

**BRAZOSPORT
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2016**

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2016*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	Certificate of Board	7
Financial Section		
	Independent Auditor's Report	11-13
	Management's Discussion and Analysis	15-27
	Basic Financial Statements:	
A-1	Statement of Net Position	28-29
B-1	Statement of Activities	31
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	32-33
C-1R	Reconciliation of C-1	34
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	35
C-2R	Reconciliation of C-2	36
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	37
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	38
D-3	Statement of Cash Flows	39
	Fiduciary Fund Financial Statements:	
E-1	Statement of Net Position	40
E-2	Statement of Changes in Net Position	41
	Notes to the Financial Statements	44-81
Required Supplementary Information		
G-1	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	84
G-2	Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - Cost Sharing Employer Plan	85
G-3	Schedule of Required Contributions – Cost Sharing Employer Plan	86
Other Supplementary Information		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	88-91
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	92-95
	Internal Service Funds:	
H-3	Combining Statement of Net Position	96
H-4	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	97
H-5	Combining Statement of Cash Flows	98
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	100-101
J-3	Fund Balance and Cash Flow Calculation Worksheet	102
J-4	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Child Nutrition Program Special Revenue Fund	103
J-5	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund	104

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2016*

Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
	Federals Award Section	
	Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107-108
	Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	109-110
	Schedule of Findings and Questioned Costs.....	111
	Schedule of Status of Prior Findings	112
	Corrective Action Plan	113
K-1	Schedule of Expenditures of Federal Awards.....	114-115
	Notes on Accounting Policies for Federal Awards.....	116
	Schedule for Electronic Filing	
L-1	Required Responses to Selected School First Indicators.....	119

The Following Exhibits Were Not Applicable to the Brazosport Independent School District:

Combining Statement for Major Component Units:

F-1	Combining Statement of Net Position.....	
F-2	Combining Statement of Activities	

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

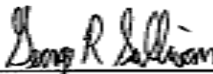
CERTIFICATE OF BOARD

Brazosport Independent School District
Name of School District

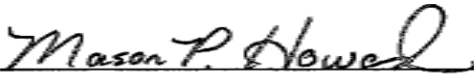
Brazoria
County

020-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the 17th day of January, 2017.



George Sullivan
Signature of Board Secretary



Mason Howard
Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brazosport Independent School District (the "District") as of and for the year ended August 31, 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.

Auditor's Responsibility

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

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

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

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brazosport Independent School District, as of August 31, 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 on pages 15-27, budgetary comparison information on page 84, and the pension schedules on pages 85-86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 required Texas Education Agency schedule, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas
December 15, 2016

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2016

As management of the Brazosport Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 61,479,120 (*net position*). Of this amount, \$ 8,190,931 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 86,233,484. Approximately 30 percent of this total amount, \$ 25,694,833, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 25,695,533, or 25 percent of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* for which it is financially accountable. The government-wide financial statements can be found on pages 28 through 31 of this report.

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2016

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

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-six (26) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other twenty-three (23) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 32 through 36 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded dental and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 37 through 39 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position that can be found on pages 40 through 41. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2016

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 through 81 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 84 through 86 of this report.

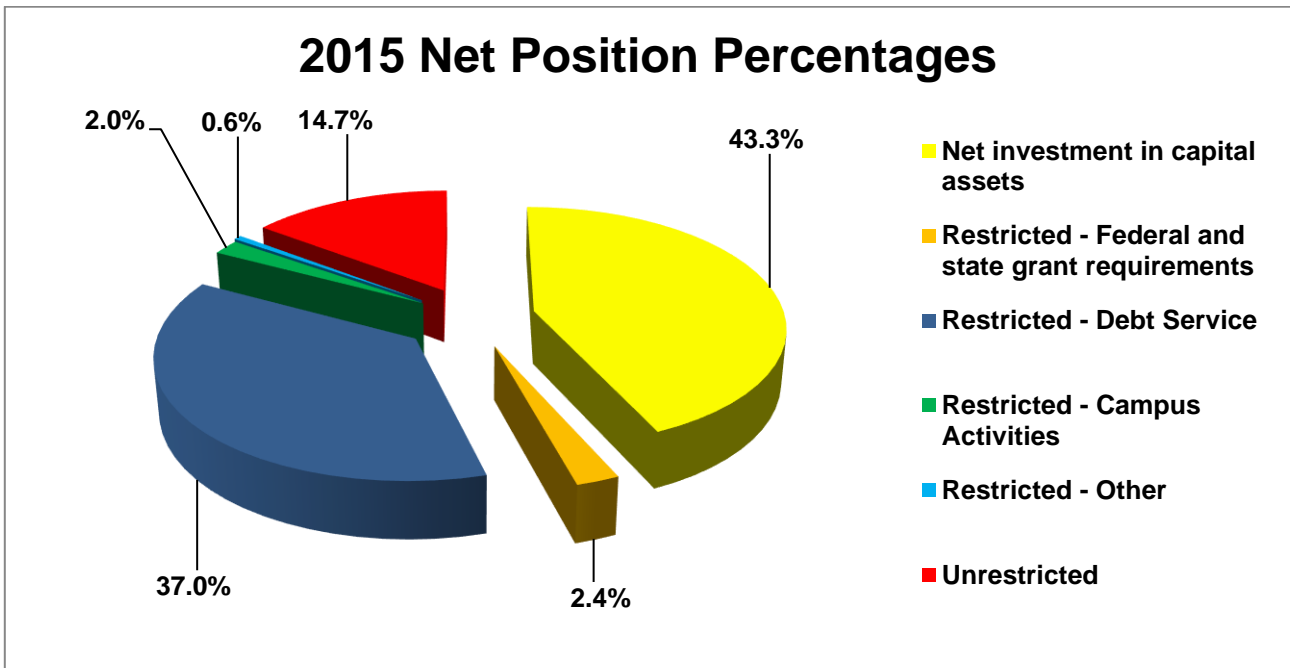
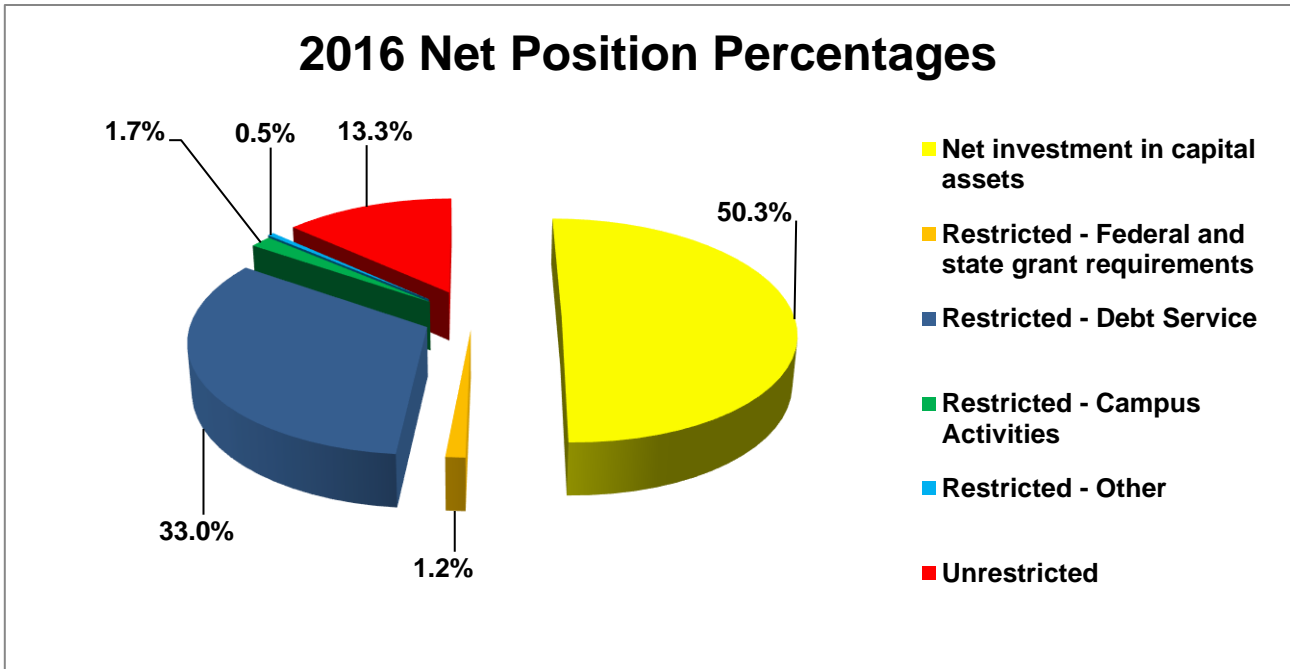
The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 88 through 98 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 61,479,120 as of August 31, 2016. Net position of the District's governmental activities increased by \$ 11,930,835, from \$ 49,548,285 to \$ 61,479,120.

The District's Net Position

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 102,236,493	\$ 116,861,461
Capital assets	<u>171,801,997</u>	<u>149,369,686</u>
Total assets	<u>274,038,490</u>	<u>266,231,147</u>
Deferred outflows of resources	<u>15,917,990</u>	<u>3,158,736</u>
Total deferred outflows of resources	<u>15,917,990</u>	<u>3,158,736</u>
Long-term liabilities outstanding	210,070,713	208,449,569
Other liabilities	<u>13,444,559</u>	<u>8,431,631</u>
Total liabilities	<u>223,515,272</u>	<u>216,881,200</u>
Deferred inflows of resources	<u>4,962,088</u>	<u>2,960,398</u>
Total deferred inflows of resources	<u>4,962,088</u>	<u>2,960,398</u>
Net Position:		
Net investment in capital assets	30,914,448	21,521,515
Restricted	22,373,741	20,754,735
Unrestricted	<u>8,190,931</u>	<u>7,272,035</u>
Total net position	<u>\$ 61,479,120</u>	<u>\$ 49,548,285</u>



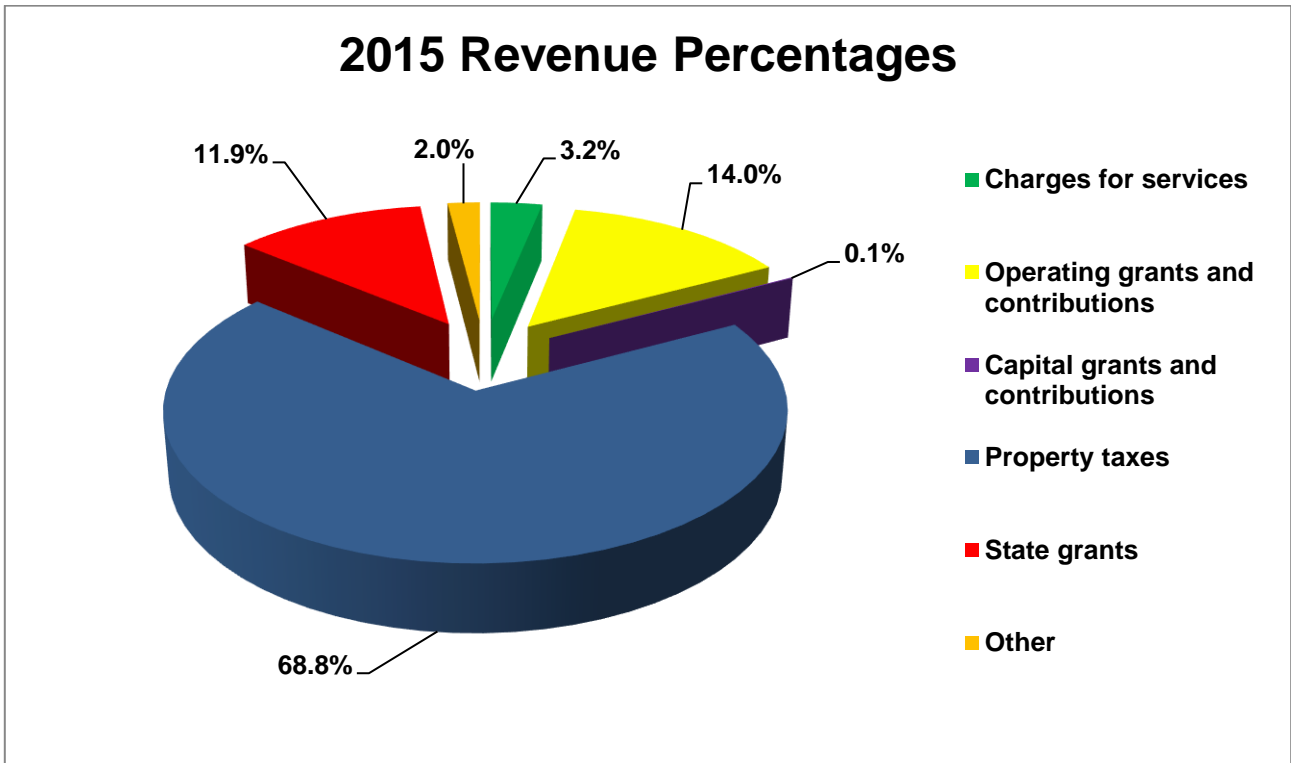
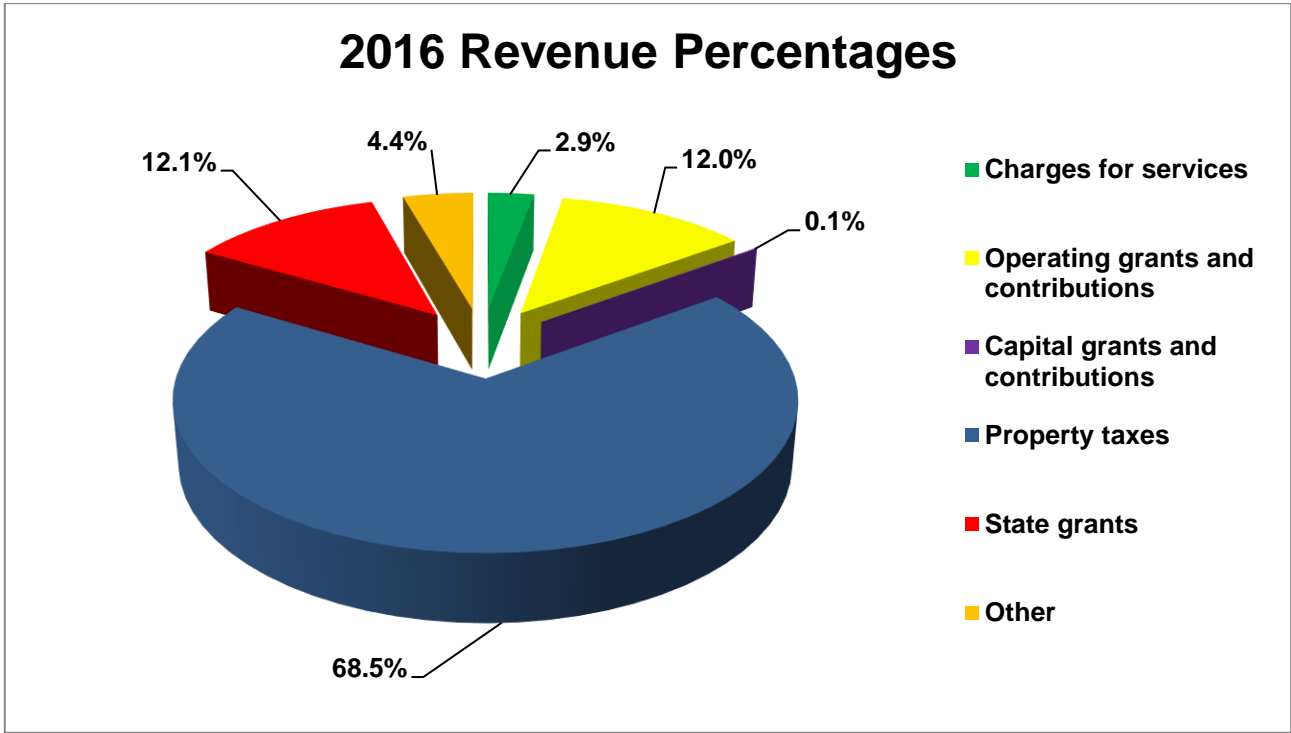
Investment in capital assets (e.g., land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 30,914,448. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$ 22,373,741 approximately 36 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$ 8,190,931 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

