

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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ANNUAL FINANCIAL REPORT
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CERTIFICATE OF BOARD

Brownsboro Independent School District
Name of School District

Henderson
County

107-902
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and _____ approved _____ disapproved for the year ended August 31, 2018 at a meeting of the board of school trustees of such school district on the _____ day of _____, 2019.

Signature of Board Secretary

Signature of Board President

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

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA
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**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

Board of School Trustees
Brownsboro Independent School District
P. O. Box 465
Brownsboro, Texas 75756

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 Brownsboro Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, 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* 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 Required Supplementary Information and 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 budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, schedule of the District's proportionate share of the net OPEB liability - TRS, schedule of District contributions for other post-employment benefits - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, schedule of the District's proportionate share of the net OPEB liability - TRS, schedule of District contributions for other post-employment benefits - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019 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 solely 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 the effectiveness of the District's 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.

Respectfully submitted,

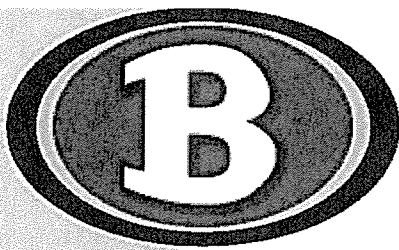
Smith, Lambright & Associates, P.C.

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

January 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS



BROWNSBORO

INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis Brownsboro Independent School District

In this section of the Annual Financial and Compliance Report, we, the managers of Brownsboro Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Dr. Tommy Hunter
Superintendent
Brownsboro ISD

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Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations is located in this section. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year.

These apply the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we report the District's Governmental Activity.

Governmental activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as federal funding received from the federal government. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds-governmental and proprietary-use different accounting approaches.

Governmental funds - Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District has implemented GASB Statement #34. We will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds shared a combined fund balance of \$8,445,656 which is smaller than last year's total of \$8,699,687.

The decrease is due primarily to increased capital expenditures.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were related to various federal programs and also involved moving funds from departments/programs/campuses that did not need all appropriated funds to departments, programs, or campuses that were in need of additional funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the conclusion of 2018, the District had \$77,358,697 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, administration, maintenance, and extra-curricular programs. This amount represents a net increase over last year.

Debts

The district has bond indebtedness of \$24,028,093. Payments are made on the above as stipulated in agreements. More detailed information about the District's long-term liabilities is presented in notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's tax rate for the current year is a combined \$1.49 per \$100 valuation with \$1.17 dedicated to maintenance and operation and \$.32 dedicated to debt service. The M & O rate for next year will be \$1.17. The tax rate for debt service for next year will be \$.32.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Brownsboro Independent School District, 14134 State Hwy. 31 East, Brownsboro, Texas 75756.

Table I
Brownsboro Independent School District
NET POSITION

	Governmental Activities	
	2018	2017
Current and other assets	\$10,908,769	\$10,985,255
Capital assets	46,950,247	47,535,772
Total assets	57,859,016	58,521,027
Deferred outflows of resources	2,275,665	3,018,594
Total assets and deferred outflows of resources	60,134,681	61,539,621
Long-term liabilities	40,680,057	34,372,070
Other liabilities	1,338,412	1,139,607
Total liabilities	42,018,469	35,511,677
Deferred outflows of resources	4,268,024	264,559
Total liabilities and deferred outflows of resources	46,286,493	35,776,236
Net Position:		
Net investment in capital assets	19,572,582	18,667,953
Restricted	903,347	699,527
Unrestricted	(6,627,741)	6,395,905
Total net position	13,848,188	25,763,385

