's governmental funds reported a combined fund balance of \$15,946,042. This compares to a combined fund balance of \$12,799,589 at August 31, 2015. The fund balance in the general fund increased primarily due to an increase in property tax revenues compared to the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2016, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$2,702,002 due to greater than anticipated local revenue and the budgeted expenditures exceeded actual expenditures by \$190,714.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the year, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At year end, the District had a total of \$56,128,463 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes \$149,334 invested during the fiscal year ended August 31, 2016.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

**LONG-TERM DEBT**

At year end, the District had \$36,016,309 in general obligation bonds outstanding versus \$38,160,700 last year. The net decrease of \$2,144,391 is due to the principal payments paid during the year.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2016

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2016-2017 school year total \$40,651,288 and the District's Board of Trustees adopted an M & O tax rate of \$1.0333 and an I & S rate of \$0.1017 for a combined rate of \$1.135.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show 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 office at (979) 277-3710.

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***BASIC FINANCIAL STATEMENTS***

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF NET POSITION - EXHIBIT A-1*  
August 31, 2016

Data Control Codes		1 <u>Governmental Activities</u>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 17,454,924
1225	Property taxes receivable (net)	1,194,175
1240	Due from other governments	898,053
1267	Due from fiduciary funds	86,904
1290	Other receivables (net)	8,086
1300	Inventories	37,765
1490	Other current assets	138,709
		<u>19,818,616</u>
	Capital assets:	
1510	Land	2,835,660
1520	Buildings and improvements, net	52,547,960
1530	Equipment and vehicles, net	744,843
		<u>56,128,463</u>
1000	<b>Total Assets</b>	<u>75,947,079</u>
	<b><u>Deferred Outflows of Resources</u></b>	
1700	Deferred charge on refunding	956,952
1705	Deferred outflows - pensions	5,474,283
1700	<b>Total Deferred Outflows of Resources</b>	<u>6,431,235</u>
	<b><u>Liabilities</u></b>	
2110	Accounts payable	109,284
2140	Interest payable	232,263
2165	Accrued liabilities	2,332,391
2180	Due to other governments	30,611
2190	Due to student groups	98,053
2300	Unearned revenue	80,718
		<u>2,883,320</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within	
2501	one year	2,012,107
2502	Long-term liabilities due in more	
2502	than one year	43,425,448
2540	Net pension liability	8,448,509
2000	<b>Total Liabilities</b>	<u>56,769,384</u>
	<b><u>Deferred Inflows of Resources</u></b>	
2605	Deferred inflows - pensions	1,447,042
	<b><u>Net Position</u></b>	
3200	Net investment in capital assets	19,574,857
	Restricted for:	
3820	Federal and state programs	89,795
3850	Debt service	507,919
3890	Other purposes	1,867,323
3900	Unrestricted	2,121,994
3000	<b>Total Net Position</b>	<u>\$ 24,161,888</u>

See Notes to Financial Statements.

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# BRENHAM INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		6
			3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
	<b>Primary Government</b>				
	<b>Governmental Activities</b>				
11	Instruction	\$ 29,211,698	\$ 199,032	\$ 2,184,688	\$ (26,827,978)
12	Instructional resources				
12	and media services	725,065	-	-	(725,065)
13	Curriculum/instructional				
13	staff development	414,514	-	119,359	(295,155)
21	Instructional leadership	822,972	-	85,371	(737,601)
23	School leadership	2,536,800	-	-	(2,536,800)
31	Guidance, counseling,				
31	evaluation services	1,861,498	-	503,823	(1,357,675)
32	Social work services	57,240	-	-	(57,240)
33	Health services	568,273	-	-	(568,273)
34	Student (pupil) transportation	1,852,807	-	4,635	(1,848,172)
35	Food services	3,087,231	761,867	1,799,662	(525,702)
36	Extracurricular activities	1,705,477	-	-	(1,705,477)
41	General administration	1,939,739	-	-	(1,939,739)
51	Plant maintenance and operations	4,788,247	-	-	(4,788,247)
52	Security and monitoring services	293,025	-	-	(293,025)
53	Data processing services	803,563	-	39,280	(764,283)
61	Community services	126,034	-	-	(126,034)
72	Interest on long term debt	1,238,993	-	-	(1,238,993)
TG	<b>Total Governmental Activities</b>	<u>52,033,176</u>	<u>960,899</u>	<u>4,736,818</u>	<u>(46,335,459)</u>
TP	<b>Total Primary Government</b>	<u>\$ 52,033,176</u>	<u>\$ 960,899</u>	<u>\$ 4,736,818</u>	<u>(46,335,459)</u>
	<b>General Revenues</b>				
MT	Property taxes, levied for general purposes				25,293,841
DT	Property taxes, levied for debt service				2,487,200
GC	Grants and contributions not restricted				
GC	for specific programs				19,674,946
IE	Investment earnings				77,163
MI	Miscellaneous local and intermediate revenue				809,946
TR	<b>Total General Revenues</b>				<u>48,343,096</u>
CN	<b>Change in Net Position</b>				<u>2,007,637</u>
NB	Beginning net position				22,154,251
NE	<b>Ending Net Position</b>				<u>\$ 24,161,888</u>

See Notes to Financial Statements.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*BALANCE SHEET*  
**GOVERNMENTAL FUNDS - EXHIBIT C-1**