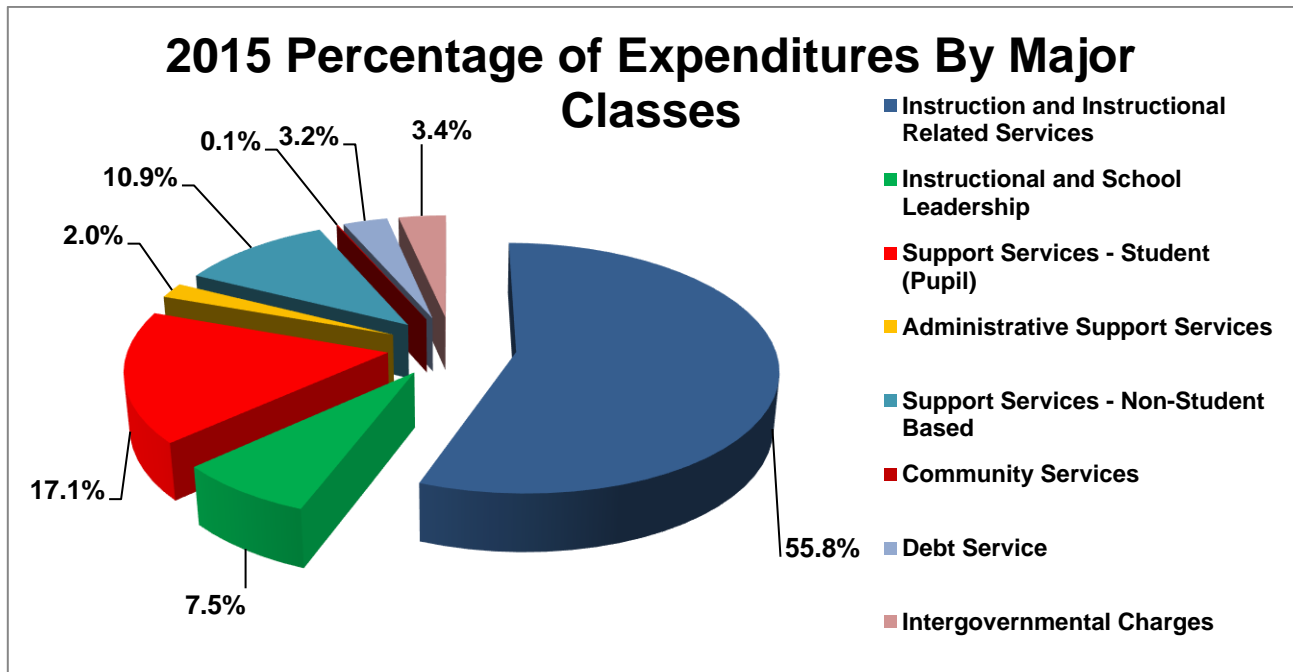
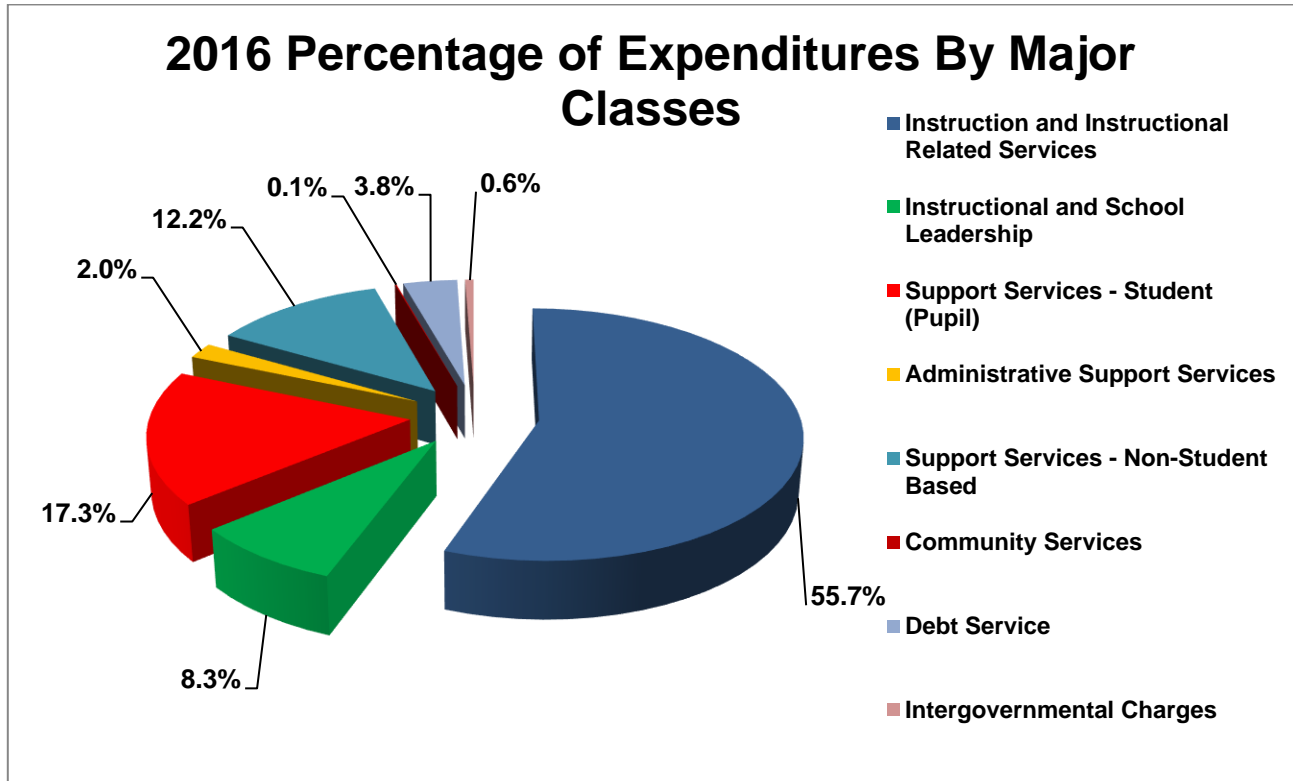
BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Governmental activities. The District's total net position increased \$ 11,930,835. The total cost of all *governmental activities* this year was \$ 130,739,184. The amount that our taxpayers paid for these activities through property taxes was \$ 97,844,040 or 75 percent.

Changes in the District's Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 4,102,938	\$ 3,940,201
Operating grants & contributions	17,049,703	17,176,872
Capital grants & contributions	67,112	14,010
General Revenues:		
Property taxes	97,844,040	84,730,619
State grants	17,255,198	14,684,866
Other	<u>6,351,028</u>	<u>2,401,931</u>
Total revenues	<u>142,670,019</u>	<u>122,948,499</u>
Expenses:		
Instruction	67,898,047	62,983,953
Instructional resources & media services	2,184,590	1,773,070
Curriculum & staff development	2,837,411	2,116,241
Instructional leadership	2,951,886	2,351,619
School leadership	7,877,141	6,689,360
Guidance, counseling & evaluation services	5,029,506	4,174,921
Social work services	404,703	199,316
Health services	1,388,429	1,250,529
Student transportation	2,874,154	2,666,684
Food service	7,743,741	7,132,836
Extracurricular activities	5,303,679	5,098,696
General administration	2,552,100	2,449,324
Plant maintenance and operations	13,140,868	10,465,123
Security and monitoring services	887,750	794,180
Data processing services	1,894,204	1,860,986
Community services	48,873	64,358
Debt service-interest and fees long-term debt	4,937,329	3,823,686
Contracted instructional services between public schools	113	1,320,033
Payments related to shared services arrangements	99,398	2,222,493
Payments to juvenile justice alternative education	13,300	
Other governmental	<u>671,962</u>	<u>595,893</u>
Total expenses	<u>130,739,184</u>	<u>120,033,301</u>
Increase in net position	11,930,835	2,915,198
Beginning net position	<u>49,548,285</u>	<u>46,633,087</u>
Ending net position	<u>\$ 61,479,120</u>	<u>\$ 49,548,285</u>





BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Financial Analysis of the District's Funds

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

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 86,233,484, a decrease of \$ 19,301,189. Approximately 30 percent of this total amount, \$ 25,694,833, constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, committed* or *assigned* to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 321,438, 2) for prepaid items \$ 927,916, 3) for federal and state grant restrictions \$ 761,063, 4) for capital acquisitions and contractual obligations \$ 31,216,679, 5) to pay debt service \$ 20,307,997, 6) other restricted \$ 1,253,558, 7) claims and judgments \$ 250,000, 8) capital expenditures for equipment \$ 500,000, and 9) other assigned \$ 5,000,000.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 25,695,533, while the total fund balance was \$ 35,216,559. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 25 percent of the total general fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of the District's general fund increased \$ 4,928,833 during the current fiscal year. Key factors related to this change are as follows:

- Budgeted surplus due to the increase in property tax value.
- Numerous functional expenditures were less than amounts originally budgeted, primarily due to
 - Reduced payroll costs due to budgeting at midpoint and unfilled vacancies, along with turnover of employees resulting in a lower experienced workforce occurring throughout the year.
 - Debt service reserve that was budgeted as an expenditure.

The debt service fund has a total fund balance of \$ 17,732,997, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$ 1,467,294. Following are factors contributing to this change:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2016

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

The capital projects fund has a total fund balance of \$ 31,216,679, all of which is restricted for the acquisition of capital contractual obligations. The net decrease in fund balance during the period in the capital projects fund was \$ 25,327,750. Following are factors contributing to this change:

- Planned expenditures associated with the 2012 and 2014 Bond programs.
- Offset partially by \$2,352,542 of insurance proceeds from hail damage sustained throughout the District.

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

Unrestricted net position at August 31, 2016 amounted to \$ 2,296,494. The total decrease in net position was \$ 34,323.

General Fund Budgetary Highlights

The District made the following amendments to budgeted revenue.

- \$ 985,000 increase to reflect stronger than anticipated tax collections
- \$ 41,300 increase to reflect various donations

Following is a summary of amendments made to appropriations:

- \$ 985,000 increase for additional budgeted for contingencies
- \$ 41,300 increase to reflect various donations
- \$ 855,575 increase for a one-time operational efficiency supplement.
- \$ 531,547 increase for prior year carryover purchase orders
- \$ 29,913 increase for electrical and storm damage repairs

This positive variance in expenditures is the result of lower than expected payroll and related costs, overestimates of TRS On-Behalf Payments and lower than anticipated fuel costs.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

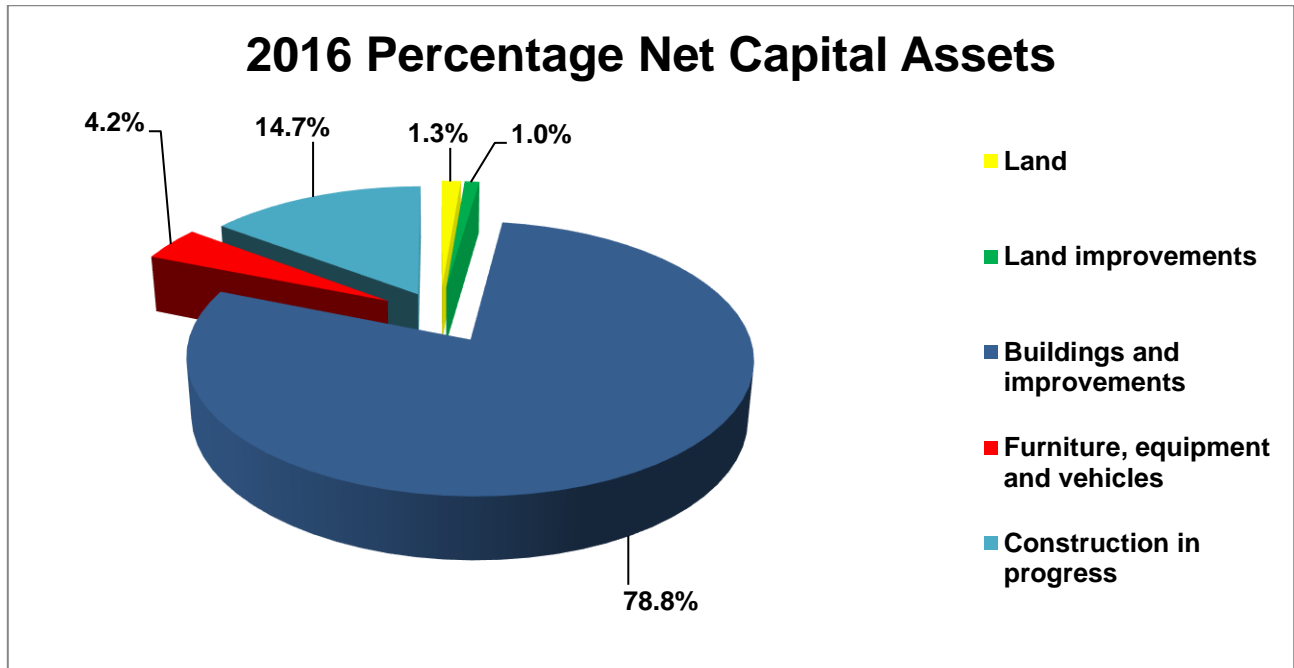
Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2016 amounts to \$ 171,801,997 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, furniture, equipment and vehicles, and construction in progress.