Table II
Brownsboro Independent School District
CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$504,877	\$544,499
Operating grants and contributions	530,327	3,831,001
General Revenues:		
Maintenance and Operations taxes	7,073,504	6,813,201
Interest and Sinking taxes	1,940,639	1,926,655
State Aid -formula grants	14,541,424	15,205,253
Grant and contributions - unrestricted	45,565	372,823
Investment earnings	98,788	75,360
Miscellaneous	357,257	658,918
Total Revenue	25,092,381	29,427,710
Expenses:		
Instruction, curriculum and media services	11,160,404	15,495,409
Instructional and school leadership	1,319,398	1,909,706
Student support services	1,798,407	2,244,068
Child nutrition	1,115,198	1,215,046
Cocurricular activities	1,254,053	1,489,347
General administration	506,929	856,189
Plant maintenance, security & data processing	2,493,061	3,477,116
Community Services	0	406
Debt services	1,363,256	1,290,256
SSA Payments	440,043	492,399
Intergovernmental charges	181,175	172,236
Total Expenses	21,631,924	28,642,178
Increase (decrease) in net position	3,460,457	785,532
Net position - beginning of year	25,763,385	24,977,853
Prior Period Adjustment	(15,375,654)	0
Net position - ending of year	13,848,188	25,763,385

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110	Cash and Cash Equivalents \$ 2,738,449
1120	Current Investments 5,229,478
1220	Property Taxes - Delinquent 1,232,165
1230	Allowance for Uncollectible Taxes (61,608)
1240	Due from Other Governments 1,770,285
	Capital Assets:
1510	Land 1,769,083
1520	Buildings, Net 42,663,655
1530	Furniture and Equipment, Net 2,517,509
1000	Total Assets 57,859,016
DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding 610,147
1703	Deferred Resource Outflow Related to TRS OPEB 131,304
1705	Deferred Resource Outflow Related to TRS Pension 1,534,214
1700	Total Deferred Outflows of Resources 2,275,665
LIABILITIES	
2110	Accounts Payable 247,788
2140	Interest Payable 45,856
2150	Payroll Deductions and Withholdings 19,458
2160	Accrued Wages Payable 1,022,542
2180	Due to Other Governments 2,768
	Noncurrent Liabilities:
2501	Due Within One Year 1,797,490
2502	Due in More Than One Year 26,190,322
2540	Net Pension Liability (District's Share) 3,923,666
2545	Net OPEB Liability (District's Share) 8,768,579
2000	Total Liabilities 42,018,469
DEFERRED INFLOWS OF RESOURCES	
2603	Deferred Resource Inflow Related to TRS OPEB 3,667,913
2605	Deferred Resource Inflow Related to TRS Pension 600,111
2600	Total Deferred Inflows of Resources 4,268,024
NET POSITION	
3200	Net Investment in Capital Assets 19,572,582
3820	Restricted for Federal and State Programs 134,358
3850	Restricted for Debt Service 698,303
3870	Restricted for Campus Activities 70,686
3900	Unrestricted (6,627,741)
3000	Total Net Position \$ 13,848,188

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 10,825,472	\$ 9,437	\$ (210,158)	\$ (11,026,193)
12 Instructional Resources and Media Services	174,197	-	(34,205)	(208,402)
13 Curriculum and Instructional Staff Development	160,735	-	(19,778)	(180,513)
21 Instructional Leadership	200,443	-	(45,466)	(245,909)
23 School Leadership	1,118,955	-	(355,528)	(1,474,483)
31 Guidance, Counseling and Evaluation Services	575,013	-	141,593	(433,420)
33 Health Services	209,589	-	(64,093)	(273,682)
34 Student (Pupil) Transportation	1,013,805	-	(152,075)	(1,165,880)
35 Food Services	1,115,198	208,715	924,480	17,997
36 Extracurricular Activities	1,254,053	286,725	(72,658)	(1,039,986)
41 General Administration	506,929	-	(112,583)	(619,512)
51 Facilities Maintenance and Operations	1,916,379	-	(249,149)	(2,165,528)
52 Security and Monitoring Services	81,622	-	(14,431)	(96,053)
53 Data Processing Services	495,060	-	(38,528)	(533,588)
72 Debt Service - Interest on Long-Term Debt	1,362,421	-	832,906	(529,515)
73 Debt Service - Bond Issuance Cost and Fees	835	-	-	(835)
93 Payments Related to Shared Services Arrangements	440,043	-	-	(440,043)
99 Other Intergovernmental Charges	181,175	-	-	(181,175)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 21,631,924	\$ 504,877	\$ 530,327	(20,596,720)
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				7,073,504
DT Property Taxes, Levied for Debt Service				1,940,639
SF State Aid - Formula Grants				14,541,424
GC Grants and Contributions not Restricted				45,565
IE Investment Earnings				98,788
MI Miscellaneous Local and Intermediate Revenue				357,257
TR Total General Revenues				24,057,177
CN Change in Net Position				3,460,457
NB Net Position - Beginning				25,763,385
PA Prior Period Adjustment				(15,375,654)
NE Net Position--Ending				\$ 13,848,188