August 31, 2016

Data Control Codes	10	50	617	616
	General	Debt Service	Construction	Construction
<b>Assets:</b>				
1110	\$ 14,745,703	\$ 507,919	\$ 1,239,179	\$ 346,126
1220	1,429,786	153,576	-	-
1230	(348,869)	(40,318)	-	-
1240	760,556	-	-	-
1260	418,951	-	-	2,600,000
1290	2,920	-	-	-
1300	4,645	-	-	-
1490	-	-	-	-
1000	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>
	<u>\$ 17,013,692</u>	<u>\$ 621,177</u>	<u>\$ 1,239,179</u>	<u>\$ 2,946,126</u>
<b>Liabilities:</b>				
2110	\$ 21,167	\$ -	\$ -	\$ -
2150	335,737	-	-	-
2160	1,847,489	-	-	-
2170	2,880,497	-	-	-
2180	-	-	-	-
2190	-	-	-	-
2300	-	-	-	-
2000	<b>Total Liabilities</b>	<b>Total Liabilities</b>	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<u>5,084,890</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>				
2600	1,080,917	113,258	-	-
<b>Fund Balances:</b>				
Nonspendable:				
3410	4,645	-	-	-
Restricted:				
3450	-	-	-	-
3470	-	-	1,239,179	346,126
3480	-	507,919	-	-
3490	-	-	-	-
Committed:				
3510	1,400,000	-	-	2,600,000
3600	9,443,240	-	-	-
3000	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>
	<u>10,847,885</u>	<u>507,919</u>	<u>1,239,179</u>	<u>2,946,126</u>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>
	<u>\$ 17,013,692</u>	<u>\$ 621,177</u>	<u>\$ 1,239,179</u>	<u>\$ 2,946,126</u>

See Notes to Financial Statements.

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 615,997	\$ 17,454,924
-	1,583,362
-	(389,187)
137,497	898,053
-	3,018,951
5,166	8,086
33,120	37,765
108,102	108,102
<u>\$ 899,882</u>	<u>\$ 22,720,056</u>
\$ 84,852	\$ 106,019
-	335,737
149,165	1,996,654
51,550	2,932,047
30,611	30,611
98,053	98,053
80,718	80,718
<u>494,949</u>	<u>5,579,839</u>
-	<u>1,194,175</u>
33,120	37,765
89,795	89,795
-	1,585,305
-	507,919
282,018	282,018
-	4,000,000
-	9,443,240
<u>404,933</u>	<u>15,946,042</u>
<u>\$ 899,882</u>	<u>\$ 22,720,056</u>

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R**  
**August 31, 2016**

Total fund balances for governmental funds \$ 15,946,042

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	2,835,660	
Capital assets - depreciable	53,292,803	
	56,128,463	56,128,463

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

1,194,175

The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.

27,342

Deferred outflows and deferred inflows related to pension activity during the current period are not reported in the governmental funds.

Deferred outflows	5,474,283	
Deferred inflows	(1,447,042)	
	4,027,241	4,027,241

Some liabilities, including bonds payable and net pension liability, are not reported as liabilities in the governmental funds.

Accrued interest	(232,263)	
Premium on bond issuance	(2,733,428)	
Loss on bond refunding	956,952	
Non-current liabilities due in one year	(2,012,107)	
Non-current liabilities due in more than one year	(49,140,529)	
	(53,161,375)	(53,161,375)

**Net Position of Governmental Activities** **\$ 24,161,888**

See Notes to Financial Statements.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - EXHIBIT C-2**  
For the Year Ended August 31, 2016

Data Control Codes		10	50	617	616
		General	Debt Service	Construction	Construction
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 25,877,030	\$ 2,489,907	\$ 2,950	\$ 221,100
5800	State program revenues	16,085,771	68,100	-	-
5900	Federal program revenues	953,233	-	-	-
5020	<b>Total Revenues</b>	<u>42,916,034</u>	<u>2,558,007</u>	<u>2,950</u>	<u>221,100</u>
<b>Expenditures</b>					
0011	Instruction	23,171,770	-	-	-
0012	Instructional resources/media services	565,936	-	-	-
0013	Curriculum and staff development	237,030	-	-	-
0021	Instructional leadership	642,483	-	-	-
0023	School leadership	2,295,598	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	1,131,191	-	-	-
0032	Social work services	53,841	-	-	-
0033	Health services	532,852	-	-	-
0034	Student (pupil) transportation	1,826,754	-	-	-
0035	Food service	33,872	-	-	-
0036	Extracurricular activities	1,436,052	-	-	-
0041	General administration	1,734,031	-	-	-
0051	Plant maintenance and operations	4,582,308	-	528	-
0052	Security and monitoring services	290,022	-	-	-
0053	Data processing services	721,827	-	-	-
0061	Community services	116,816	-	-	-
<b>Debt service:</b>					
0071	Principal	300,000	1,598,842	-	138,577
0072	Interest	26,000	761,172	-	5,150
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	85,726	-	28,437	99,558
6030	<b>Total Expenditures</b>	<u>39,784,109</u>	<u>2,360,014</u>	<u>28,965</u>	<u>243,285</u>
1100	<b>Excess (Deficiency) of Revenues</b>				
1100	<b>Over (Under) Expenditures</b>	<u>3,131,925</u>	<u>197,993</u>	<u>(26,015)</u>	<u>(22,185)</u>
<b>Other Financing Sources (Uses)</b>					
7915	Transfers in	-	-	-	2,600,000
8911	Transfers (out)	(2,600,000)	-	-	-
7080	<b>Total Other Financing Sources (Uses)</b>	<u>(2,600,000)</u>	<u>-</u>	<u>-</u>	<u>2,600,000</u>
1200	<b>Net Change in Fund Balances</b>	531,925	197,993	(26,015)	2,577,815
0100	Beginning fund balances	10,315,960	309,926	1,265,194	368,311
3000	<b>Ending Fund Balances</b>	<u>\$ 10,847,885</u>	<u>\$ 507,919</u>	<u>\$ 1,239,179</u>	<u>\$ 2,946,126</u>

See Notes to Financial Statements.