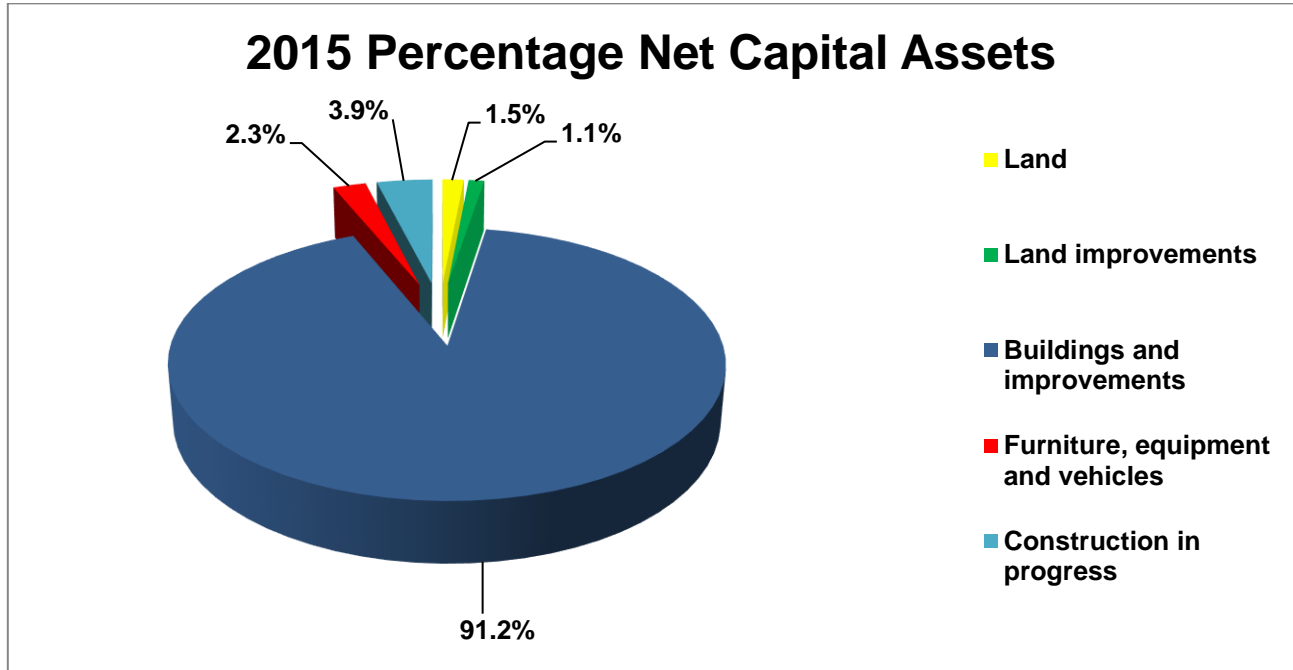
**District's Capital Assets
(net of depreciation)**

	<u>2016</u>	<u>2015</u>
Land	\$ 2,260,973	\$ 2,260,973
Land improvements	1,655,629	1,665,218
Buildings and improvements	135,446,786	136,139,308
Furniture, equipment and vehicles	7,173,555	3,406,965
Construction in progress	<u>25,265,054</u>	<u>5,897,222</u>
Total at historical cost	<u>\$ 171,801,997</u>	<u>\$ 149,369,686</u>

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



BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

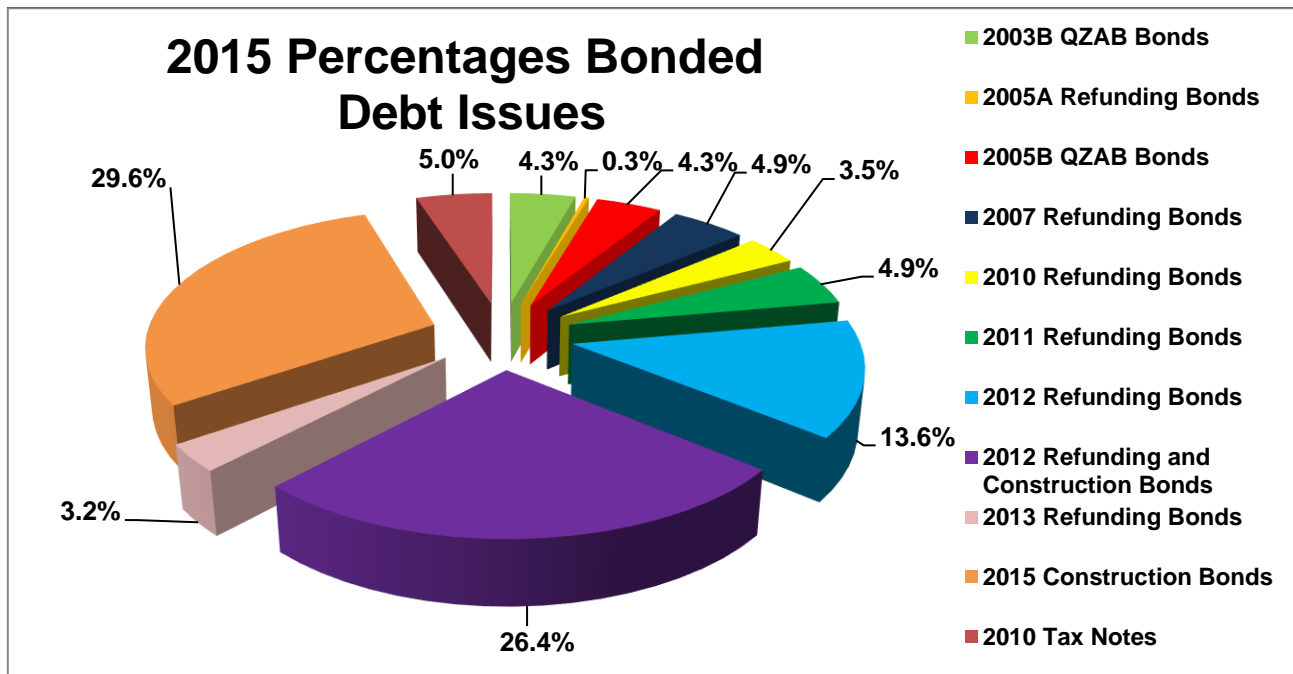
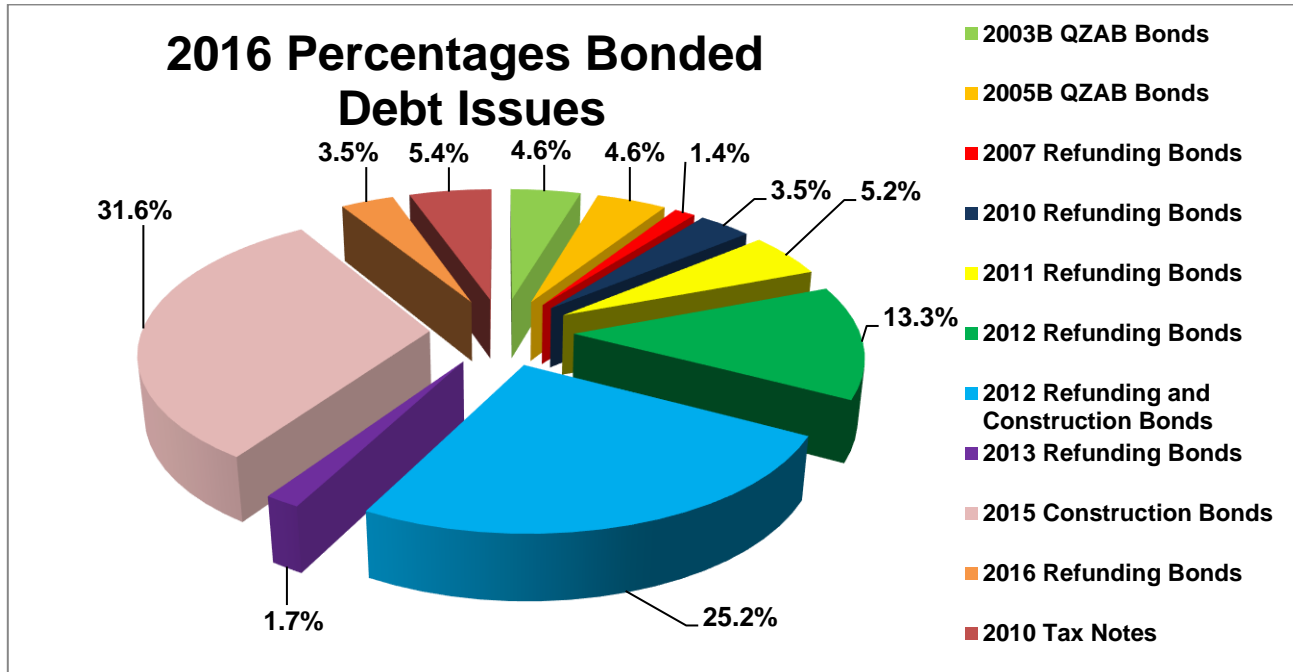


Long-term debt. At August 31, 2016, the District had total long-term debt outstanding of \$ 210,070,713. Long-term debt is made of general obligation bonds of \$ 164,284,394, tax notes of \$ 9,330,000, net pension obligation of \$ 26,937,029, capital leases of \$ 71,579, premium received on general obligation bonds of \$ 9,228,835, and accrued interest of \$ 218,876.

District's Long-Term Debt:

	<u>2016</u>	<u>2015</u>
General obligations bonds	\$ 164,284,394	\$ 175,799,325
Tax notes	9,330,000	9,330,000
Capital leases	71,579	126,430
Net pension obligation	26,937,029	13,421,028
Components of Long-Term Debt:		
Premium on general obligation bonds	9,228,835	9,542,653
Accrued interest payable	<u>218,876</u>	<u>230,133</u>
 Total long-term debt	 <u>\$ 210,070,713</u>	 <u>\$ 208,449,569</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016



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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016

Economic Factors and Next Year's Budgets and Rates

- M&O certified tax values for fiscal year 2017 increased by approximately \$ 586,017,918 or 7.41% from fiscal tax year 2016. This increase will generate an additional \$ 5,942,221 of revenue in the general fund.
- I&S certified tax values for fiscal year 2017 increased by approximately \$ 1,359,463,408 or 16.95% from fiscal tax year 2016. This increase will generate an additional \$ 2,853,752 of revenue in the general fund.
- Weighted average daily attendance is budgeted to remain stable at 15,000. The attendance percentage rates are expected to remain unchanged at 95%.
- No change in the tax rate of \$ 1.2553.
- Multiple projects taxed under 313 agreements began the limitation period for 2016-17. This triggered hold harmless payments from the respective companies and is budgeted at approximately \$8M.
- For 2016-2017, the District increased general fund expenditures, excluding recapture, by roughly \$ 5,667,636 compared to prior year through staffing formula changes, additional campus staffing supports, program offerings and compensation increases of \$1,650 for teachers, librarians and counselors plus market adjustments for 13-26 years of experience and 3% for all other personnel.
- Recapture payments to the State is budgeted to increase \$2,023,166.

These indicators were taken into account when adopting the General Fund budget for 2016-2017. The District has appropriated revenues and expenditures in the 2016-2017 budget of \$ 108,974,477 and \$ 109,961,311, respectively. Total budgeted revenues increased 3.03% from the 2015-2016 budget primarily due to changes in property tax values, hold harmless payments related 313 value limitation agreements and state funding. Total expenditures increased by 7.52% due to staffing formula changes, additional campus staffing supports, additional program offerings, compensation increases and increases in recapture payments to the State.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Finance and Governmental Affairs Officer, Brazosport Independent School District, P.O. Drawer Z, Freeport, Texas, 77542.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

Exhibit A-1
Page 1 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 68,564,297
1120	Current investments	26,555,516
1220	Property taxes receivables	1,199,359
1230	Allowance for uncollectible taxes	(815,030)
1240	Due from other governments	4,284,415
1260	Internal balances	1,026,893
1290	Other receivables (net)	123,352
1300	Inventories	321,438
1410	Prepaid items	976,253
	Capital Assets:	
1510	Land and improvements (net)	3,916,602
1520	Building and improvements (net)	135,446,786
1530	Furniture, equipment and vehicles (net)	7,173,555
1580	Construction in progress	<u>25,265,054</u>
1000	Total assets	<u>274,038,490</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred outflows of resources	<u>15,917,990</u>
	Total deferred outflows of resources	<u>15,917,990</u>
	LIABILITIES:	
2110	Accounts payable	6,951,692
2150	Payroll deductions and withholdings	8,947
2160	Accrued wages payable	6,059,594
2165	Accrued liabilities	292,662
2300	Unearned revenue	131,664
	Noncurrent Liabilities:	
2501	Due within one year	17,993,192
2502	Due in more than one year	<u>192,077,521</u>
2000	Total liabilities	<u>223,515,272</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows of resources	<u>4,962,088</u>
	Total deferred inflows of resources	<u>4,962,088</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - Continued
AUGUST 31, 2016

Exhibit A-1
Page 2 of 2

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	NET POSITION:	
3200	Net investment in capital assets	\$ 30,914,448
	Restricted For:	
3820	Federal and state programs	761,063
3850	Debt service	20,306,492
3870	Campus activities	1,020,414
3890	Other	285,772
3900	Unrestricted	<u>8,190,931</u>
3000	Total net position	<u>\$ 61,479,120</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

Exhibit B-1
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 67,898,047	\$ 358,237	\$ 7,552,451	\$ 12,517	\$(59,974,842)
12	Instructional resources and media services	2,184,590	6,879	68,007		(2,109,704)
13	Curriculum and staff development	2,837,411	7,562	1,114,664		(1,715,185)
21	Instructional leadership	2,951,886	9,227	506,333		(2,436,326)
23	School leadership	7,877,141	41,487	350,800		(7,484,854)
31	Guidance, counseling, and evaluation services	5,029,506	21,659	762,336		(4,245,511)
32	Social work services	404,703	1,649	216,186		(186,868)
33	Health services	1,388,429	7,256	54,839		(1,326,334)
34	Student transportation	2,874,154	16,537	79,362		(2,778,255)
35	Food service	7,743,741	2,097,777	5,196,721	54,595	(394,648)
36	Extracurricular activities	5,303,679	1,460,760	16,877		(3,826,042)
41	General administration	2,552,100	8,222	115,382		(2,428,496)
51	Plant maintenance and operations	13,140,868	51,285	241,323		(12,848,260)
52	Security and monitoring services	887,750	5,897	33,978		(847,875)
53	Data processing services	1,894,204	8,504	65,557		(1,820,143)
61	Community services	48,873		30,831		(18,042)
72	Interest on long-term debt	4,810,897		644,056		(4,166,841)
73	Bond issuance costs and fees	126,432				(126,432)
91	Contracted instructional services between public schools	113				(113)
93	Payments related to shared services arrangements	99,398				(99,398)
95	Payments to juvenile justice alternative education Programs	13,300				(13,300)
99	Other intergovernmental	671,962				(671,962)
TG	Total governmental activities	<u>\$ 130,739,184</u>	<u>\$ 4,102,938</u>	<u>\$ 17,049,703</u>	<u>\$ 67,112</u>	<u>\$(109,519,431)</u>
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 80,970,866
DT	Property taxes, levied for debt service					16,873,174
SF	State aid-formula grants					17,255,198
GC	Grants and contributions not restricted to specific programs					664,462
IE	Investment earnings					860,945
MI	Miscellaneous					2,464,715
	Gain on the sale of assets					8,364
E1	Extraordinary Item - Insurance Proceeds					<u>2,352,542</u>
TG	Total general revenues, special items, and transfers					<u>121,450,266</u>
CN	Change in net position					11,930,835
NB	Net position – beginning					<u>49,548,285</u>
NE	Net position – ending					<u>\$ 61,479,120</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2016