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,212,100	\$ 630,766	\$ (104,417)	\$ 2,738,449
1120 Investments - Current	5,229,478	-	-	5,229,478
1220 Property Taxes - Delinquent	994,767	237,398	-	1,232,165
1230 Allowance for Uncollectible Taxes	(49,738)	(11,870)	-	(61,608)
1240 Due from Other Governments	1,301,044	67,537	401,704	1,770,285
1000 Total Assets	<u>\$ 9,687,651</u>	<u>\$ 923,831</u>	<u>\$ 297,287</u>	<u>\$ 10,908,769</u>
LIABILITIES				
2110 Accounts Payable	\$ 228,041	\$ -	\$ 19,747	\$ 247,788
2150 Payroll Deductions and Withholdings Payable	19,458	-	-	19,458
2160 Accrued Wages Payable	950,046	-	72,496	1,022,542
2180 Due to Other Governments	2,768	-	-	2,768
2000 Total Liabilities	<u>1,200,313</u>	<u>-</u>	<u>92,243</u>	<u>1,292,556</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	945,029	225,528	-	1,170,557
2600 Total Deferred Inflows of Resources	<u>945,029</u>	<u>225,528</u>	<u>-</u>	<u>1,170,557</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	134,358	134,358
3480 Retirement of Long-Term Debt	-	698,303	-	698,303
Committed Fund Balance:				
3530 Capital Expenditures for Equipment	1,000,000	-	-	1,000,000
3545 Other Committed Fund Balance	1,000,000	-	-	1,000,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	70,686	70,686
3600 Unassigned Fund Balance	5,542,309	-	-	5,542,309
3000 Total Fund Balances	<u>7,542,309</u>	<u>698,303</u>	<u>205,044</u>	<u>8,445,656</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,687,651</u>	<u>\$ 923,831</u>	<u>\$ 297,287</u>	<u>\$ 10,908,769</u>

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 8,445,656
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$75,877,870 and the accumulated depreciation was (\$28,342,098). Also included are deferred charges on refunding of \$915,221 at the beginning of the year. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long term debt was \$29,783,040. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. Note: Beginning Balances related to TRS are NOT included in this amount.	18,667,953
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase (decrease) net position.	2,935,870
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,534,214, a deferred resource inflow in the amount of \$600,111, and a net pension liability in the amount of \$3,923,666. This resulted in an increase (decrease) in net position.	(2,989,563)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$131,304, a deferred resource inflow in the amount of \$3,667,913, and a net OPEB liability in the amount of \$8,768,579. This resulted in an increase (decrease) in net position.	(12,305,188)
5 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,066,352)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	1,159,812
19 Net Position of Governmental Activities	\$ 13,848,188