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 960,899	\$ 29,551,886
474,596	16,628,467
4,266,356	5,219,589
<u>5,701,851</u>	<u>51,399,942</u>
2,296,213	25,467,983
49,639	615,575
119,359	356,389
85,371	727,854
26,002	2,321,600
503,823	1,635,014
-	53,841
-	532,852
4,635	1,831,389
2,709,814	2,743,686
2,980	1,439,032
-	1,734,031
-	4,582,836
-	290,022
39,280	761,107
-	116,816
-	2,037,419
-	792,322
-	213,721
<u>5,837,116</u>	<u>48,253,489</u>
<u>(135,265)</u>	<u>3,146,453</u>
-	2,600,000
-	<u>(2,600,000)</u>
-	-
(135,265)	3,146,453
540,198	12,799,589
<u>\$ 404,933</u>	<u>\$ 15,946,042</u>

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES - EXHIBIT C-3*  
For the Year Ended August 31, 2016

Net changes in fund balances - total governmental funds	\$ 3,146,453
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(2,330,888)
Capital outlay (net of disposed assets)	149,334
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	79,510
Net pension liability and deferred outflows, and deferred inflows related to the net pension liability are not reported in the governmental funds.	
Net pension liability	(4,870,573)
Deferred outflows	4,478,716
Deferred inflows	(352,541)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	
Principal repayments	2,144,391
Accrued interest	(58,072)
Amortization of loss on bond refunding	(182,569)
Amortization of premiums	272,474
Accreted interest	(478,504)
An internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	9,906
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,007,637</b>

See Notes to Financial Statements.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF NET POSITION*  
*INTERNAL SERVICE FUND - EXHIBIT D-1*  
August 31, 2016

		<u>Governmental Activities Internal Service</u>
<b><u>Assets</u></b>		
Current assets:		
Other current assets		\$ 30,607
<b>Total Assets</b>		<u>30,607</u>
 <b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable and wages payable		3,265
<b>Total Liabilities</b>		<u>3,265</u>
 <b><u>Net Position</u></b>		
Unrestricted		27,342
<b>Total Net Position</b>		<u>\$ 27,342</u>

See Notes to Financial Statements.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION*  
*INTERNAL SERVICE FUND - EXHIBIT D-2*  
For the Year Ended August 31, 2016

	Governmental Activities
	Internal Service
<b><u>Operating Revenues</u></b>	
Charges for services	\$ 122,884
<b>Total Operating Revenues</b>	122,884
<b><u>Operating Expenses</u></b>	
Payroll costs	105,152
Student transportation	
Supplies	2,940
Other operating costs	4,886
<b>Total Operating Expenses</b>	112,978
<b>Operating Income</b>	9,906
Beginning net position	17,436
<b>Ending Net Position</b>	\$ 27,342

See Notes to Financial Statements.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CASH FLOWS*  
*INTERNAL SERVICE FUND - EXHIBIT D-3*  
For the Year Ended August 31, 2016

	<b>Governmental Activities</b>
	<b>Internal Service</b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers	\$ 122,884
Cash payments to suppliers and employers	(122,884)
<b>Net Cash Provided (Used) by Operating Activities</b>	-
Beginning cash and cash equivalents	-
<b>Ending Cash and Cash Equivalents</b>	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income	\$ 9,906
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
<b>Change in Assets and Liabilities:</b>	
(Increase) decrease in other current assets	12,006
Increase (decrease) in accounts payable and accrued wages payable	(21,912)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ -

See Notes to Financial Statements.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT E-1*

August 31, 2016

	Private-Purpose	Agency Funds	
	Trust Fund		
	Scholarship	Washington County Appraisal District	Student Activity
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 145,467	\$ 261,537	\$ 481,809
<b>Total Assets</b>	<u>145,467</u>	<u>261,537</u>	<u>481,809</u>
<b><u>Liabilities</u></b>			
Accounts payable	58,563	-	481,809
Due to other funds	86,904	-	-
Due to other governments	-	261,537	-
<b>Total Liabilities</b>	<u>145,467</u>	<u>261,537</u>	<u>481,809</u>
<b><u>Net Position</u></b>			
Held in trust	-	-	-
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS*  
For the Year Ended August 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Brenham 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 (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by GAAP, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

The District reports the following governmental funds:

**General Fund**

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

**Capital Projects Funds**

The capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects funds are considered major funds for reporting purposes.

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

**Proprietary Funds**

The proprietary fund accounts for services that are generally fully supported by user fees. Proprietary funds are presented on a total economic resources basis. Proprietary fund statements, like government-wide statements, provide both short and long-term information.

The District has the following types of proprietary funds:

**Internal Service Funds**

This fund is used to account for revenue and expenses related to services provided to parties inside the District. This fund facilitates distribution of support costs to the users of support services on a cost reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the governmental activities column of the government-wide financial statements.



**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

**Fiduciary Funds**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

**Private-Purpose Trust Funds**

Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

**Agency Funds**

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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

**2. Investments**

In accordance with GASB Statement No. 31, "*Accounting and Reporting for Certain Investments and External Investment Pools*," the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

**3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

**4. Capital Assets**

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	15 to 40 years
Vehicles	10 years
Equipment	5 to 18 years

**5. Deferred Outflows/Inflows 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

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(s) and so will *not*

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be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, 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 revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**6. Long-Term Obligations**

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest reported as expenditures. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

**7. Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**8. Fund Balance Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund

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balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**9. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**10. Estimates**

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

**11. Data Control Codes**

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

**12. Pensions**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments

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(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to customers for sales and services. Operating expenses for the internal service fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects funds for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

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During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s investment policy requires funds on deposit at the depository bank to be collateralized. As of year end, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

*Interest rate risk.* In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

*Credit risk.* The District’s investment policy limits investments in money market mutual funds rated as to investment quality not less than ‘AAA’ by Standard & Poor’s.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s investments are held in external investment pools which are not subject to custodial credit risk.