Exhibit C-1
Page 1 of 2

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	98 Other Governmental Funds	Total Governmental Funds
ASSETS:						
1110	Cash and cash equivalents	\$ 31,049,925	\$ 17,695,957	\$ 15,185,257	\$ 2,092,339	\$ 66,023,478
1120	Investments	4,973,934		21,581,582		26,555,516
1220	Taxes receivable	1,008,899	190,460			1,199,359
1230	Allowance for uncollectible taxes	(690,487)	(124,543)			(815,030)
1240	Receivables from other governments	1,988,877			2,295,538	4,284,415
1260	Due from other funds	3,708,638	23,251	379	3,683,228	7,415,496
1290	Other receivables	58,050			65,302	123,352
1300	Inventories	268,810			52,628	321,438
1410	Deferred expenditures	927,216			700	927,916
1000	Total assets	<u>43,293,862</u>	<u>17,785,125</u>	<u>36,767,218</u>	<u>8,189,735</u>	<u>106,035,940</u>
DEFERRED OUTFLOWS OF RESOURCES						
1700	Deferred outflows of resources					-0-
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 43,293,862</u>	<u>\$ 17,785,125</u>	<u>\$ 36,767,218</u>	<u>\$ 8,189,735</u>	<u>\$ 106,035,940</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 791,249	\$ 1,744	\$ 5,547,941	\$ 610,758	\$ 6,951,692
2150	Payroll deductions and withholdings	8,947				8,947
2160	Accrued wages payable	5,563,000		2,098	494,496	6,059,594
2170	Due to other funds	1,479,564		500	4,908,539	6,388,603
2300	Unearned revenue	18,282	4,689		108,693	131,664
2000	Total liabilities	<u>7,861,042</u>	<u>6,433</u>	<u>5,550,539</u>	<u>6,122,486</u>	<u>19,540,500</u>

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2016

Exhibit C-1
Page 2 of 2

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	98 Other Governmental Funds	Total Governmental Funds
	DEFERRED INFLOWS OF RESOURCES					
1700	Deferred inflows of resources – property taxes	\$ 216,261	\$ 45,695	\$	\$	\$ 261,956
	Total deferred inflows of resources	216,261	45,695	-0-	-0-	261,956
	Fund Balances:					
	Non-Spendable:					
3410	Inventories	268,810			52,628	321,438
3430	Prepaid items	927,216			700	927,916
	Restricted:					
3450	Food service				761,063	761,063
3470	Capital acquisitions and contractual obligations			31,216,679		31,216,679
3480	Debt service	2,575,000	17,732,997			20,307,997
3490	Other				1,253,558	1,253,558
	Committed:					
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	500,000				500,000
	Assigned:					
3590	Other assigned fund balance	5,000,000				5,000,000
	Unassigned:					
3600	Unassigned fund balance	25,695,533			(700)	25,694,833
3000	Total fund balances	35,216,559	17,732,997	31,216,679	2,067,249	86,233,484
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 43,293,862	\$ 17,785,125	\$ 36,767,218	\$ 8,189,735	\$ 106,035,940

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
AUGUST 31, 2016

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 86,233,484
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 260,972,845 in assets less \$ 89,170,848 in accumulated depreciation.	171,801,997
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 216,261 and \$ 45,695, respectively.	261,956
Other long-term assets are not available to pay for current year expenditures and, therefore, are not reported in the funds. This is the bond refunding costs, which is amortized over the life of the refunding bonds, or the refunded bonds, whichever is shorter. Net bond refunding costs were \$ 171,677 (bond refunding costs of \$ 222,211 less accumulated amortization of \$ 50,534).	171,677
Pension deferred outflows of resources of \$ 16,047,536 less amortization of \$ 301,223 and pension deferred inflows of resources of \$ 6,107,222 less amortization of \$ 1,145,134.	10,784,225
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 9,228,835 (premium on sale of bonds of \$ 12,205,220 less amortization of \$ 2,976,385).	(9,228,835)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	2,296,494
Payables for net pension obligation are not reported in the funds.	(26,937,029)
Payables for bond principal are not reported in the funds.	(164,284,394)
Payable for tax note principal are not reported in the funds.	(9,330,000)
Payables for capital lease principal are not reported in the funds.	(71,579)
Payables for bond interest are not reported in the funds	(197,681)
Payable for tax note interest are not reported in the funds.	(17,954)
Payables for capital lease interest are not reported in the funds.	(3,241)
Net position of governmental activities – statement of net position (A-1)	<u>\$ 61,479,120</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2016

Exhibit C-2
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:						
5700	Local and intermediate sources	\$ 83,133,886	\$ 17,580,376	\$ 958,355	\$ 3,512,813	\$ 105,185,430
5800	State program revenues	20,984,931	262,324		1,031,973	22,279,228
5900	Federal program revenues	1,611,957			10,977,490	12,589,447
5020	Total revenues	<u>105,730,774</u>	<u>17,842,700</u>	<u>958,355</u>	<u>15,522,276</u>	<u>140,054,105</u>
EXPENDITURES:						
Current:						
0011	Instruction	57,420,162		1,122,544	5,096,061	63,638,767
0012	Instructional resources and media services	1,822,092			12,480	1,834,572
0013	Curriculum and staff development	1,732,437			1,061,705	2,794,142
0021	Instructional leadership	2,424,906			409,185	2,834,091
0023	School leadership	7,320,321			43,394	7,363,715
0031	Guidance, counseling, and evaluation services	4,257,753			593,740	4,851,493
0032	Social work services	190,887			208,402	399,289
0033	Health services	1,314,922				1,314,922
0034	Student transportation	2,077,689		150,235		2,227,924
0035	Food Service			233,039	7,216,097	7,449,136
0036	Extracurricular activities	3,279,446		177,647	1,187,909	4,645,002
0041	General administration	2,417,483			27,882	2,445,365
0051	Plant maintenance and operations	12,569,088		6,221,123	144	18,790,355
0052	Security and monitoring services	859,271		123,756		983,027
0053	Data processing services	1,833,857		1,084,232		2,918,089
0061	Community services	13,929			34,944	48,873
0071	Principal on long-term debt	54,851	11,285,000			11,339,851
0072	Interest on long-term debt	448,421	5,081,989			5,530,410
0073	Bond issuance costs and fees		126,432			126,432
0081	Capital outlay			19,526,071		19,526,071
0091	Contracted instructional services between public schools	113				113
0093	Payments related to shared services arrangements	99,398				99,398
0095	Payments to juvenile justice alternative education programs	13,300				13,300
0099	Other intergovernmental	671,962				671,962
6030	Total expenditures	<u>100,822,288</u>	<u>16,493,421</u>	<u>28,638,647</u>	<u>15,891,943</u>	<u>161,846,299</u>
1100	Excess (deficiency) of revenues over expenditures	<u>4,908,486</u>	<u>1,349,279</u>	<u>(27,680,292)</u>	<u>(369,667)</u>	<u>(21,792,194)</u>
OTHER FINANCING SOURCES (USES):						
7911	Proceeds from bonds		6,180,000			6,180,000
7912	Sale of real and personal property	14,109			6,339	20,448
7916	Premium on bonds		580,226			580,226
7915	Operating transfers in	79,059			72,821	151,880
7919	Extraordinary items			2,352,542		2,352,542
8911	Operating transfers out	(72,821)			(79,059)	(151,880)
8949	Payment to escrow agent		(6,642,211)			(6,642,211)
	Total other financing sources and (uses)	<u>20,347</u>	<u>118,015</u>	<u>2,352,542</u>	<u>101</u>	<u>2,491,005</u>
1200	Net change in fund balances	4,928,833	1,467,294	(25,327,750)	(369,566)	(19,301,189)
0100	Fund balances – beginning	<u>30,287,726</u>	<u>16,265,703</u>	<u>56,544,429</u>	<u>2,436,815</u>	<u>105,534,673</u>
3000	Fund balances – ending	\$ <u>35,216,559</u>	\$ <u>17,732,997</u>	\$ <u>31,216,679</u>	\$ <u>2,067,249</u>	\$ <u>86,233,484</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT,
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

Exhibit C-2R
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$(19,301,189)
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 28,797,756 exceeded depreciation of \$ 6,353,361 in the current period.	22,444,395
Government funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 13,370,327 more than the amount reported in the funds.	(13,370,327)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund decreased by \$ 250,913 and the debt service fund decreased by \$ 51,471.	(302,384)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt \$ 11,285,000; and capital lease of \$ 54,851.	11,339,851
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$(313,818). (Premium on bonds issued of \$ 580,226 less current amortization of \$ 894,044).	313,818
Pension deferred outflows of resources of \$ 12,567,088, and pension deferred inflows of resources of \$ 2,001,690.	10,565,398
Long-term debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term debt proceeds from bonds were \$ 6,180,000.	(6,180,000)
Deferred refunding costs is another use in the governmental funds, but the costs increase long-term assets in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. The payments to the escrow agent of \$ 6,642,211 less current year amortization of \$ 20,719 relates to the refunded bonds.	6,621,492
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of the assets disposed was \$ 12,084 (cost of \$ 125,197 less accumulated depreciation of \$ 113,113).	(12,084)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	11,257
Internal service funds are used by management to charge the costs of insurance and health and worker's compensation to individual funds. The net revenue (expense) of the internal service funds is reported in the governmental activities statement of activities (see D-2)	(34,323)
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activity but is not reported in governmental funds.	<u>165,069</u>
Change in net position of governmental activities (see B-1)	<u>\$ 11,930,835</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds (See H-3)</u>
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
	Current Assets:	
1110	Cash and cash equivalents	\$ 2,540,819
1410	Prepaid items	<u>48,337</u>
	Total assets	<u>2,589,156</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows of resources	<u> </u>
	Total deferred outflows of resources	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 2,589,156</u>
	LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION:	
	Liabilities:	
2165	Accrued expenses payable	\$ <u>292,662</u>
	Total liabilities	292,662
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows of resources	<u> </u>
	Total deferred inflows of resources	<u>-0-</u>
	NET POSITION:	
3900	Unrestricted net position	<u>2,296,494</u>
	Total net position	<u>2,296,494</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,589,156</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2016

Exhibit D-2
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-4)
Operating Revenues:	
Charges for services	\$ <u>884,660</u>
Total operating revenues	<u>884,660</u>
Operating Expenses:	
Insurance claims and expenses	<u>924,327</u>
Total operating expenses	<u>924,327</u>
Operating income (loss)	(<u>39,667</u>)
Nonoperating Revenues:	
Interest and investment revenue	<u>5,344</u>
Total nonoperating revenues	<u>5,344</u>
Changes in net position (expenses)	(<u>34,323</u>)
Net position – beginning	<u>2,330,817</u>
Net position – ending	<u>\$ 2,296,494</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2016

Exhibit D-3
Page 1 of 1

	Governmental Activities Internal Service Funds (See H-5)
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 884,732
Claims paid	<u>(876,602)</u>
Net cash provided by operating activities	<u>8,130</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided (used) by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided (used) by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment revenue	<u>5,344</u>
Net cash provided by investing activities	<u>5,344</u>
Net increase in cash and cash equivalents	13,474
Balances – beginning of year	<u>2,527,345</u>
Balances – end of year	<u>\$ 2,540,819</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$(39,667)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Other receivables	72
Accrued expenses payable	50,502
Prepaid items	<u>(2,777)</u>
Net cash provided by operating activities	<u>\$ 8,130</u>

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

Exhibit E-1
Page 1 of 1

	Private- Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Assets:		
Cash and cash equivalents	\$ <u>11,099</u>	\$ <u>1,266,885</u>
Receivables:		
Other receivables		414
Due from other funds	9,330	1,206,601
Prepaid expenditures		<u>1,720</u>
Total receivables	<u>9,330</u>	<u>1,208,735</u>
Total assets	<u>20,429</u>	<u>\$ 2,475,620</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows		
Total deferred outflows of resources	<u>-0-</u>	
Total assets and deferred outflows of resources	<u>\$ 20,429</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:		
Liabilities:		
Accounts payable	\$	\$ 81,470
Amounts due to student and employee groups		151,326
Due to other funds		<u>2,242,824</u>
Total liabilities	<u>-0-</u>	<u>\$ 2,475,620</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows		
Total deferred inflows of resources	<u>-0-</u>	
NET POSITION:		
Held in trust for other purposes	<u>20,429</u>	
Total net position	<u>20,429</u>	
Total liabilities, deferred inflows of resources, and net position	<u>\$ 20,429</u>	

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2016

Exhibit E-2
Page 1 of 1

	<u>Private- Purpose Trusts</u>
ADDITIONS:	
Contributions:	
Private donations	\$ <u>152</u>
Investment Earning:	
Interest	<u>29</u>
Total investment earnings	29
Less investment expense	<u> </u>
Net investment earnings	<u>29</u>
Total additions	<u>181</u>
DEDUCTIONS:	
Total deductions	<u>-0-</u>
Change in net position	181
NET POSITION	
Net position – beginning of the year	<u>20,248</u>
Net position – end of the year	<u><u>\$ 20,429</u></u>

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

INDEX

Note		Page
1.	Summary of Significant Accounting Policies	44
2.	Deposits, Investments and Derivatives	55
3.	Receivables, Uncollectible Accounts, Deferred Outflows and Inflows of Resources, and Unearned Revenues	60
4.	Interfund Receivables, Payables and Transfers.....	62
5.	Capital Assets.....	64
6.	Long-Term Debt	66
7.	Leases.....	69
8.	Pension Plan Obligations	70
9.	General Fund Federal Source Revenues.....	76
10.	Local and Intermediate Revenues.....	77
11.	Risk Management	77
12.	Self-Insurance	77
13.	Unemployment Compensation Pool.....	79
14.	Litigation and Contingencies	80
15.	Joint Ventured-Shared Service Arrangements.....	80
16.	Subsequent Event.....	81

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 61, "*The Financial Reporting Entity: Omnibus – and amendment of GASB Statement No. 14 and No. 34*". A blended component unit, although a legally separate entity is, in substance, part of the District's operations.