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,453,784	\$ 1,995,477	\$ 547,368	\$ 9,996,629
5800 State Program Revenues	15,644,196	832,906	181,440	16,658,542
5900 Federal Program Revenues	478,253	-	2,311,471	2,789,724
5020 Total Revenues	23,576,233	2,828,383	3,040,279	29,444,895
EXPENDITURES:				
Current:				
0011 Instruction	12,392,888	-	1,291,584	13,684,472
0012 Instructional Resources and Media Services	242,087	-	-	242,087
0013 Curriculum and Instructional Staff Development	198,014	-	-	198,014
0021 Instructional Leadership	287,281	-	-	287,281
0023 School Leadership	1,763,961	-	680	1,764,641
0031 Guidance, Counseling and Evaluation Services	661,733	-	269,600	931,333
0033 Health Services	324,614	-	-	324,614
0034 Student (Pupil) Transportation	1,297,917	-	-	1,297,917
0035 Food Services	4,612	-	1,234,815	1,239,427
0036 Extracurricular Activities	995,805	-	225,128	1,220,933
0041 General Administration	778,158	-	-	778,158
0051 Facilities Maintenance and Operations	2,429,255	-	-	2,429,255
0052 Security and Monitoring Services	105,086	-	-	105,086
0053 Data Processing Services	517,933	-	-	517,933
Debt Service:				
0071 Principal on Long-Term Debt	156,250	1,298,793	-	1,455,043
0072 Interest on Long-Term Debt	54,429	1,343,407	-	1,397,836
0073 Bond Issuance Cost and Fees	-	835	-	835
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,202,843	-	-	1,202,843
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	440,043	-	-	440,043
0099 Other Intergovernmental Charges	181,175	-	-	181,175
6030 Total Expenditures	24,034,084	2,643,035	3,021,807	29,698,926
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(457,851)	185,348	18,472	(254,031)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	292,425	-	-	292,425
8911 Transfers Out (Use)	(292,425)	-	-	(292,425)
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balances	(457,851)	185,348	18,472	(254,031)
0100 Fund Balance - September 1 (Beginning)	8,000,160	512,955	186,572	8,699,687
3000 Fund Balance - August 31 (Ending)	\$ 7,542,309	\$ 698,303	\$ 205,044	\$ 8,445,656

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (254,031)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase (decrease) net position.	2,935,870
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(2,066,352)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	13,851
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$383,792. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$401,449. The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$221,690. The net result is an increase (decrease) in the change in net position.	(239,347)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$129,931. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$104,829. The proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by (\$3,045,364.) The net result is an increase (decrease) in the change in net position.	3,070,466
Change in Net Position of Governmental Activities	\$ 3,460,457

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 528	\$ 119,391
Investments - Current	10,822	-
Total Assets	<u>11,350</u>	<u>\$ 119,391</u>
LIABILITIES		
Due to Student Groups	-	\$ 119,391
Total Liabilities	<u>-</u>	<u>\$ 119,391</u>
NET POSITION		
Restricted for Scholarships	<u>11,350</u>	
Total Net Position	<u>\$ 11,350</u>	

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 11,073
Total Additions	<u>11,073</u>
DEDUCTIONS:	
Supplies and Materials	<u>10,914</u>
Total Deductions	<u>10,914</u>
Change in Net Position	159
 Total Net Position - September 1 (Beginning)	 <u>11,191</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 11,350</u></u>

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

FINANCIAL STATEMENTS

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brownsboro Independent School District ("The District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *GASB Statement No. 56*; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

A. REPORTING ENTITY

The Board of Trustees (the "Board") has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public, has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has primary accountability for fiscal matters. As such, the District is not included in any other governmental "reporting entity" as defined by *GASB Statement No. 14, The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct costs are identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples includes tuition paid by students not

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

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

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The Agency funds apply the accrual basis of accounting but do not have a measurement focus. All assets and all liabilities associated with operation of these funds are included on the Statement of Net Position. The total net position is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net position.

The fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The Agency funds apply the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following fund types:

Governmental Funds:

- 1. General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 3. Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- 4. Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

- 5. Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

District's Private Purpose Trust Funds are the scholarship fund and BISD Foundation.

6. Agency Fund - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less.

F. INVENTORIES

The District records purchases of supplies as expenditures. Inventory on the balance sheet, when present, is recorded at cost and represents supplies and materials purchased for the subsequent school year. Food service commodities are recorded at fair market value as supplied by the Texas Department of Human Services.

G. PREPAYMENTS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements.

H. CAPITAL ASSETS

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Vehicles	6-15
Furniture and Equipment	3-10

Land and construction in progress are not depreciated.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES

GASB No. 63 and GASB No. 65 provide guidance on financial reporting related to deferred outflows of resources and deferred inflows of resources. The objective of these statements is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

In addition to assets, the Balance Sheet and Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

J. LONG TERM DEBT

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, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred 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 current year debt service expenditures.