At year end, the District’s investments were as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rating</u>
Lone Star	N/A	\$ 76,224	AAA
TexPool	N/A	1,430,782	AAAm
Texas CLASS	N/A	1,376,834	Aam
	<b>Total</b>	<b>\$ 2,883,840</b>	

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**B. Capital Assets**

A summary of changes in capital assets for governmental activities at year end is as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,835,660	\$ -	\$ -	\$ 2,835,660
<b>Total Capital Assets Not Being Depreciated</b>	2,835,660	-	-	2,835,660
Other capital assets:				
Buildings and improvements	91,827,747	81,409	-	91,909,156
Equipment	3,573,889	54,925	-	3,628,814
Vehicles	3,047,423	13,000	-	3,060,423
<b>Total Other Capital Assets</b>	98,449,059	149,334	-	98,598,393
Less accumulated depreciation for:				
Buildings and improvements	(37,359,371)	(2,001,825)	-	(39,361,196)
Equipment	(2,860,449)	(322,749)	-	(3,183,198)
Vehicles	(2,754,882)	(6,314)	-	(2,761,196)
<b>Total Accumulated Depreciation</b>	(42,974,702)	(2,330,888)	-	(45,305,590)
Other capital assets, net	55,474,357	(2,181,554)	-	53,292,803
<b>Governmental Activities     Capital Assets, Net</b>	\$ 58,310,017	\$ (2,181,554)	\$ -	56,128,463
			Less associated debt	(37,510,558)
			Plus deferred charge on refunding	956,952
			<b>Net Investment in Capital Assets</b>	<b>\$ 19,574,857</b>

Depreciation was charged to governmental functions as follows:

	<b>Governmental Activities</b>
11 Instruction	\$ 1,634,784
12 Instructional resources/media services	75,367
13 Curriculum and staff development	17,056
21 Instructional leadership	23,370
23 School leadership	17,056
34 Student (pupil) transportation	21,418
35 Food service	133,181
36 Extracurricular activities	181,443
41 General administration	102,419
51 Plant maintenance and operations	107,738
53 Data processing services	17,056
<b>Total Depreciation Expense</b>	<b>\$ 2,330,888</b>



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**C. Long-Term Liabilities**

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general, debt service, capital projects, and special revenue funds to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year	Interest Rates
Bonds and notes payable and capital leases:						
Series 2003	\$ 415,731	\$ -	\$ (138,577)	\$ 277,154	\$ 138,577	1.60%
Series 2010	2,700,000	-	(300,000)	2,400,000	300,000	1.00%
Series 2012R	32,901,214	-	(891,840)	32,009,374	863,120	3.00%
Series 2014R	1,925,872	-	(707,002)	1,218,870	599,499	1.65%
Capital lease	217,883	-	(106,972)	110,911	110,911	3.50%
	<u>38,160,700</u>	<u>-</u>	<u>(2,144,391)</u>	<u>36,016,309</u>	<u>* 2,012,107</u>	
Other liabilities:						
Accreted interest	6,209,314	478,504	-	6,687,818	-	
Net pension liability	3,577,936	4,870,573	-	8,448,509	-	
Unamortized bond premium	3,005,902	-	(272,474)	2,733,428	*	-
<b>Total Governmental Activities</b>	<u>\$ 50,953,852</u>	<u>\$ 5,349,077</u>	<u>\$ (2,416,865)</u>	<u>\$ 53,886,064</u>	<u>\$ 2,012,107</u>	
				<u>\$ 51,873,957</u>		
					<u>\$ 38,749,737</u>	

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end are as follows:

Year Ended Aug 31	General Obligation Bonds		
	Principal	Interest	Total Requirements
2017	\$ 1,462,618	\$ 890,895	\$ 2,353,513
2018	1,407,627	915,887	2,323,514
2019	1,379,625	963,889	2,343,514
2020	1,293,736	1,084,778	2,378,514
2021	1,229,832	1,143,682	2,373,514
2022-2026	5,263,415	6,224,482	11,487,897
2027-2031	6,841,698	5,171,666	12,013,364
2032-2036	6,007,311	5,126,900	11,134,211
2037-2041	4,772,382	8,124,007	12,896,389
2042-2043	3,570,000	274,663	3,844,663
	<u>\$ 33,228,244</u>	<u>\$ 29,920,849</u>	<u>\$ 63,149,093</u>

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Tax Maintenance Notes			
Year Ended Aug 31	Principal	Interest	Total Requirements
2017	\$ 438,577	\$ 26,900	\$ 465,477
2018	438,577	23,900	462,477
2019	300,000	16,500	316,500
2020	300,000	13,500	313,500
2021	300,000	10,500	310,500
2022-2024	900,000	13,500	913,500
	\$ 2,677,154	\$ 104,800	\$ 2,781,954

  

Capital Leases			
Year Ended Aug 31	Principal	Interest	Total Requirements
2017	\$ 110,911	\$ 4,085	\$ 114,996

**D. Interfund Transactions**

The interfund balances and transfers were as follows:

Due From	Due To	Amount
Special Revenue Funds	General Fund	\$ 51,550
General Fund	Special Revenue Funds	2,880,497
Trust Fund	General Fund	86,904
		\$ 3,018,951

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

**IV. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

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Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**C. Defined Benefit Pension Plan**

**Teacher Retirement System**

Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are

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grandfathered, the 3 highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 Employer Contributions	\$707,703	
2015 Member Contributions	\$615,683	
2015 NECE On-behalf Contributions	\$1,506,279	

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2015
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the

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non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
<b>Global</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	70.0%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bond	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and National Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
<b>Total</b>	100%		8.7%

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

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Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	<b>1% Decrease in Discount Rate (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase in Discount Rate (9%)</b>
District's proportionate share of the net pension liability	\$ 13,237,221	\$ 8,448,509	\$ 4,459,809

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2016, the District reported a liability of \$8,448,509 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate of the collective net pension liability	\$ 8,448,509
State's proportionate share that is associated with the District	17,976,490
Total	\$ 26,424,999

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the District's proportion of the collective net pension liability was 0.0527456%, which was an increase of 0.0211356% from its proportion measured as of August 31, 2014.

**Changes Since the Prior Actuarial Valuation** – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities and, therefore, these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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



**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

For the year ended August 31, 2016, the District recognized pension expense of \$3,305,799 and revenue of \$2,561,361 for support provided by the State.