- Blended Component Unit: The Brazosport Independent School District Educational Foundation (the "Foundation") was established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Superintendent serves as a Board Member. The Foundation is a supporting organization of the District and is presented as a special revenue fund for the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary funds:

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

The dental insurance plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees. As of August 31, 2016, liabilities totaled \$ 80,292 and net position of the dental insurance plan was \$ 499,237.

The worker's compensation program provides for incurred but not reported costs for worker's compensation claims through the establishment of undiscounted liability accounts and net position. As of August 31, 2016, undiscounted liabilities totaled \$ 212,370 and net position of the worker's compensation program was \$ 1,797,257.

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Additionally, the District reports the following fiduciary funds:

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

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

Cash and Investments

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

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

Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables, payables and transfers.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

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

The assessed value (adjusted) of the property tax roll on August 1, 2015, upon which the levy for the 2015-16 fiscal year was based, was \$ 8,001,042,265. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2016, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0400 and \$ 0.2153 per \$ 100 valuation, respectively, for a total of \$ 1.2553 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2016 were 99.52% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 318,412 and \$ 65,917 for the general and debt service funds, respectively.

Inventories

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

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

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

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

Deferred Outflows and Inflows of Resources

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

Compensated Absences

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

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

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

Pensions

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

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The Official Budget was prepared for adoption for the general fund, food service (special revenue fund) and debt service fund prior to August 31, 2015. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final budget amendment on August 16, 2016.

Encumbrance Accounting

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

Outstanding encumbrances at August 31, 2016, which were subsequently provided for in the 2016-17 budgets, totaled \$ 73,397. This is reflected as unassigned fund balance in the general fund.

Fund Equity

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees has delegated authority to the Superintendent and the Chief Financial and Governmental Affairs Officer. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

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

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

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

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

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

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

As of August 31, 2016, non-spendable fund balances include \$ 268,810 for inventories and \$ 927,216 for prepaid items in the General Fund, \$ 52,628 for inventories in the Child Nutrition Program (special revenue fund) and \$ 700 for prepaid items in the ESEA, Title I, Part A Fund (special revenue fund). Restricted fund balances include \$ 2,575,000 for debt service in the General Fund, \$ 17,732,997 for the debt service fund, \$ 31,216,679 for the capital projects fund, \$ 761,063 for the Child Nutrition Program (special revenue fund), and \$ 1,253,558 for Campus Activity, New BISD Education Foundation, Lowe's Grants and PPCD Program (special revenue funds). Committed fund balances include \$ 250,000 for claims and judgments and \$ 500,000 for capital expenditures for equipment in General Fund. Assigned fund balances include \$ 5,000,000 for other purposes in the General Fund. Unassigned fund balance includes \$ 25,695,533 in the General Fund and \$ (700) in the ESEA, Title I, Part A Fund (special revenue fund).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Data Control Codes

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

Use of Estimates

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

New Pronouncements

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

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The statement was implemented and did have an impact on the District's financial statements. This statement is effective for periods beginning after June 15, 2014.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The statement was implemented and did have an impact on the District's financial statements. This statement is effective for periods beginning after June 15, 2014.

GASB No. 72, "Fair Value Measurement and Application" was issued February 2015. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2015.

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2016.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. This statement was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2015.

GASB No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" was issued in December 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2015.

GASB No. 79 "Certain External Investment Pools and Pool Participants" was issued in December 2015. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2015.

GASB No. 80 "Blending Requirements for Certain Component Units and amendment of GASB No. 14" was issued in January 2016. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2016.

GASB No. 81 "Irrevocable Split-Interest Agreements" was issued in March 2016. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB No. 82 "Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73" was issued in March 2016. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2016.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES

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

Cash and cash equivalents are reported on the statement of net position at August 31, 2016 are as follows:

	Governmental Funds	Proprietary (Internal Service) Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:				
Cash (petty cash accounts) \$	8,911	\$	\$ 900	\$ 9,811
Financial Institution Deposits:				
Demand deposits	8,359,430	2,540,819	1,265,985	12,166,234
Broker-Dealer:				
Demand deposits	169,700			169,700
Repurchase agreement	11,887,051			11,887,051
Public Funds Investment Pool:				
Lone Star	42,598,386		11,099	42,609,485
Texas Term	<u>3,000,000</u>	<u> </u>	<u> </u>	<u>3,000,000</u>
	<u>\$ 66,023,478</u>	<u>\$ 2,540,819</u>	<u>\$ 1,277,984</u>	<u>\$ 69,842,281</u>

Deposits

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

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

At August 31, 2016, in addition to petty cash of \$ 9,811, the carrying amount of the District's cash, savings, and time deposits was \$ 12,335,934. The financial institutions balances were \$ 14,454,988 at August 31, 2016. Financial institution balances of \$ 445,835 were covered by federal depository insurance, \$ 169,700 was covered by the Securities Investor Protection Corporation and \$ 13,839,453 were covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated financial institutions, which act as the pledging bank's agent.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Deposits (Continued)

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

Depository:

- a. Name of bank: Texas Gulf Bank, Freeport, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 45,487,558.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 45,737,558 and occurred on September 8, 2015.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

Investments

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

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

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

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

1. Obligations of the U.S. or its agencies and instrumentalities;
2. Obligations of the State of Texas or its agencies;
3. Other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

5. Guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas;
6. Fully collateralized repurchase agreements; and,
7. Public funds investment pool meeting the requirements of Government Code 2256.016-2256.019.

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

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

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

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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

At August 31, 2016, the Government Overnight Fund had a weighted average maturity of 23 days, the Corporate Overnight Fund had a weighted average maturity of 37 days, the Corporate Overnight Plus Fund had a weighted average maturity of 41 days, and Texas Term had a weighted average maturity of 41 days. Although these four funds had weighted average maturities of 23, 37, 41 and 41 days, respectively, the District considers holdings of these funds to have a one day weighted average maturity. This is due to the fact that the share position can normally be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

The following table includes the portfolio balances of all investment types of the District at August 31, 2016:

	<u>Cost</u>	<u>Market Value</u>	<u>Weighted Average Maturity (In Days)</u>
Local Government Investment Pool:			
Lone Star Investment Pool:			
Government Overnight Fund	\$ 539,357	\$ 539,357	23
Corporate Overnight Fund	5,221	5,221	37
Corporate Overnight Plus Fund	42,064,907	42,064,907	41
Texas Term	<u>3,000,000</u>	<u>3,000,000</u>	41
Total local government investment pool	45,609,485	45,609,485	41
Commercial Paper	15,500,000	15,434,218	129
U.S. Government Bonds	<u>11,000,000</u>	<u>11,121,298</u>	196
	72,109,485	72,165,001	84
Repurchase agreement	<u>11,887,051</u>	<u>11,887,051</u>	
Total investments	<u>\$ 83,996,536</u>	<u>\$ 84,052,052</u>	

Credit Risk – As of August 31, 2016, 63% of the investment portfolio was invested in AAAM or AA Af rated funds in the LGIP (2(a)7 likepools), 21% invested in commercial paper with Standard and Poor's rated A-1 or better, and 16% in U.S. Government Bonds with Standard and Poor's rated AA+. The Repurchase Agreement is invested in direct obligations of the United States of America backed by the full faith and credit of the United States of America.

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Fair Value Measures

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of August 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Government bonds	\$ 15,434,218	\$	\$	\$ 15,434,218
Commercial paper	<u>11,121,298</u>	<u> </u>	<u> </u>	<u>11,121,298</u>
Total assets at fair value	<u>\$26,555,516</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 26,555,516</u>

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended August 31, 2016, and holds no direct investments in derivatives at August 31, 2016.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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

Receivables and Allowances

Receivables as of August 31, 2016, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 1,008,899	\$ 190,460	\$	\$ 1,199,359
Receivables from other governments	1,988,877		2,295,538	4,284,415
Other receivables	<u>58,050</u>	<u></u>	<u>65,302</u>	<u>123,352</u>
Gross receivables	3,055,826	190,460	2,360,840	5,607,126
Less: allowance for uncollectibles	<u>690,487</u>	<u>124,543</u>	<u></u>	<u>815,030</u>
Net receivables	<u>\$ 2,365,339</u>	<u>\$ 65,917</u>	<u>\$ 2,360,840</u>	<u>\$ 4,792,096</u>

Receivables/Payables from/to Other Governments

The District participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of August 31, 2016 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General fund	\$ 1,928,459	\$ 6,619	\$ 53,799	\$ 1,988,877
Other funds	<u></u>	<u>2,242,538</u>	<u>53,000</u>	<u>2,295,538</u>
Total	<u>\$ 1,928,459</u>	<u>\$ 2,249,157</u>	<u>\$ 106,799</u>	<u>\$ 4,284,415</u>

For the year ended August 31, 2016, the District was determined to be subject to Chapter 10 under the Texas Education Code (TEC). During the year ended August 31, 2016, the District was required to pay \$ 113 to the state and at August 31, 2016, the District had paid the state \$ 113. The amount incurred as Chapter 41 costs of \$ 113 (after settle-ups) is reported as expenditures under Function 91 - Contracted Instructional Services Between Public Schools. The District will continue to be classified as a Chapter 41 District for the 2016-2017 year.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Deferred Outflows and Inflows of Resources and Unearned Revenues

Governmental Funds

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

As of August 31, 2016, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Deferred Inflows of Resources <u>(Unavailable)</u>	Unearned Revenue <u>Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 216,261	\$
Delinquent property taxes receivable (debt service fund)	45,695	
Federal food commodities		37,773
State entitlements		4,689
State grants		58,991
Local grants		11,929
Advance Funding:		
Other	<u> </u>	<u>18,282</u>
Totals:	<u>\$ 261,956</u>	<u>\$ 131,664</u>

Governmental Activities

Governmental activities defer the recognition of pension expense for contributions made from the measurement date (August 31, 2015) to the current year-end of August 31, 2016 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2016, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Deferred Outflows and Inflows of Resources and Unearned Revenues (Continued)

Governmental Activities (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
TRS deferred inflows and outflows of resources less current amortization	\$ 13,345,808	\$ 4,962,088	\$
Pension contributions subsequent to the measurement date	2,400,505		
Bond refunding costs	171,677		
Federal food commodities			37,773
State entitlements			4,689
State grants			58,991
Other			<u>30,211</u>
Totals	<u>\$ 15,917,990</u>	<u>\$ 4,962,088</u>	<u>\$ 131,664</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at August 31, 2016 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 3,701,659	\$ 1,455,934
Debt Service Fund		23,251
Capital Projects	500	379
Fiduciary Funds	<u>6,479</u>	
Total general fund	<u>3,708,638</u>	<u>1,479,564</u>
Special Revenue Funds:		
General Fund:		
ESEA, Title I, Part A	4	494,544
IDEA - Part B, Formula	4,749	775,219
IDEA - Part B, Preschool		20,017
IDEA - High Cost		220,451
Child Nutrition Program	1,074,870	2,002,756

(continued)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund Receivables and Payables (Continued)

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
General Fund:		
Title I, Part C, Carl Perkins	\$	\$ 7,666
ESEA, Title II, Part A		124,447
ESEA, Title III, Part A		14,469
LEP Summer Program	5,565	5,565
TEA Teacher Training Reimbursement	3,600	3,600
Instruction Materials Allotment	297,864	
Prekindergarten Grant Program		18,997
Brazosport Education Foundation		315
Lowe's Grants	3,336	336
Region 4 PBIS Project		11,768
PPCD Program	52,508	
Fluor Industries Grant	11,550	
Dow Education Grants	729	729
Houston Saengerbund	798	419
Old BISD Education Foundation	361	361
Child Nutrition Program:		
PPCD Program	279	
PPCD Program:		
Child Nutrition Program		279
Agency Fund:		
Campus Activity Funds	<u>2,227,015</u>	<u>1,206,601</u>
	<u>3,683,228</u>	<u>4,908,539</u>
Debt Service Fund:		
General Fund	<u>23,251</u>	
Capital Project Fund:		
General Fund	<u>379</u>	<u>500</u>
Fiduciary Funds:		
Trust Fund:		
Agency Fund	9,330	
Agency Funds:		
General Fund		6,479
Special Revenue Fund	1,206,601	2,227,015
Trust Fund		<u>9,330</u>
	<u>1,215,931</u>	<u>2,242,824</u>
Total	<u>\$ 8,631,427</u>	<u>\$ 8,631,427</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund Transfers

Interfund transfers for the year ended August 31, 2016 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Funds	\$ <u>79,059</u>	\$ <u>72,821</u>
Special Revenue Funds:		
General Fund:		
Child Nutrition Program	72,821	
Campus Activity Funds		19,300
BISD Education Foundation		<u>59,759</u>
	<u>72,821</u>	<u>79,059</u>
	<u>\$ 151,880</u>	<u>\$ 151,880</u>

The transfer from general fund to child nutrition program was made to cover the operational supplement paid to all employers in December 2015. The transfer from campus activity funds to general fund was made to utilize campus fundraising dollars help cover a walking track at Griffith and Polk. The transfer from education foundation to general fund provided a general purpose donation to the District to seek alternative funds to enhance the educational opportunities.

NOTE 5. CAPITAL ASSETS

Changes in Capital Assets and Accumulated Depreciation

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2016:

	<u>September 1,</u> <u>2015</u>	<u>Additions</u>	<u>Retirements &</u> <u>Adjustments</u>	<u>August 31,</u> <u>2016</u>
Non-Depreciated Capital Assets:				
Land	\$ 2,260,973	\$	\$	\$ 2,260,973
Construction in progress	<u>5,897,222</u>	<u>25,208,011</u>	<u>5,840,179</u>	<u>25,265,054</u>
Total non-depreciated	<u>8,158,195</u>	<u>25,208,011</u>	<u>5,840,179</u>	<u>27,526,027</u>
Depreciated Capital Assets:				
Land improvements	7,000,541	135,354		7,135,895
Buildings and improvements	201,477,730	4,550,826		206,028,556
Furniture, equipment & vehicles	<u>15,663,820</u>	<u>4,743,744</u>	<u>125,197</u>	<u>20,282,367</u>
Total depreciated	<u>224,142,091</u>	<u>9,429,924</u>	<u>125,197</u>	<u>233,446,818</u>
Total additions/retirements		<u>\$ 34,637,935</u>	<u>\$ 5,965,376</u>	
Accumulated Depreciated:				
Land and land improvements	\$ 5,335,323	\$ 144,943	\$	\$ 5,480,266
Buildings and improvements	65,338,422	5,243,348		70,581,770
Furniture, equipment & vehicles	<u>12,256,855</u>	<u>965,070</u>	<u>113,113</u>	<u>13,108,812</u>
Total accumulated depreciation	<u>82,930,600</u>	<u>\$ 6,353,361</u>	<u>\$ 113,113</u>	<u>89,170,848</u>
Net depreciated capital assets	<u>141,211,491</u>			<u>144,275,970</u>
Net capital assets	<u>\$ 149,369,686</u>			<u>\$ 171,801,997</u>

See Note 1 for additional information regarding capital assets.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2016***NOTE 5. CAPITAL ASSETS (Continued)****Depreciation Expense**

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

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 3,291,676
0012	Instructional resources and media services	298,608
0013	Curriculum and staff development	15,248
0021	Instructional leadership	40,026
0023	School leadership	249,052
0031	Guidance, counseling, and evaluation services	47,650
0033	Health services	24,778
0034	Student transportation	719,836
0035	Food service	438,382
0036	Extracurricular activities	834,832
0041	General administration	36,214
0051	Plant maintenance and operations	341,811
0053	Data processing services	<u>15,248</u>
	Total depreciation expense	<u>\$ 6,353,361</u>

See Note 1 for additional information regarding capital assets.