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 debt issued is reported as other financing sources. 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.

K. FUND BALANCE

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

L. 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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

N. TEACHER RETIREMENT SYSTEM

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/deduction 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 of the system are reported at fair value.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 1 769 083	\$	\$ 1 769 083	
Buildings & Improvements	67 140 339	23 958 121	43 182 218	
Furniture & Equipment	6 968 448	4 383 977	2 584 471	
Totals	<u>75 877 870</u>	<u>28 342 098</u>		
Change in Net Position				<u>\$ 47 535 772</u>
<u>Deferred Outflows at the Beginning of the year</u>				
Deferred Charge for Refunding			<u>\$ 915 221</u>	
Change in Net Position				<u>915 221</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 25 326 886	
Accretion Payable			882 932	
Premium (discount) on Issuance of Bonds			1 591 972	
Loans Payable			<u>1 981 250</u>	
Change in Net Position				<u>(29 783 040)</u>
Net Adjustment to Net Position				<u>\$ 18 667 953</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
Current Year Capital Outlay:			
Land	\$	\$	\$
Buildings & Improvements	1 202 843		
Furniture & Equipment	<u>277 984</u>		
Total Capital Outlay	<u>1 480 827</u>	<u>1 480 827</u>	<u>1 480 827</u>
Debt Payments:			
Bond Principal	1 298 793		
Loan Principal	<u>156 250</u>		
Total Principal Payments	<u>\$ 1 455 043</u>	<u>1 455 043</u>	<u>1 455 043</u>
Total Adjustment to Net Position		<u><u>\$ 2 935 870</u></u>	<u><u>\$ 2 395 870</u></u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

C. EXPLANATION OF OTHER DIFFERENCES

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 355 018	\$ (355 018)	\$
Uncollected taxes(assumed collectible) from Current Year Levy	333 454	333 454	333 454
Uncollected Taxes (assumed collectible) from Prior Year Levy	837 103		837 103
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	156 601	(156 601)	(156 601)
Current Year Paid	336 207	336 207	336 207
Amortization of Bond Related Items:			
Premium on Issuance of Bonds	160 579	160 579	160 579
Deferred Charge for Refunding	305 074	(305 074)	(305 074)
Accrued Interest on Debt:			
Prior Year	46 160	46 160	
Current Year	45 856	<u>(45 856)</u>	<u>(45 856)</u>
Total		<u>\$ 13 851</u>	<u>\$ 1 159 812</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-4 and J-5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.

Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31, 2018 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 119 938
Nonappropriated Budget Funds	<u>85 106</u>
All Special Revenue Funds	<u><u>\$ 205 044</u></u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District made expenditures in excess of the budgeted amount in functional areas of the General Fund. The District should review planned expenditures to make certain they are within the budgeted amounts.

C. ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2018-2019 budget.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

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

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government Code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a. Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2017-2018 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$15,156,111 and occurred on February 9, 2018. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$14,870,542. The total amount of FDIC coverage at the time of the highest combined balance was \$750,000.

- b. Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At August 31, 2018, the amount of the District's cash balance in checking accounts was \$2,858,368.

INVESTMENTS - CASH EQUIVALENTS

The District's investments cash equivalents at August 31, 2018, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 3 227 291	\$ 3 227 291	.0822
Money Market Time Deposits	2 013 009	2 013 009	.0822
Total Investments	<u>\$ 5 240 300</u>	<u>\$ 5 240 300</u>	

INVESTMENTS - OTHER

The District's investments - other at August 31, 2018, are shown below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
N/A	\$ _____	\$ _____	
Total Investments	<u>\$ _____</u>	<u>\$ _____</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

For the purpose of the statement of cash flows for proprietary fund types, if any, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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 taxes are periodically reviewed and written off by the District as provided by specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll on January 1, 2017 upon which the levy for the 2017-2018 fiscal year was based, was \$613,613,851. The tax rates assessed for the year ended August 31, 2018 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$.32 per \$100 valuation, respectively, for a total of \$1.49 per \$100 valuation. Current tax collections for the year ended August 31, 2018 were 96.1% of the year end adjusted tax levy. As of August 31, 2018, property taxes receivable totaled \$994,767 and \$237,398 for the General and Debt Service Funds respectively.

C. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018 are summarized below. All federal grants shown below are passed through the TEA or other agencies and are reported on the combined financial statements as Receivables From Other Governments.

	General Fund	Debt Service Fund	Other Funds	Total
State Entitlements	\$ 1 301 044	\$	\$	\$ 1 301 044
State Grants		67 537		67 537
Federal Grants			401 704	401 704
Totals	<u>\$ 1 301 044</u>	<u>\$ 67 537</u>	<u>\$ 401 704</u>	<u>\$ 1 770 285</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2018 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund:		
Debt Service Fund	\$ <u> </u>	\$ <u> </u>
Debt Service Fund:		
General Fund	\$ <u> </u>	\$ <u> </u>
Totals	\$ <u> 0</u>	\$ <u> 0</u>

Interfund transfers for the year ended August 31, 2018 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:	\$ <u>292 425</u>	\$ <u>292 425</u>
Special Revenue Fund:		
General Fund	\$ <u> 0</u>	\$ <u> 0</u>
Totals	\$ <u>292 425</u>	\$ <u>292 425</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

E. RECEIVABLES AND PAYABLES

Receivables at August 31, 2018, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes (Net)	\$ 945 029	\$ 225 528	\$	\$ 1 170 557
Other Governments	<u>1 301 044</u>	<u>67 537</u>	<u>401 704</u>	<u>1 770 285</u>
Totals	<u>\$ 2 246 073</u>	<u>\$ 293 065</u>	<u>\$ 401 704</u>	<u>\$ 2 940 842</u>

Payables at August 31, 2018, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 228 041	\$	\$ 19 747	\$ 247 788
Payroll Deductions	19 458			19 458
Accrued Wages	950 046		72 496	1 022 542
Other Governments	<u>2 768</u>			<u>2 768</u>
Totals	<u>\$ 1 200 313</u>	<u>\$ 0</u>	<u>\$ 92 243</u>	<u>\$ 1 292 556</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 1 769 083	\$	\$	\$ 1 769 083
Construction in Progress				
Subtotal Nondepreciable Assets	<u>1 769 083</u>			<u>1 769 083</u>
Depreciable Capital Assets				
Building & Improvements	67 140 339	1 202 843		68 343 182
Furniture & Equipment	<u>6 968 448</u>	<u>277 984</u>		<u>7 246 432</u>
Subtotal Depreciable Assets	<u>74 108 787</u>	<u>1 480 827</u>		<u>75 589 614</u>
Total at Historical Cost	<u>75 877 870</u>	<u>1 480 827</u>		<u>77 358 697</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	23 958 121	1 721 406		25 679 527
Furniture & Equipment	<u>4 383 977</u>	<u>344 946</u>		<u>4 728 923</u>
Total Accumulated Depreciation	<u>28 342 098</u>	<u>2 066 352</u>		<u>30 408 450</u>
Governmental Activities Capital Assets, Net	<u>\$ 47 535 772</u>	<u>\$ (585 525)</u>	<u>\$</u>	<u>\$ 46 950 247</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 1 579 483
23	School Leadership	4 079
33	Health Services	1 195
34	Student (Pupil) Transportation	188 939
35	Food Services	10 064
36	Cocurricular/Extracurricular Activities	195 743
41	General Administration	4 301
51	Plant Maintenance and Operations	30 649
52	Security and Monitoring Services	2 500
53	Data Processing Services	<u>49 399</u>
	Total District Depreciation Expense	<u>\$ 2 066 352</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds payable for the year ended August 31, 2018 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/17	Issued	Retired	Amounts Outstanding 8/31/18	Interest Current Year
Unlimited Tax School Building and Refunding Bonds Series 2011	1.38% to 5.0%	\$33 087 020	\$ 16 731 886	\$	\$ 1 208 793	\$ 15 523 093	\$1 002 457
Unlimited Tax Refunding Bonds Series 2017	2.0% to 4.0%	\$ 8 710 000	\$ 8 595 000	\$	\$ 90 000	\$ 8 505 000	\$ 340 950
Totals			<u>\$ 25 326 886</u>	<u>\$ 0</u>	<u>\$ 1 298 793</u>	<u>\$24 028 093</u>	<u>\$1 343 407</u>