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 46,019	\$ (324,684)
Changes in actuarial assumptions	193,421	(301,406)
Difference between projected and actual investment earnings	2,080,680	(820,172)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,399,084	(780)
Contributions paid to TRS subsequent to the measurement date	755,079	-
	<u>\$ 5,474,283</u>	<u>\$ (1,447,042)</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended August 31</b>	<b>Pension Expense Amount</b>
2016	\$ (224,980)
2017	(224,980)
2018	(224,980)
2019	(224,980)
2020	48,411
Thereafter	44,912
<b>Total</b>	<u>\$ (806,597)</u>

**D. Retiree Health Care Plan**

Plan Description

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

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

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. The State of Texas and active public school employee contribution rates were one percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2016, 2015, and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$21,325, \$19,681, and \$19,337, respectively; the active member contributions were \$180,757, \$176,119, and \$176,275, respectively; and the District's contributions were \$152,948, \$149,023, and \$149,156, respectively; which equaled the required contributions each year.

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 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, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$106,495, \$110,281, and \$72,597, respectively.

**E. Employee Health Care Coverage**

During the year, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2016 and terms of coverage and premiums costs are included in the contractual provisions.

**F. Unemployment Compensation**

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool.

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2016

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*  
**BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1**  
For the Year Ended August 31, 2016

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		Positive (Negative)
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 25,189,097	\$ 25,246,283	\$ 25,877,030	\$ 630,747
5800	State program revenues	14,476,396	14,519,070	16,085,771	1,566,701
5900	Federal program revenues	448,679	448,679	953,233	504,554
5020	<b>Total Revenues</b>	<u>40,114,172</u>	<u>40,214,032</u>	<u>42,916,034</u>	<u>2,702,002</u>
<b>Expenditures</b>					
0011	Instruction	23,198,017	23,174,240	23,171,770	2,470
0012	Instructional resources/media services	570,455	570,455	565,936	4,519
0013	Curriculum and staff development	242,078	242,078	237,030	5,048
0021	Instructional leadership	639,602	642,602	642,483	119
0023	School leadership	2,301,570	2,301,570	2,295,598	5,972
0031	Guidance, counseling, and evaluation services	1,140,049	1,140,049	1,131,191	8,858
0032	Social work services	54,459	54,459	53,841	618
0033	Health services	542,374	542,374	532,852	9,522
0034	Student (pupil) transportation	1,849,500	1,849,500	1,826,754	22,746
0035	Food service	31,000	46,000	33,872	12,128
0036	Extracurricular activities	1,423,430	1,448,474	1,436,052	12,422
0041	General administration	1,619,213	1,734,456	1,734,031	425
0051	Plant maintenance and operations	4,600,800	4,621,393	4,582,308	39,085
0052	Security and monitoring services	309,723	312,723	290,022	22,701
0053	Data processing services	692,131	731,656	721,827	9,829
0061	Community services	136,294	136,294	116,816	19,478
<b>Debt service:</b>					
0071	Principal	300,000	300,000	300,000	-
0072	Interest	26,500	26,500	26,000	500
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	100,000	100,000	85,726	14,274
6030	<b>Total Expenditures</b>	<u>39,777,195</u>	<u>39,974,823</u>	<u>39,784,109</u>	<u>190,714</u>
1100	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>336,977</u>	<u>239,209</u>	<u>3,131,925</u>	<u>2,892,716</u>
0100	Beginning fund balance	10,315,960	10,315,960	10,315,960	-
3000	<b>Ending Fund Balance</b>	<u>\$ 10,652,937</u>	<u>\$ 10,555,169</u>	<u>\$ 10,847,885</u>	<u>\$ 292,716</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE*  
*OF THE NET PENSION LIABILITY*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) EXHIBIT-G-2**  
For the Year Ended August 31, 2016

	Year*	
	2016	2015
District's proportion of the net pension liability (asset)	0.0239005%	0.0133948%
District's proportionate share of the net pension liability (asset)	\$ 8,448,509	\$ 3,577,936
State's proportionate share of the net pension liability (asset) associated with the District	17,976,490	16,050,650
Total	<u>\$ 26,424,999</u>	<u>\$ 19,628,586</u>
District's covered employee payroll**	\$ 27,808,701	\$ 27,095,156
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	30.38%	13.21%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

\*Only two year's worth of information is currently available.

\*\*As of the measurement date.

Notes to Required Supplementary Information:

*Changes in assumptions:* See notes to the financial statements (Defined Benefit Pension Plan, Teacher Retirement System disclosure) for changes.

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

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)-EXHIBIT G-3**  
For the Year Ended August 31, 2016

	Fiscal Year*		
	2016	2015	2014
Contractually required contribution	\$ 755,079	\$ 707,663	\$ 339,596
Contributions in relations to the contractually required contribution	755,079	707,663	339,596
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 27,808,701	\$ 27,095,156	\$ 27,119,270
Contributions as a percentage of covered employee payroll	2.72%	2.61%	1.25%

\*Only three years of information is currently available. The District will build this schedule over the next seven years.