Governmental Fund Construction Commitments

At August 31, 2016, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>
Project A: Various Renovation Projects at Velasco, Rasco, Lanier, FIS, Brazoswood and Polk	\$ 4,761,659	\$ 4,104,515	\$ 657,144
Parking Lot Improvements	915,000	802,623	112,377
Track & Field Improvements at Hopper & Slade	2,367,925	2,249,529	118,396
Additions & Renovations at Polk & Griffith	6,373,115	4,355,519	2,017,596
Lanier Gymnasium	1,994,987	1,825,147	169,840
Brazoswood Roof Replacement	2,132,000	2,025,400	106,600
FIS Roof Replacement	817,361	735,625	81,736
PRC Roof Replacement	671,000	666,000	5,000
New Campus Beutel Elementary	<u>19,133,178</u>	<u>5,345,955</u>	<u>13,787,223</u>
	<u>\$ 39,166,225</u>	<u>\$ 22,110,313</u>	<u>\$ 17,055,912</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 6. LONG-TERM DEBT

Loans

Short-term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. The District did not borrow any funds through loan transactions during the year ended August 31, 2016.

General Obligation Bonds

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

The following is a summary of the District's general obligation bonded debt as of August 31, 2016:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2003	\$ 8,000,000	2018	0.00	\$ 8,000,000
2005	8,000,000	2021	0.00	8,000,000
2007	1,682,270	2018	4.00	2,396,423
2010	6,985,000	2019	2.00-5.00	6,040,000
2011	7,365,000	2023	2.00-4.00	6,670,000
2011	2,036,256	2021	3.00	2,377,971
2012	30,385,000	2023	2.00-4.00	23,165,000
2012	56,870,000	2025	2.00-3.00	43,775,000
2013	9,415,000	2023	3.00	2,985,000
2015	54,785,000	2035	2.00-5.00	54,780,000
2016	<u>6,180,000</u>	2022	2.00-4.00	<u>6,095,000</u>
Total	\$ <u>191,703,526</u>			\$ <u>164,284,394</u>

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

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2017	\$ 14,520,000	\$ 4,979,162	\$ 19,499,162
2018	24,175,000	4,471,406	28,646,406
2019	17,940,000	3,898,981	21,838,981
2020	17,245,000	3,272,450	20,517,450
2021	20,725,000	2,757,926	23,482,926
2022-2026	45,780,000	7,519,584	53,299,584
2027-2031	12,630,000	3,119,669	15,749,669
2032-2035	<u>11,765,000</u>	<u>831,875</u>	<u>12,596,875</u>
Totals	\$ <u>164,780,000</u>	\$ <u>30,851,053</u>	\$ <u>195,631,053</u>

Difference in bond payable and future principal payments is due to \$ 495,606 of accretion, which will occur in future years prior to payment.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2016***NOTE 6. LONG-TERM DEBT (Continued)****General Obligation Bonds (Continued)**

During the year ended August 31, 2016, the District issued \$ 6,180,000 of Unlimited Tax Refunding Bonds, Series 2016, for the advance partial refunding of previously issued outstanding bonds (Series 2007). The District placed the proceeds of the refunding issues in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issues being refunded. The difference between the cash flow required to service the new debt and complete the refunding at the date of the refunding was \$ 580,775. The economic gain resulting from the transaction was \$ 564,003. The funds of the escrow account were used to purchase federal securities which will mature at such times and yield interest sufficient to pay the principal and interest on the Refunded Bonds when due. By this action, the District has affected the defeasance of the Refunded Bonds. Accordingly, the Refunded Bonds are considered to be extinguished and do not appear as a liability in the governmental activities statement of net position. At August 31, 2016, the escrow balance and the related bonds payable were \$ -0-.

The District entered into two repurchase agreements for 2003B Unlimited Tax School Building QZAB Bonds and the 2005 Unlimited Tax School Building QZAB Bonds. The 2003B Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 377,642 and will yield an interest rate of 4.21% with maturity date of August 15, 2018. The 2005 Unlimited Tax School Building QZAB Bonds repurchase agreement calls for annual payments of \$ 401,939 and will yield an interest rate of 2.83% with maturity date of June 30, 2021. The total requirement deposited for the year ended August 31, 2016 was \$ 779,580. The sinking fund balance as of August 31, 2016 was \$ 11,739,604 (\$ 5,130,198 Series 2005 and \$ 6,609,406 Series 2003).

Presented below is a summary of the sinking fund requirements:

<u>Year Ended August 31</u>	<u>Series 2005</u>	<u>Series 2003</u>	<u>Total Requirements</u>
2017	\$ 401,939	\$ 377,642	\$ 779,581
2018	401,939	377,641	779,580
2019	401,939		401,939
2020	401,939		401,939
2021	<u>401,939</u>		<u>401,939</u>
Total minimum requirements	<u>\$ 2,009,695</u>	<u>\$ 755,283</u>	<u>\$ 2,764,978</u>

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

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

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2016.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 6. LONG-TERM DEBT (Continued)

Maintenance Tax Note

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

The following is a summary of the District's maintenance tax school construction note debt as of August 31, 2016:

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

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

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2017	\$	\$ 409,584	\$ 409,584
2018		409,584	409,584
2019		409,584	409,584
2020	4,635,000	409,584	5,044,584
2021		235,771	235,771
2022-2026	2,575,000	1,053,325	3,628,325
2027-2029	<u>2,120,000</u>	<u>330,720</u>	<u>2,450,720</u>
	\$ <u>9,330,000</u>	\$ <u>3,258,152</u>	\$ <u>12,588,152</u>

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

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

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 6. LONG-TERM DEBT (Continued)

Maintenance Tax Note (Continued)

<u>Year Ended August 31</u>	<u>Original Federal Subsidy</u>	<u>Reduced Federal Subsidy</u>	<u>Annual Sinking Fund Requirement</u>
2017	\$ 409,584	\$ 344,460	\$ 515,000
2018	409,584	344,460	515,000
2019	409,584	344,460	515,000
2020	409,584	344,460	515,000
2021	235,771	198,284	515,000
2022-2026	1,053,325	885,846	2,590,000
2027-2029	<u>330,720</u>	<u>278,136</u>	<u>1,590,000</u>
Totals	<u>\$ 3,258,152</u>	<u>\$ 2,740,106</u>	<u>\$ 6,755,000</u>

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2016, was as follows:

	<u>Balance 09-01-15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08-31-16</u>	<u>Due Within One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 175,799,325	\$ 6,345,069	\$ 17,860,000	\$ 164,284,394	\$ 14,520,000
Tax Notes	9,330,000			9,330,000	
Capital leases	126,430		54,851	71,579	54,918
Net pension obligations	13,421,028	17,774,119	4,258,118	26,937,029	2,256,428
Components of Long-Term Debt:					
Premium (discount) on general obligation bond	9,542,653	580,226	894,044	9,228,835	942,970
Accrued interest	<u>230,133</u>	<u>218,876</u>	<u>230,133</u>	<u>218,876</u>	<u>218,876</u>
Totals	<u>\$ 208,449,569</u>	<u>\$ 24,918,290</u>	<u>\$ 23,297,146</u>	<u>\$ 210,070,713</u>	<u>\$ 17,993,192</u>

NOTE 7. LEASES

Capital Leases

The District leases various office machines under capital leases. During the year ended August 31, 2014, the District had \$ 219,675 of net additions of new office equipment through capital leases. The effective interest rate of the capital lease is 17.69%, expiring in 2018. The leased assets and related obligations are accounted for in the government activities column of the government-wide financial statements as capital assets and noncurrent liabilities. Current requirements for principal and interest expenditures accounted for in the General Fund, were \$ 54,851 and \$ 38,837, respectively.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 7. LEASES (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of August 31, 2016:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2017	\$ 93,795
2018	<u>22,207</u>
	116,002
Less amount representing interest	<u>44,423</u>
Net present value of minimum lease payments	<u>\$ 71,579</u>

Operating Leases

As of August 31, 2016, the District is not involved in any non-cancelable lease agreements. All leases are on a “month-to-month” basis. The District did not incur any rental expenditures for the fiscal year ending August 31, 2016.

NOTE 8. PENSION PLAN OBLIGATIONS

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. 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.

Contribution Rates

	<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%
Employer # 1398 – 2015 Employer Contributions		\$ 2,256,428
Employer # 1398 – 2015 Member Contributions		\$ 1,963,028
Employer # 1398 – 2015 NECE On-behalf Contributions		\$ 3,523,495

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 General Appropriations Act (GAA).

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

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:

- 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 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 the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement age 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
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 8.00%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity:			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return:			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity:			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District’s proportionate share of the Net pension liability	\$ <u>42,205,247</u>	\$ <u>26,937,029</u>	\$ <u>14,219,552</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2016, the District reported a liability of \$ 26,937,029 for its proportionate share of 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 share of the collective net pension liability	\$ 26,937,029
State’s proportionate share that is associated with the District	<u>14,477,947</u>
 Total	 \$ <u>41,414,976</u>

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 employer’s proportion of the net pension liability was based on the employer’s contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015, the employer’s proportion of the collective net pension liability was 0.0762038% which was an increase of 0.0259592% from its proportion measured as of August 31, 2014.

Changes since the prior Actual 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.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.
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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

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 adjustment 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 date.
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.

For the year ended August 31, 2016, the District recognized pension expense of \$ 5,207,031 and revenue of \$ 3,523,495 for support provided by the State.

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

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 149,667	\$ 1,035,214
Changes in actuarial assumptions	629,053	960,995
Difference between projected and actual investment earnings	6,633,990	2,957,861
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,933,098	8,018
Contribution paid to TRS subsequent to the measurement date	<u>2,400,505</u>	<u> </u>
Total	<u>\$ 15,746,313</u>	<u>\$ 4,962,088</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:

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2016	\$ 1,480,599
2017	1,480,599
2018	1,480,599
2019	2,506,100
2020	834,475
2021	601,348

During the year ended August 31, 2016, the District received \$ 298,966 in Medicare Part D, on-behalf payments.

NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES

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

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 585,577
Build America Bonds	---	381,732
ROTC Program	12.000	65,762
Medicaid Administrative Claiming Program (MAC)	93.778	21,152
Indirect Costs:		
School Breakfast Program	10.553	113,068
National School Lunch Program	10.555	386,932
ESEA, Title I, Part A	84.010	24,670
IDEA Part B – Formula	84.027	27,955
ESEA, Title II, Part A	84.367	<u>5,109</u>
		<u>\$ 1,611,957</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES (Continued)

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

NOTE 10. LOCAL AND INTERMEDIATE REVENUES

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

Fund	General Fund	Debt Service Fund	Capital Projects Funds	Other Funds	Total
Property Taxes	\$ 80,492,112	\$ 17,027,320	\$	\$	\$ 97,519,432
Food sales				2,024,309	2,024,309
Investment income	194,644	456,289	198,639	6,029	855,601
Penalties, interest and other tax related income	530,225	96,767			626,992
Co-curricular income	205,832				205,832
Other tuition and fees from patrons	6,075			32,544	38,619
Enterprise activities	10,121			1,252,855	1,262,976
Grants and contributions	26,700			195,824	222,524
Other	<u>1,668,177</u>		<u>759,716</u>	<u>1,252</u>	<u>2,429,145</u>
Total	<u>\$ 83,133,886</u>	<u>\$ 17,580,376</u>	<u>\$ 958,355</u>	<u>\$ 3,512,813</u>	<u>\$105,185,430</u>

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2016, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage.

NOTE 12. SELF-INSURANCE

Dental Plan

Beginning September 1, 2001, the District established its self-funding Dental (Health) Plan program. The accrued liability for the Dental Plan self-insurance program is projected to be \$ 80,292 as of August 31, 2016.

The dental plan is funded through the employee flex spending program. During the year ended August 31, 2016, the Plan received \$ 552,048 in employee contributions, of which \$ -0- were forfeitures.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

NOTE 12. SELF-INSURANCE (Continued)

Dental Plan (Continued)

The accrued liability for the Dental Plan self-insurance of \$ 80,292 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the dental plan claims liability amounts in fiscal 2014-2015 and 2015-2016 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2014-2015 Dental Plan	\$ 37,154	\$ 578,928	\$ 563,519	\$ 52,563
2015-2016 Dental Plan	\$ 52,563	\$ 646,437	\$ 618,708	\$ 80,292

Workers' Compensation

Beginning September 1, 2001, the District established its self-funding Workers' Compensation program. The District met its statutory worker's compensation obligations by participating as a self-funded member of the TASB Risk Management Fund. The accrued liability for the Workers' Compensation self-insurance program is projected to be \$ 212,370 as of August 31, 2016.

The District has maintained a self-insured retention of \$ 325,000 per occurrence during the year ended August 31, 2016. The District currently purchases specific excess coverage of \$ 325,000 per occurrence from Midwest Employers Casualty Company and \$ 1,000,000 in the aggregate. Claims administration is also provided by Texas Association of School Boards.

The accrued liability for Workers' Compensation self insurance of \$ 212,370 includes estimated incurred but not reported claims. This liability reported in the fund at August 31, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 12. SELF-INSURANCE (Continued)

Workers' Compensation (Continued)

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

<u>Fiscal Year</u>	<u>Claims</u>
2007-08	172
2008-09	148
2009-10	112
2010-11	84
2011-12	77
2012-13	77
2013-14	85
2014-15	92
2015-16	93
9 Yr. Average	104

Changes in the workers' compensation claims liability amounts in fiscal 2014-2015 and 2015-2016 are presented below:

	<u>Beginning of Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2014-2015 Workers' Compensation	\$ 260,190	\$ 254,988	\$ 325,581	\$ 189,597
2015-2016 Workers' Compensation	\$ 189,597	\$ 280,667	\$ 257,894	\$ 212,370

NOTE 13. UNEMPLOYMENT COMPENSATION POOL

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of 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.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 14. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2016 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS

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

Expenditures:

6200	Professional and Contracted Services	\$	13,300
------	--------------------------------------	----	--------

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

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

Expenditures:

6400	Other Operating Costs	\$	99,398
------	-----------------------	----	--------

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

NOTE 16. SUBSEQUENT EVENT

The District has evaluated subsequent events through December 15, 2016, the date which the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY.