Debt service requirements are as follows:

Year Ended August 31	General Obligations		
	Principal	Interest	Total Requirements
2019	\$ 1 231 166	\$ 1 408 334	\$ 2 639 500
2020	1 161 927	1 469 723	2 631 650
2021	1 555 000	998 650	2 553 650
2022	1 630 000	920 900	2 550 900
2023	1 710 000	839 400	2 549 400
2024 - 2028	9 855 000	2 824 750	12 679 750
2029 - 2031	<u>6 885 000</u>	<u>558 000</u>	<u>7 443 000</u>
Totals	<u>\$ 24 028 093</u>	<u>\$ 9 019 757</u>	<u>\$ 33 047 850</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of August 31, 2018 \$10,540,000 of bonds considered defeased are still outstanding.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

H. LOANS PAYABLE

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from long-term loans are shown in the financial statements as Other Resources and principal and interest payments are shown as debt service in the General Fund.

A Maintenance Tax Notes, Series 2013, loan of \$2,500,000 was issued on May 20, 2013 for the purpose of paying maintenance expenses. The loan is to be repaid in semi-annual payments beginning February 15, 2014. The interest rate is 2.75%.

A summary of changes in loans payable for the year ended August 31, 2018 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/17</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 8/31/18</u>	<u>Interest Current Year</u>
Maintenance Tax Notes Series 2013	2.75%	\$ 2 500 000	\$ 1 981 250	\$	\$ 156 250	\$ 1 825 000	\$ 54 429
Totals			<u>\$ 1 981 250</u>	<u>\$ 0</u>	<u>\$ 156 250</u>	<u>\$ 1 825 000</u>	<u>\$ 54 429</u>

Debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 162 500	\$ 50 188	\$ 212 688
2020	175 000	45 719	220 719
2021	165 625	40 906	206 531
2022	171 875	36 351	208 226
2023	178 125	31 625	209 750
2024 - 2028	<u>971 875</u>	<u>81 813</u>	<u>1 053 688</u>
Totals	<u>\$ 1 825 000</u>	<u>\$ 286 602</u>	<u>\$ 2 111 602</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	<u>\$ 25 326 886</u>	<u>\$</u>	<u>\$ 1 298 793</u>	<u>\$ 24 028 093</u>	<u>\$ 1 231 166</u>
Accretion Payable:					
Capital Appreciation Bonds	<u>882 932</u>	<u>156 601</u>	<u>336 207</u>	<u>703 326</u>	<u>403 824</u>
Premium on Issuance of Bonds:					
Premium	<u>1 591 972</u>		<u>160 579</u>	<u>1 431 393</u>	
Loans Payable:					
Maintenance Tax Note	<u>1 981 250</u>		<u>156 250</u>	<u>1 825 000</u>	<u>162 500</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 29 783 040</u>	<u>\$ 156 601</u>	<u>\$ 1 951 829</u>	<u>\$ 27 987 812</u>	<u>\$ 1 797 490</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

J. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
	\$	\$	\$	\$
	_____	_____	_____	_____
Totals	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Unavailable revenue at the fiscal year end consisted of the following:

Net Property Taxes	<u>\$ 945 029</u>	<u>\$ 225 528</u>	<u>\$ 0</u>	<u>\$ 1 170 557</u>
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BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