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***OTHER SUPPLEMENTARY  
INFORMATION***

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING BALANCE SHEET*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 3)**  
**August 31, 2016**

<b>Data Control Codes</b>	<b>211</b>	<b>224</b>	<b>225</b>	<b>226</b>	
<b>Codes</b>	<b>ESEA Title I Part A</b>	<b>IDEA-B Formula</b>	<b>IDEA-B Preschool Grant</b>	<b>IDEA-B High Cost</b>	
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ 24,818	\$ 23,909	\$ 30,725	\$ -
1240	Due from other governments	4,974	20,679	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1490	Other current assets	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 29,792</u>	<u>\$ 44,588</u>	<u>\$ 30,725</u>	<u>\$ -</u>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ -	\$ -	\$ 114	\$ -
2160	Accrued wages payable	29,792	44,588	-	-
2170	Due to other funds	-	-	-	-
2180	Due to other governments	-	-	30,611	-
2190	Due to student groups	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	<b>Total Liabilities</b>	<u>29,792</u>	<u>44,588</u>	<u>30,725</u>	<u>-</u>
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	-	-	-	-
Restricted:					
3450	Federal and state programs	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 29,792</u>	<u>\$ 44,588</u>	<u>\$ 30,725</u>	<u>\$ -</u>

240 National School Breakfast and Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Part A	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B Subpart 2 Rural School	289 Summer School LEP
\$ 137,145	\$ 14,292	\$ 5,103	\$ -	\$ 2,534	\$ 19
76,957	542	3,462	27,345	-	-
-	5,166	-	-	-	-
33,120	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 247,222</u>	<u>\$ 20,000</u>	<u>\$ 8,565</u>	<u>\$ 27,345</u>	<u>\$ 2,534</u>	<u>\$ 19</u>
\$ 2,741	\$ -	\$ -	\$ 21,991	\$ -	\$ -
58,969	-	8,565	1,812	-	-
-	20,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
64,345	-	-	3,542	2,534	19
<u>126,055</u>	<u>20,000</u>	<u>8,565</u>	<u>27,345</u>	<u>2,534</u>	<u>19</u>
33,120	-	-	-	-	-
88,047	-	-	-	-	-
-	-	-	-	-	-
<u>121,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 247,222</u>	<u>\$ 20,000</u>	<u>\$ 8,565</u>	<u>\$ 27,345</u>	<u>\$ 2,534</u>	<u>\$ 19</u>

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING BALANCE SHEET*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 3)**  
August 31, 2016

Data Control Codes	385	397	410	429	
	Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook	Texas Parks and Wildlife	
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ -	\$ 54	\$ 11,574	\$ -
1240	Due from other governments	-	-	-	3,538
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1490	Other current assets	-	-	-	-
1000	<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 54</b>	<b>\$ 11,574</b>	<b>\$ 3,538</b>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	1,350	3,538
2170	Due to other funds	-	-	-	-
2180	Due to other governments	-	-	-	-
2190	Due to student groups	-	-	-	-
2300	Unearned revenue	-	54	10,224	-
2000	<b>Total Liabilities</b>	<b>-</b>	<b>54</b>	<b>11,574</b>	<b>3,538</b>
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	-	-	-	-
Restricted:					
3450	Federal and state programs	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ -</b>	<b>\$ 54</b>	<b>\$ 11,574</b>	<b>\$ 3,538</b>



490 Brenham High School Campus Activity	491 Brenham Middle School Campus Activity	492 Krause Elementary School Campus Activity	493 Alton Elementary School Campus Activity	494 Brenham Elementary School Campus Activity	495 Leap Campus Activity
\$ 118,243	\$ 103,429	\$ 43,527	\$ 51,386	\$ 31,431	\$ 422
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	718	-	4,072	80,938	1,748
<u>\$ 118,243</u>	<u>\$ 104,147</u>	<u>\$ 43,527</u>	<u>\$ 55,458</u>	<u>\$ 112,369</u>	<u>\$ 2,170</u>
\$ 9,070	\$ -	\$ 29,328	\$ 21,540	\$ -	\$ 68
551	-	-	-	-	-
31,550	-	-	-	-	-
-	-	-	-	-	-
31,679	63,689	-	-	2,331	354
-	-	-	-	-	-
<u>72,850</u>	<u>63,689</u>	<u>29,328</u>	<u>21,540</u>	<u>2,331</u>	<u>422</u>
-	-	-	-	-	-
-	-	-	-	-	1,748
45,393	40,458	14,199	33,918	110,038	-
<u>45,393</u>	<u>40,458</u>	<u>14,199</u>	<u>33,918</u>	<u>110,038</u>	<u>1,748</u>
<u>\$ 118,243</u>	<u>\$ 104,147</u>	<u>\$ 43,527</u>	<u>\$ 55,458</u>	<u>\$ 112,369</u>	<u>\$ 2,170</u>

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING BALANCE SHEET*

*NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 3 of 3)*  
 August 31, 2016

<u>Data Control Codes</u>		496 Brenham Junior High School Campus Activity	497 Legacy Fund	Total Nonmajor Governmental Funds
<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ 10,085	\$ 7,301	\$ 615,997
1240	Due from other governments	-	-	137,497
1290	Other receivables	-	-	5,166
1300	Inventories	-	-	33,120
1490	Other current assets	20,626	-	108,102
1000	<b>Total Assets</b>	<u>\$ 30,711</u>	<u>\$ 7,301</u>	<u>\$ 899,882</u>
<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ -	\$ -	\$ 84,852
2160	Accrued wages payable	-	-	149,165
2170	Due to other funds	-	-	51,550
2180	Due to other governments	-	-	30,611
2190	Due to student groups	-	-	98,053
2300	Unearned revenue	-	-	80,718
2000	<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>494,949</u>
<b><u>Fund Balances</u></b>				
Nonspendable:				
3410	Inventories	-	-	33,120
Restricted:				
3450	Federal and state programs	-	-	89,795
3490	Other restrictions of fund balance	30,711	7,301	282,018
3000	<b>Total Fund Balances</b>	<u>30,711</u>	<u>7,301</u>	<u>404,933</u>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 30,711</u>	<u>\$ 7,301</u>	<u>\$ 899,882</u>

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 3)**  
For the Year Ended August 31, 2016