REQUIRED SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016*

Exhibit G-1
Page 1 of 1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 81,816,788	\$ 80,853,788	\$ 83,133,886	\$ 2,280,098
5800	State program revenues	22,353,830	22,353,830	20,984,931	(1,368,899)
5900	Federal program revenues	1,599,967	1,599,967	1,611,957	11,990
5020	Total revenues	<u>105,770,585</u>	<u>104,807,585</u>	<u>105,730,774</u>	<u>923,189</u>
EXPENDITURES:					
Current:					
0011	Instruction	57,291,755	57,961,105	57,420,162	540,943
0012	Instructional resources and media services	1,735,227	2,066,523	1,822,092	244,431
0013	Curriculum and staff development	1,849,900	1,910,676	1,732,437	178,239
0021	Instructional leadership	2,474,600	2,542,823	2,424,906	117,917
0023	School leadership	7,296,780	7,404,676	7,320,321	84,355
0031	Guidance, counseling, and evaluation services	4,215,698	4,504,516	4,257,753	246,763
0032	Social work services	156,977	259,263	190,887	68,376
0033	Health services	1,323,607	1,534,270	1,314,922	219,348
0034	Student transportation	2,548,388	2,376,273	2,077,689	298,584
0036	Extracurricular activities	3,334,091	3,609,021	3,279,446	329,575
0041	General administration	2,559,931	2,622,609	2,417,483	205,126
0051	Plant maintenance and operations	12,803,796	12,975,617	12,569,088	406,529
0052	Security and monitoring services	1,037,955	1,047,095	859,271	187,824
0053	Data processing services	1,855,205	2,093,881	1,833,857	260,024
0061	Community services	16,200	27,700	13,929	13,771
0071	Principal on long-term debt	571,000	571,000	54,851	516,149
0072	Interest on long-term debt	450,000	450,000	448,421	1,579
0091	Contracted instructional services between public schools		113	113	-0-
0093	Payments related to shared services arrangements	99,399	99,399	99,398	1
0095	Payments to Juvenile Justice Alternative				
	Education Programs	30,000	30,000	13,300	16,700
0099	Other intergovernmental	<u>620,000</u>	<u>675,000</u>	<u>671,962</u>	<u>3,038</u>
6030	Total expenditures	<u>102,270,509</u>	<u>104,761,560</u>	<u>100,822,288</u>	<u>3,939,272</u>
1100	Excess of revenues over expenditures	<u>3,500,076</u>	<u>46,025</u>	<u>4,908,486</u>	<u>4,862,461</u>
OTHER FINANCING SOURCES:					
7912	Sale of real or personal property			14,109	14,109
7915	Operating transfers in		19,300	79,059	59,759
8911	Operating transfers out		(72,397)	(72,821)	(424)
	Total other financing sources	<u>-0-</u>	<u>(53,097)</u>	<u>20,347</u>	<u>73,444</u>
1200	Net change in fund balances	3,500,076	(7,072)	4,928,833	4,935,905
0100	Fund balances – beginning	<u>30,287,726</u>	<u>30,287,726</u>	<u>30,287,726</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 33,787,802</u>	<u>\$ 30,280,654</u>	<u>\$ 35,216,559</u>	<u>\$ 4,935,905</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS – COST SHARING EMPLOYER PLAN
FOR THE LAST TEN YEARS (1)
AUGUST 31, 2016 WITH MEASUREMENT DATE OF AUGUST 31, 2015

EXHIBIT G-2
Page 1 of 1

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (assets)	0.0502446%	0.0762038%
District's proportionate share of the net pension liability (asset)	\$ 13,421,028	\$ 26,937,029
State's proportionate share of the net pension liability (asset) associated with the District	<u>8,105,161</u>	<u>14,477,947</u>
Total	<u>\$ 21,526,189</u>	<u>\$ 41,414,976</u>
District's covered-employee payroll	<u>\$ 70,210,198</u>	<u>\$ 77,047,832</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.12%	34.96%
Plan fiduciary net position as a percentage of total pension liability	83.25%	78.43%

(1) The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date), therefore, only two years of required supplemental information is available.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
*SCHEDULE OF REQUIRED CONTRIBUTIONS -
 COST SHARING EMPLOYER PLAN
 FOR THE LAST TEN YEARS (1)
 AUGUST 31, 2016 WITH MEASUREMENT DATE OF AUGUST 31, 2015*

EXHIBIT G-3
 Page 1 of 1

	<u>2015</u>	<u>2016</u>
Contractually required contributions	\$ 1,273,841	\$ 2,256,428
Contributions in relation to the contractually required contribution	<u>1,273,841</u>	<u>2,256,428</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered-employee payroll	<u>\$ 70,210,198</u>	<u>\$ 77,047,832</u>
Contributions as a percentage of covered-employee payroll	1.81%	2.93%

(1) The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date), therefore, only two years of required supplemental information is available.

OTHER SUPPLEMENTARY INFORMATION

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	Special					
	211	224	225	226	240	
	ESEA, Title I Part A	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA Part B, High Cost	Child Nutrition Program	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
1110	Cash and cash equivalents	\$	\$	\$	\$	1,899,172
1240	Receivables from other governments	714,929	926,063	25,013	220,451	194,023
1250	Other receivables					53,534
1260	Due from other funds	4	4,749			1,075,149
1310	Inventories					52,628
1410	Deferred expenditures	700				
1000	Total assets	<u>715,633</u>	<u>930,812</u>	<u>25,013</u>	<u>220,451</u>	<u>3,274,506</u>
DEFERRED OUTFLOWS OF RESOURCES						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 715,633</u>	<u>\$ 930,812</u>	<u>\$ 25,013</u>	<u>\$ 220,451</u>	<u>\$ 3,274,506</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 67,015	\$ 8,805	\$	\$	\$ 248,511
2160	Accrued wages payable	154,074	146,788	4,996		171,775
2170	Due to other funds	494,544	775,219	20,017	220,451	2,002,756
2300	Unearned revenue					37,773
2000	Total liabilities	<u>715,633</u>	<u>930,812</u>	<u>25,013</u>	<u>220,451</u>	<u>2,460,815</u>
DEFERRED INFLOWS OF RESOURCES						
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories					52,628
3430	Prepaid items	700				
Restricted:						
3450	Food service					761,063
3480	Other					
Unassigned:						
3600	Unassigned fund balance	(700)				
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>813,691</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 715,633</u>	<u>\$ 930,812</u>	<u>\$ 25,013</u>	<u>\$ 220,451</u>	<u>\$ 3,274,506</u>

Revenue Funds							
244	255	263	288	385	397	410	426
Title I Part C Carl D Perkins	ESEA, Title II Part A	ESEA, Title III, Part A	LEP Summer Program	Orientation & Mobility Program	TEA Teacher Training Reimbursement	Instructional Materials Allotment	Pre- kindergarten Grant Program
\$ 7,666	\$ 136,737	\$ 17,656	\$	\$	\$	\$	\$ 53,000
			5,565		3,600	297,864	
<u>7,666</u>	<u>136,737</u>	<u>17,656</u>	<u>5,565</u>	<u>-0-</u>	<u>3,600</u>	<u>297,864</u>	<u>53,000</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 7,666</u>	<u>\$ 136,737</u>	<u>\$ 17,656</u>	<u>\$ 5,565</u>	<u>\$ -0-</u>	<u>\$ 3,600</u>	<u>\$ 297,864</u>	<u>\$ 53,000</u>
\$ 7,666	\$ 1,800 10,490 124,447	\$ 3,187 14,469	\$ 5,565	\$	\$ 3,600	\$ 238,873 58,991	\$ 34,003 18,997
<u>7,666</u>	<u>136,737</u>	<u>17,656</u>	<u>5,565</u>	<u>-0-</u>	<u>3,600</u>	<u>297,864</u>	<u>53,000</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 7,666</u>	<u>\$ 136,737</u>	<u>\$ 17,656</u>	<u>\$ 5,565</u>	<u>\$ -0-</u>	<u>\$ 3,600</u>	<u>\$ 297,864</u>	<u>\$ 53,000</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2016

		461	472	480	481	Special 482
Data Control Codes		Campus Activity Funds	BISD Education Foundation	Lowe's Grants	Region 4 PBIS Project	PPCD Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
1110	Cash and cash equivalents	\$	\$ 193,167	\$	\$	\$
1240	Receivables from other governments					
1250	Other receivables				11,768	
1260	Due from other funds	2,227,015		3,336		52,508
1310	Inventories					
1410	Deferred expenditures					
1000	Total assets	<u>2,227,015</u>	<u>193,167</u>	<u>3,336</u>	<u>11,768</u>	<u>52,508</u>
DEFERRED OUTFLOWS OF RESOURCES						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 2,227,015</u>	<u>\$ 193,167</u>	<u>\$ 3,336</u>	<u>\$ 11,768</u>	<u>\$ 52,508</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$ 11,751	\$	\$	\$
2160	Accrued wages payable					3,186
2170	Due to other funds	1,206,601	315	336	11,768	279
2300	Unearned revenue					
2000	Total liabilities	<u>1,206,601</u>	<u>12,066</u>	<u>336</u>	<u>11,768</u>	<u>3,465</u>
DEFERRED INFLOWS OF RESOURCES						
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories					
	Prepaid items					
Restricted:						
3450	Food service					
3480	Other	1,020,414	181,101	3,000		49,043
Unassigned:						
3600	Unassigned fund balance					
3000	Total fund balances	<u>1,020,414</u>	<u>181,101</u>	<u>3,000</u>	<u>-0-</u>	<u>49,043</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,227,015</u>	<u>\$ 193,167</u>	<u>\$ 3,336</u>	<u>\$ 11,768</u>	<u>\$ 52,508</u>

Revenue Funds

483	484	490	496	498	
Region 4 School Support	Fluor Industries Grant	Dow Education Grants	Houston Saengerbund	Old BISD Education Foundation	Total Nonmajor Governmental (See C-2)
\$	\$	\$	\$	\$	\$ 2,092,339
					2,295,538
					65,302
	11,550	729	798	361	3,683,228
					52,628
					700
<u>-0-</u>	<u>11,550</u>	<u>729</u>	<u>798</u>	<u>361</u>	<u>8,189,735</u>
					-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 11,550</u>	<u>\$ 729</u>	<u>\$ 798</u>	<u>\$ 361</u>	<u>\$ 8,189,735</u>
\$	\$	\$	\$	\$	\$ 610,758
					494,496
		729	419	361	4,908,539
	11,550		379		108,693
<u>-0-</u>	<u>11,550</u>	<u>729</u>	<u>798</u>	<u>361</u>	<u>6,122,486</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
					52,628
					700
					761,063
					1,253,558
					(700)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,067,249</u>
<u>\$ -0-</u>	<u>\$ 11,550</u>	<u>\$ 729</u>	<u>\$ 798</u>	<u>\$ 361</u>	<u>\$ 8,189,735</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2016

Data Control Codes	Special				
	211	224	225	226	240
	ESEA, Title I Part A	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA Part B, High Cost	Child Nutrition Program
REVENUES:					
5700	Local and intermediate sources	\$ 765	\$ 438	\$	\$ 2,059,037
5800	State program revenues				164,399
5900	Federal program revenues	<u>3,040,236</u>	<u>2,370,126</u>	<u>60,481</u>	<u>4,555,720</u>
5020	Total revenues	<u>3,041,001</u>	<u>2,370,564</u>	<u>60,481</u>	<u>6,779,156</u>
EXPENDITURES:					
Current:					
0011	Instruction	2,157,359	1,663,795	60,481	
0012	Instructional resources and media services				
0013	Curriculum and staff development	585,898	3,589		
0021	Instructional leadership	119,255	46,021		220,451
0023	School leadership	9,408			
0031	Guidance, counseling and evaluation services		593,740		
0032	Social work services	144,983	63,419		
0035	Food service				7,216,097
0036	Extracurricular activities				
0041	General administration				
0051	Plant Maintenance and operations				
0061	Community services	<u>24,098</u>			
6030	Total expenditures	<u>3,041,001</u>	<u>2,370,564</u>	<u>60,481</u>	<u>7,216,097</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(436,941)</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of real and personal property				6,339
7915	Operating transfers in				72,821
8911	Operating transfers out				
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>79,160</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(357,781)</u>
0100	Fund balances - beginning				<u>1,171,472</u>
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 813,691</u>

Revenue Funds							
244	255	263	288	385	397	410	426
Title I Part C Carl D Perkins	ESEA, Title II Part A	ESEA, Title III, Part A	LEP Summer Program	Orientation & Mobility Program	TEA Teacher Training Reimbursement	Instructional Materials Allotment	Pre- kindergarten Grant Program
\$ 23	\$	\$ 26	\$	\$	\$	\$	\$
137,807	470,796	116,308	5,565	9,855	3,600	801,119	53,000
137,830	470,796	116,334	5,565	9,855	3,600	801,119	53,000
128,650		65,990	5,565	9,855		801,119	53,000
2,300 6,880	420,232 16,578 33,986	43,611			3,600		
		6,733					
137,830	470,796	116,334	5,565	9,855	3,600	801,119	53,000
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2016

		461	472	480	481	Special 482
Data Control Codes		Campus Activity Funds	BISD Education Foundation	Lowe's Grants	Region 4 PBIS Project	PPCD Program
REVENUES:						
5700	Local and intermediate sources	\$ 1,252,855	\$ 110,163	\$ 3,000	\$ 11,768	\$ 32,544
5800	State program revenues					
5900	Federal program revenues					
5020	Total revenues	<u>1,252,855</u>	<u>110,163</u>	<u>3,000</u>	<u>11,768</u>	<u>32,544</u>
EXPENDITURES:						
Current:						
0011	Instruction		56,985	746	11,768	33,879
0012	Instructional resources and media services		6,572			
0013	Curriculum and staff development		2,475			
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling and evaluation services					
0032	Social work services					
0035	Food service					
0036	Extracurricular activities	1,187,301	608			
0041	General administration		27,882			
0051	Plant maintenance and operations		144			
0061	Community services					
6030	Total expenditures	<u>1,187,301</u>	<u>94,666</u>	<u>746</u>	<u>11,768</u>	<u>33,879</u>
1100	Excess (deficiency) of revenues over expenditures	<u>65,554</u>	<u>15,497</u>	<u>2,254</u>	<u>-0-</u>	<u>(1,335)</u>
OTHER FINANCING SOURCES (USES):						
7912	Sale of real and personal property					
7915	Operating transfers in					
8911	Operating transfers out	(19,300)	(59,759)			
	Total other financing sources and (uses)	<u>(19,300)</u>	<u>(59,759)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	46,254	(44,262)	2,254		(1,335)
0100	Fund balances - beginning	<u>974,160</u>	<u>225,363</u>	<u>746</u>		<u>50,378</u>
3000	Fund balances - ending	<u>\$ 1,020,414</u>	<u>\$ 181,101</u>	<u>\$ 3,000</u>	<u>\$ -0-</u>	<u>\$ 49,043</u>