<u>Data Control Codes</u>		211	224	225	226
		<u>ESEA Title I Part A</u>	<u>IDEA-B Formula</u>	<u>IDEA-B Preschool Grant</u>	<u>IDEA-B High Cost</u>
<b><u>Revenues</u></b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	958,517	983,580	22,047	101,504
5020	<b>Total Revenues</b>	<u>958,517</u>	<u>983,580</u>	<u>22,047</u>	<u>101,504</u>
<b><u>Expenditures</u></b>					
0011	Instruction	886,951	479,757	22,047	101,504
0012	Instructional resources/media services	-	-	-	-
0013	Curriculum and staff development	11,006	-	-	-
0021	Instructional leadership	58,909	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	503,823	-	-
0034	Student transportation	1,651	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0053	Data processing services	-	-	-	-
6030	<b>Total Expenditures</b>	<u>958,517</u>	<u>983,580</u>	<u>22,047</u>	<u>101,504</u>
1200	<b>Net Change in Fund Balances</b>	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National School Breakfast and Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Part A	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B Subpart 2 Rural School	289 Summer School LEP
\$ 761,867	\$ -	\$ -	\$ -	\$ -	\$ -
13,898	-	-	-	-	-
1,785,764	56,544	214,289	47,090	94,795	2,226
<u>2,561,529</u>	<u>56,544</u>	<u>214,289</u>	<u>47,090</u>	<u>94,795</u>	<u>2,226</u>
-	51,582	109,428	45,794	69,161	2,226
-	-	-	-	-	-
-	-	104,861	1,296	-	-
-	828	-	-	25,634	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,709,814	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,709,814</u>	<u>52,410</u>	<u>214,289</u>	<u>47,090</u>	<u>94,795</u>	<u>2,226</u>
(148,285)	4,134	-	-	-	-
269,452	(4,134)	-	-	-	-
<u>\$ 121,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 3)**  
For the Year Ended August 31, 2016

<u>Data Control Codes</u>		385	397	410	429
		Supplemental Visually Impaired	Advanced Placement Incentives	State Textbook	Texas Parks and Wildlife
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	5,040	2,196	444,182	9,280
5900	Federal program revenues	-	-	-	-
5020	<b>Total Revenues</b>	<u>5,040</u>	<u>2,196</u>	<u>444,182</u>	<u>9,280</u>
<b>Expenditures</b>					
0011	Instruction	5,040	-	404,902	6,296
0012	Instructional resources/media services	-	-	-	-
0013	Curriculum and staff development	-	2,196	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	-	-
0034	Student transportation	-	-	-	2,984
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0053	Data processing services	-	-	39,280	-
6030	<b>Total Expenditures</b>	<u>5,040</u>	<u>2,196</u>	<u>444,182</u>	<u>9,280</u>
1200	<b>Net Change in Fund Balances</b>	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>490 Brenham High School Campus Activity</b>	<b>491 Brenham Middle School Campus Activity</b>	<b>492 Krause Elementary School Campus Activity</b>	<b>493 Alton Elementary School Campus Activity</b>	<b>494 Brenham Elementary School Campus Activity</b>	<b>495 Leap Campus Activity</b>
\$ 41,299	\$ 24,618	\$ 18,257	\$ 43,132	\$ 60,227	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>41,299</u>	<u>24,618</u>	<u>18,257</u>	<u>43,132</u>	<u>60,227</u>	<u>-</u>
21,698	8,960	28,887	18,460	33,520	-
1,248	15,227	9,716	11,759	11,246	-
-	-	-	-	-	-
-	-	-	-	-	-
10,509	5,620	-	4,146	5,727	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,361	-	-	-	619	-
-	-	-	-	-	-
<u>35,816</u>	<u>29,807</u>	<u>38,603</u>	<u>34,365</u>	<u>51,112</u>	<u>-</u>
5,483	(5,189)	(20,346)	8,767	9,115	-
39,910	45,647	34,545	25,151	100,923	1,748
<u>\$ 45,393</u>	<u>\$ 40,458</u>	<u>\$ 14,199</u>	<u>\$ 33,918</u>	<u>\$ 110,038</u>	<u>\$ 1,748</u>

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 3 of 3)**  
For the Year Ended August 31, 2016

<u>Data Control Codes</u>		496 Brenham Junior High School <u>Campus Activity</u>	497 <u>Legacy Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>Revenues</u></b>				
5700	Local, intermediate, and out-of-state	\$ 4,198	\$ 7,301	\$ 960,899
5800	State program revenues	-	-	474,596
5900	Federal program revenues	-	-	4,266,356
5020	<b>Total Revenues</b>	<u>4,198</u>	<u>7,301</u>	<u>5,701,851</u>
<b><u>Expenditures</u></b>				
0011	Instruction	-	-	2,296,213
0012	Instructional resources/media services	443	-	49,639
0013	Curriculum and staff development	-	-	119,359
0021	Instructional leadership	-	-	85,371
0023	School leadership	-	-	26,002
0031	Guidance, counseling, and			
0031	evaluation services	-	-	503,823
0034	Student transportation	-	-	4,635
0035	Food service	-	-	2,709,814
0036	Extracurricular activities	-	-	2,980
0053	Data processing services	-	-	39,280
6030	<b>Total Expenditures</b>	<u>443</u>	<u>-</u>	<u>5,837,116</u>
1200	<b>Net Change in Fund Balances</b>	3,755	7,301	(135,265)
0100	Beginning fund balances	26,956	-	540,198
3000	<b>Ending Fund Balances</b>	<u>\$ 30,711</u>	<u>\$ 7,301</u>	<u>\$ 404,933</u>

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1*  
For the Year Ended August 31, 2016

<u>Last Ten Years</u>	1		2		3	
	<u>Tax Rates</u>				<u>Net Assessed/ Appraised Value For School Tax Purposes</u>	
	<u>Maintenance</u>	<u>Debt Service</u>				
2007 and prior	Various	Various			Various	
2008	\$ 0.9734	\$ 0.1350	\$	1,888,409,916		
2009	\$ 0.9634	\$ 0.1250	\$	2,102,822,057		
2010	\$ 0.9634	\$ 0.1250	\$	2,125,567,220		
2011	\$ 0.9934	\$ 0.1250	\$	2,115,748,996		
2012	\$ 1.0100	\$ 0.1250	\$	2,045,000,969		
2013	\$ 1.0200	\$ 0.1150	\$	2,096,344,914		
2014	\$ 1.0200	\$ 0.1150	\$	2,096,344,914		
2015	\$ 1.0333	\$ 0.1017	\$	2,282,354,509		
2016	\$ 1.0333	\$ 0.1017	\$	2,407,551,894		

1000 **Totals**

10	20	31	32	40	50
Beginning Balance 8/31/15	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/16
\$ 244,354	\$ -	\$ 41,200	\$ 4,422	(21,223)	\$ 177,509
35,010	-	4,568	634	(146)	29,662
44,386	-	7,133	925	(173)	36,155
58,417	-	10,396	1,349	(171)	46,501
68,107	-	13,784	1,734	(98)	52,491
113,543	-	27,910	3,454	298	82,477
195,857	-	59,872	6,750	20,490	149,725
307,578	-	65,627	7,399	158	234,710
456,426	-	152,804	15,039	(9,541)	279,042
-	27,325,714	24,426,506	2,404,118	-	495,090
<u>\$ 1,523,678</u>	<u>\$ 27,325,714</u>	<u>\$ 24,809,800</u>	<u>\$ 2,445,824</u>	<u>\$ (10,406)</u>	<u>\$ 1,583,362</u>

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2**  
For the Year Ended August 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 866,025	\$ 866,025	\$ 761,867	\$ (104,158)
5800	State program revenues	15,000	15,000	13,898	(1,102)
5900	Federal program revenues	2,020,083	2,020,083	1,785,764	(234,319)
5020	<b>Total Revenues</b>	<u>2,901,108</u>	<u>2,901,108</u>	<u>2,561,529</u>	<u>(339,579)</u>
<b>Expenditures</b>					
0035	Food service	2,901,108	2,901,108	2,709,814	191,294
6030	<b>Total Expenditures</b>	<u>2,901,108</u>	<u>2,901,108</u>	<u>2,709,814</u>	<u>191,294</u>
1200	<b>Net Change in Fund Balance</b>	-	-	(148,285)	(148,285)
0100	Beginning fund balance	269,452	269,452	269,452	-
3000	<b>Ending Fund Balance</b>	<u>\$ 269,452</u>	<u>\$ 269,452</u>	<u>\$ 121,167</u>	<u>\$ (148,285)</u>

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
**DEBT SERVICE FUND - EXHIBIT J-3**  
For the Year Ended August 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 2,363,514	\$ 2,363,514	\$ 2,489,907	\$ 126,393
5020	<b>Total Revenues</b>	<u>2,363,514</u>	<u>2,363,514</u>	<u>2,558,007</u>	<u>194,493</u>
<b>Expenditures</b>					
<b>Debt service:</b>					
0071	Principal	1,598,842	1,598,842	1,598,842	-
0072	Interest	764,672	764,672	761,172	3,500
6030	<b>Total Expenditures</b>	<u>2,363,514</u>	<u>2,363,514</u>	<u>2,360,014</u>	<u>3,500</u>
1200	<b>Net Change in Fund Balance</b>	-	-	197,993	197,993
0100	Beginning fund balance	<u>309,926</u>	<u>309,926</u>	<u>309,926</u>	-
3000	<b>Ending Fund Balance</b>	<u>\$ 309,926</u>	<u>\$ 309,926</u>	<u>\$ 507,919</u>	<u>\$ 197,993</u>

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***FEDERAL AWARDS SECTION***

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**INDEPENDENT AUDITORS' 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**

January 11, 2017

To the Board of Trustees of  
Brenham Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brenham Independent School District (the "District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2017.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 11, 2017

To the Board of Trustees of  
Brenham Independent School District:

### Report on Compliance for Each Major Federal Program

We have audited Brenham Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

### **Report on Internal Control Over Compliance**

Management of the 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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas

**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS*  
For the Year Ended August 31, 2016

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

No prior year findings.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
For the Year Ended August 31, 2016

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Brenham Independent School District (the "District").
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

*None Noted*

**C. FINDINGS – FEDERAL AWARDS**

*None Noted*

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1*  
For the Year Ended August 31, 2016

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education			
ESEA Title I, Part A*	84.010	16610101239901	\$ 958,517
Special Education Cluster			
IDEA-B, Formula*	84.027	166600012399016000	1,085,084
IDEA-B, Preschool*	84.173	166610012399016000	22,047
Career and Technical Basic Grant	84.048	16420006239901	56,544
ESEA, Title II, Part A	84.367	16694501239901	214,289
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income Schools	84.358	16696001239901	94,795
Summer School LEP	84.374	69551202	2,226
Passed Through Education Service Center Region 10			
ESEA Title III, Part A, English Language Acquisition	84.365	16671001236950	47,090
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>2,480,592</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education			
USDA Commodities	10.565	239-901	70,098
Child Nutrition Cluster			
School Breakfast Program*	10.553	71401601	420,161
National School Lunch Program*	10.555	71301601	1,295,505
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>1,785,764</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,266,356</b>
Federal Revenue per SEFA			\$ 4,266,356
Medicaid			16,914
General Fund E-Rate			151,303
General Fund SHARS			785,016
Total Federal Revenue per Exhibit C-2			<b>\$ 5,219,589</b>

\* Indicates clustered program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
For the Year Ended August 31, 2016

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brenham Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2: INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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**BRENHAM**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO*  
**SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1**  
For the Year Ended August 31, 2016

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning nonpayment of any debt agreement at fiscal year?	No
SF4	Was there an unmodified opinion in the annual financial report on the financial statements as a whole?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end	<u>\$ 6,687,818</u>
SF11	Net pension asset (1920) at fiscal year end	<u>\$ -</u>
SF12	Net pension liability(2540) at fiscal year end	<u>\$ 8,448,509</u>
SF13	Pension expense (6147) at fiscal year end	<u>\$ 1,799,520</u>

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