Revenue Funds

483	484	490	496	498	
Region 4 School Support	Fluor Industries Grant	Dow Education Grants	Houston Saengerbund	Old BISD Education Foundation	Total Nonmajor Governmental (See C-2)
\$ 14,700	\$ 12,517	\$ 14,408	\$ 569	\$	\$ 3,512,813
					1,031,973
					<u>10,977,490</u>
<u>14,700</u>	<u>12,517</u>	<u>14,408</u>	<u>569</u>	<u>-0-</u>	<u>15,522,276</u>
14,700	12,517	19,083 5,908	569		5,096,061
					12,480
					1,061,705
					409,185
					43,394
					593,740
					208,402
					7,216,097
					1,187,909
					27,882
					144
				4,113	<u>34,944</u>
<u>14,700</u>	<u>12,517</u>	<u>24,991</u>	<u>569</u>	<u>4,113</u>	<u>15,891,943</u>
<u>-0-</u>	<u>-0-</u>	<u>(10,583)</u>	<u>-0-</u>	<u>(4,113)</u>	<u>(369,667)</u>
					6,339
					72,821
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(79,059)</u>
					101
-0-	-0-	(10,583)	-0-	(4,113)	(369,566)
<u>-0-</u>	<u>-0-</u>	<u>10,583</u>	<u>-0-</u>	<u>4,113</u>	<u>2,436,815</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,067,249</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2016

Exhibit H-3
Page 1 of 1

<u>Data Control Codes</u>		<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-1)</u>
	ASSETS:			
	Current Assets:			
1110	Cash and cash equivalents	\$ 579,529	\$ 1,961,290	\$ 2,540,819
1410	Prepaid items	<u> </u>	<u>48,337</u>	<u>48,337</u>
	Total current assets	579,529	2,009,627	2,589,156
	DEFERRED OUTFLOWS OF RESOURCES:			
1700	Deferred outflows of resources	<u> </u>	<u> </u>	<u>-0-</u>
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 579,529</u>	<u>\$ 2,009,627</u>	<u>\$ 2,589,156</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
	Liabilities:			
2165	Accrued expenses payable	<u>80,292</u>	<u>212,370</u>	<u>292,662</u>
	Total liabilities	80,292	212,370	292,662
	DEFERRED INFLOWS OF RESOURCES:			
2600	Deferred inflows of resources	<u> </u>	<u> </u>	<u>-0-</u>
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	NET POSITION:			
3900	Unrestricted net position	<u>499,237</u>	<u>1,797,257</u>	<u>2,296,494</u>
	Total net position	<u>499,237</u>	<u>1,797,257</u>	<u>2,296,494</u>
	Total liabilities, deferred inflows of resources and net position	<u>\$ 579,529</u>	<u>\$ 2,009,627</u>	<u>\$ 2,589,156</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2016

Exhibit H-4
Page 1 of 1

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-2)</u>
Operating Revenues:			
Charges for services	\$ <u>552,048</u>	\$ <u>332,612</u>	\$ <u>884,660</u>
Total operating revenues	<u>552,048</u>	<u>332,612</u>	<u>884,660</u>
Operating Expenses:			
Insurance claims and expenses	<u>646,437</u>	<u>277,890</u>	<u>924,327</u>
Total operating expenses	<u>646,437</u>	<u>277,890</u>	<u>927,327</u>
Operating income (loss)	<u>(94,389)</u>	<u>54,722</u>	<u>(39,667)</u>
Nonoperating Revenues:			
Interest and investment revenue	<u>1,222</u>	<u>4,122</u>	<u>5,344</u>
Total nonoperating revenues	<u>1,222</u>	<u>4,122</u>	<u>5,344</u>
Change in net position	<u>(93,167)</u>	<u>58,844</u>	<u>(34,323)</u>
Net position – beginning	<u>592,404</u>	<u>1,738,413</u>	<u>2,330,817</u>
Net position – ending	<u>\$ 499,237</u>	<u>\$ 1,797,257</u>	<u>\$ 2,296,494</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED AUGUST 31, 2016

Exhibit H-5
Page 1 of 1

	<u>Dental Plan</u>	<u>Worker's Compensation</u>	<u>Total (See D-3)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 552,120	\$ 332,612	\$ 884,732
Claims paid	(618,708)	(257,894)	(876,602)
Net cash provided by operating activities	(66,588)	74,718	8,130
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net cash provided (used) by noncapital financing activities	_____	_____	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net cash provided (used) by capital and related financing activities	_____	_____	-0-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,222	4,122	5,344
Net cash provided by investing activities	1,222	4,122	5,344
Net increase (decrease) in cash and cash equivalents	(65,366)	78,840	13,474
Balances – beginning of the year	644,895	1,882,450	2,527,345
Balances – end of the year	<u>\$ 579,529</u>	<u>\$ 1,961,290</u>	<u>\$ 2,540,819</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income	\$(94,389)	\$ 54,722	\$(39,667)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Changes in Assets and Liabilities:			
Other receivables	72		72
Accrued expenses payable	27,729	22,773	50,502
Prepaid items	_____	(2,777)	(2,777)
Net cash provided by operating activities	<u>\$(66,588)</u>	<u>\$ 74,718</u>	<u>\$ 8,130</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2016

Last Ten Years Ended August 31,	1		2		3		10	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes		Beginning Balance September 1, 2015	
	Maintenance		Debt Service					
2007 and Prior	\$	Various	\$	Various	\$	Various	\$	220,868
2008		0.948400		0.185500		6,785,512,912		42,927
2009		1.010000		0.182200		7,328,104,426		50,610
2010		1.040000		0.188500		6,666,775,818		49,854
2011		1.040000		0.201500		6,238,933,790		53,263
2012		1.040000		0.201500		6,068,476,601		200,544
2013		1.040000		0.219500		6,431,912,070		250,502
2014		1.040000		0.215300		6,409,126,185		183,661
2015		1.040000		0.215300		6,933,187,931		532,848
2016 (School Year Under Audit)		1.040000		0.215300		7,568,023,022		
1000 Totals							\$	<u>1,585,077</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2016
\$	\$ 20,876	\$ 2,001	\$(26,091)	\$ 171,900
	3,702	724	(349)	38,152
	5,246	946	(138)	44,280
	5,223	947	(469)	43,215
	4,751	921	1,038	48,629
	136,783	26,502	4,838	42,097
	154,309	32,568	4,692	68,317
	61,807	12,795	(4,020)	105,039
	267,971	55,475	(38,959)	170,443
<u>95,001,393</u>	<u>79,854,722</u>	<u>16,899,155</u>	<u>2,219,771</u>	<u>467,287</u>
<u>\$ 95,001,393</u>	<u>\$ 80,515,390</u>	<u>\$ 17,032,034</u>	<u>\$ 2,160,313</u>	<u>\$ 1,199,359</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
AUGUST 31, 2016
UNAUDITED

Exhibit J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/16 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>35,216,559</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	1,196,026
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	2,575,000
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	750,000
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	5,000,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing deferred revenues)	14,952,141
7	Estimate of two months' average cash disbursements during the regular School session (9/1/15 – 5/31/16)	16,803,715
8	Estimate of delayed payments from state sources (58XX)	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	
10	Estimate of delayed payments from federal sources (59XX)	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>41,276,882</u>
13	Excess (deficit) unassigned General Fund fund balance (1- 12)	\$(<u>6,060,323</u>)

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM SPECIAL REVENUE FUND
YEAR ENDED AUGUST 31, 2016*

Exhibit J-4
Page 1 of 1

Data Control Codes		Child Nutrition Program Special Revenue Fund			
		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 2,200,000	\$ 2,200,000	\$ 2,059,037	\$(140,963)
5800	State program revenues	40,000	265,000	164,399	(100,601)
5900	Federal program revenues	<u>3,844,000</u>	<u>4,664,000</u>	<u>4,555,720</u>	<u>(108,280)</u>
5020	Total revenues	<u>6,084,000</u>	<u>7,129,000</u>	<u>6,779,156</u>	<u>(349,844)</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>6,084,000</u>	<u>7,558,647</u>	<u>7,216,097</u>	<u>342,550</u>
6030	Total expenditures	<u>6,084,000</u>	<u>7,558,647</u>	<u>7,216,097</u>	<u>342,550</u>
1100	Excess (deficiency) of revenues over expenditures	-0-	(429,647)	(436,941)	(7,294)
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real and personal property			6,339	6,339
7915	Operating transfers in		<u>72,397</u>	<u>72,821</u>	<u>424</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>72,397</u>	<u>79,160</u>	<u>6,763</u>
1200	Net change in fund balances	-0-	(357,250)	(357,781)	(531)
0100	Fund balances – beginning	<u>1,171,472</u>	<u>1,171,472</u>	<u>1,171,472</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 1,171,472</u>	<u>\$ 814,222</u>	<u>\$ 813,691</u>	<u>\$(531)</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2016

Exhibit J-5
Page 1 of 1

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 16,949,958	\$ 16,949,958	\$ 17,580,376	\$ 630,418
2800	State program revenues	250,000	250,000	262,324	12,324
5020	Total revenues	17,199,958	17,199,958	17,842,700	642,742
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	11,979,581	11,979,581	11,285,000	694,581
0072	Interest on long-term debt	5,330,509	5,330,509	5,081,989	248,520
0073	Bond issuance costs and fees	177,730	287,983	126,432	161,551
6030	Total expenditures	17,487,820	17,598,073	16,493,421	1,104,652
1100	Excess (deficiency) of revenues over expenditures	(287,862)	(398,115)	1,349,279	1,747,394
	OTHER FINANCING SOURCES (USES):				
7911	Proceeds from bonds		6,180,000	6,180,000	-0-
7916	Premium on bonds		580,226	580,226	-0-
8949	Payment to escrow agent		(6,642,211)	(6,642,211)	-0-
	Total other financing sources and (uses)	-0-	118,015	118,015	-0-
1200	Net change in fund balances	(287,862)	(280,100)	1,467,294	1,747,394
0100	Fund balances – beginning	16,265,703	16,265,703	16,265,703	-0-
3000	Fund balances – ending	\$ 15,977,841	\$ 15,985,603	\$ 17,732,997	\$ 1,747,394

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brazosport Independent School District (the "District"), as of and for the year ended August 31, 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 December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

Compliance and Other Matters

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

Purpose of this Report

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

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas
December 15, 2016

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Brazosport Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB 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 auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

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

Kennemer, Masters & Hurdford, LLC

Lake Jackson, Texas
December 15, 2016

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

Page 1 of 1

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings, which are required to be reported in accordance with 2 CFR 200.516(a): No.
7. Major programs include:
 - Special Education Cluster (IDEA):
 - 84.027 Special Education Grants to States
 - 84.173 Special Education Preschool Grants
 - 84.027 IDEA-Part B, High Cost
14. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.
15. Low risk auditee: Yes.

II. Findings related to the financial statements

The audit disclosed no findings required to be reported.

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

The audit disclosed no findings required to be reported.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2016

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2016

None.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1
PAGE 1 OF 2

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	16610101020905	\$ 2,523,562
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	17610101020905	245,248
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905106	24,091
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905110	3,189
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	15610112020905116	1,769
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	16610112020905000	233,247
ESEA, Title I, Part A - Priority and Focus Programs*	84.010A	17610112020905000	<u>33,800</u>
			<u>3,064,906</u>
IDEA - Part B, Formula **	84.027	156600010209056600	448
IDEA - Part B, Formula **	84.027	166600010209056600	2,242,265
IDEA - Part B, Formula **	84.027	176600010209056600	<u>155,368</u>
			<u>2,398,081</u>
IDEA - Part B, Preschool **	84.173	166610010209056610	55,485
IDEA - Part B, Preschool **	84.173	176610010209056610	<u>4,996</u>
			<u>60,481</u>
IDEA - Part B, High Cost**	84.027	166600060209056	<u>220,451</u>
			<u>220,451</u>
Title I, Part C - Carl D. Perkins	84.048	15420006020905	<u>137,807</u>
			<u>137,807</u>
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	16671001020905	113,121
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	17671001020905	<u>3,187</u>
			<u>116,308</u>
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	15694501020905	6,040
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	16694501020905	406,439
ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A	17694501020905	<u>63,426</u>
			<u>475,905</u>
English Second Language (ESL) - Summer School Program	84.369A	069551502	<u>5,565</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>6,479,504</u>

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1
PAGE 2 OF 2

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program ***	10.555	020905	\$ <u>497,174</u> <u>497,174</u>
Passed Through State Department of Education:			
School Breakfast Program ***	10.553	71601601	929,516
National School Lunch Program ***	10.555	71601601	<u>3,198,084</u> <u>4,127,600</u>
Passed Through State Department of Agriculture:			
Child and Adult Care Food Program	10.558	00115	<u>430,946</u> <u>430,946</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>5,055,720</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	-	\$ <u>65,762</u>
TOTAL DEPARTMENT OF DEFENSE			\$ <u>65,762</u>
<u>U.S. Department of Health & Human Services</u>			
Passed Through State Department of Human Services:			
Medicaid Administrative Claiming Program – MAC	93.778	-	\$ <u>21,152</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			\$ <u>21,152</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>11,622,138</u>
*, **, *** - Cluster Programs			
RECONCILIATION:			
Federal Program Revenues (Exhibit C-2)			\$ 12,589,447
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			(585,577)
Build America Bonds not considered federal revenue for the Schedule of Federal Awards			(381,732)
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>11,622,138</u>

See notes to supplemental Schedule of Expenditures of Federal Awards

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

NOTE 1 – BASIS OF ACCOUNTING

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

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 465,820, while the monetary value of goods used and recognized as income and expenditures was \$ 497,174.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2016. 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*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

SCHEDULE FOR ELECTRONIC FILING

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZOSPORT INDEPENDENT SCHOOL DISTRICT
 REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AUGUST 31, 2016

SCHEDULE L-1
 Page 1 of 1

Code	Questions	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in the government-wide financial statements at fiscal year-end?	\$ 495,606
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 26,937,029
SF13	Pension Expense (6147) at fiscal year-end.	\$ 5,207,031

THIS PAGE LEFT BLANK INTENTIONALLY.