K. FUND BALANCE

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

Fund Balance	General Fund	Debt Service Fund	Other Funds	Total
Nonspendable:				
Inventory	\$	\$	\$	\$
Prepaid Items				
Restricted:				
Federal Grants			119 938	119 938
State Grants			14 420	14 420
Debt Service		698 303		698 303
Capital Projects				
Other				
Committed:				
Equipment	1 000 000			1 000 000
Other	1 000 000			1 000 000
Assigned:				
Campus Activity			70 686	70 686
Unassigned	<u>5 542 309</u>			<u>5 542 309</u>
Total Fund Balances	<u><u>\$ 7 542 309</u></u>	<u><u>\$ 698 303</u></u>	<u><u>\$ 205 044</u></u>	<u><u>\$ 8 445 656</u></u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

L. LOCAL AND INTERMEDIATE SOURCES OF REVENUES

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

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes	\$ 7 095 682	\$ 1 940 025	\$	\$ 9 035 707
Penalties, Interest & Other				
Tax Related Income	162 035	42 001		204 036
Food Sales			208 715	208 715
Investment Income	81 350	13 451	3 987	98 788
Co-curricular Student				
Activities	63 066		223 659	286 725
Other	51 651		111 007	162 658
Total	<u>\$ 7 453 784</u>	<u>\$ 1 995 477</u>	<u>\$ 547 368</u>	<u>\$ 9 996 629</u>

M. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of August 31, 2018, as follows:

Year Ended <u>August 31</u>	<u>Total</u>
2019	\$ 110 906
2020	<u>46 210</u>
Total Minimum Rentals	<u>\$ 157 116</u>
Rental Expenditures in Fiscal Year 2018	<u>\$ 110 905</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

N. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the 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.texas.gov/TRS%20Documents/cafr2016.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited 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 above.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. 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>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Current Fiscal Year Contributions		\$ <u>383 792</u>
District's 2018 Current Fiscal Year Member Contributions		\$ <u>1 190 703</u>
District's 2017 Measurement Year NECE On-Behalf Contributions		\$ <u>845 202</u>

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, 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 including public 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 of employment
- When any part or all of an employee's salary is paid by federal funding source, a privately sponsored source, from non-educational and general, or local funds.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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 surcharge.
- When a school district 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Single 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%
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.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. 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 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, 2016 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%
Stable Value Hedge Funds	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%
Inflations Expectations			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ <u>6,614,525</u>	\$ <u>3,923,666</u>	\$ <u>1,683,088</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of \$3,923,666 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 3 923 666
State's proportionate share that is associated with the District	8 263 162
Total	<u>\$ 12 186 828</u>

The net pension liability was measured as of August 31, 2017 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 contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0122711901%, which was an increase (decrease) of .0001272098% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:.

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, 2018, the District recognized pension expense of \$630,281 and revenue of \$630,281 for support provided by the State.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 57 405	\$ 211 598
Changes in actuarial assumptions	178 729	102 318
Difference between projected and actual investment earnings		285 948
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>914 288</u>	<u>247</u>
Total as of August 31, 2017 measurement date	1 150 422	600 111
Contributions paid to TRS subsequent to the measurement date	383 792	
Total as of fiscal year end	<u>\$ 1 534 214</u>	<u>\$ 600 111</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:

Year ended August 31:	Pension Expense Amount
2019	\$ 101 628
2020	352 086
2021	82 384
2022	1 775
2023	1 368
Thereafter	1 070

Long-Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$ 4 589 030</u>	<u>\$ (263 186)</u>	<u>\$ (402 178)</u>	<u>\$ 3 923 666</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

O. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public school, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependent not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A & B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
* or surviving spouse			

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

CONTRIBUTION RATES		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
District's 2018 Employer Contributions		\$ 129 931
District's 2018 Member Contributions		\$ 100 513
District's 2017 NECE On-behalf Contributions		\$ 137 761

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2016 and \$182.6 million in fiscal year 2018.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.*

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.5%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.5%
Projected Salary Increases	3.5% - 9.5%
Healthcare Trend Rates	4.5% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected *to not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. **The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20 -year Municipal GO AA Index” as of August 31, 2017.**

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District’s proportionate share of the Net OPEB liability:	\$ 10 349 100	\$ 8 768 579	\$ 7 498 196

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the Net OPEB Liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase in
Proportionate share of net OPEB liability:	\$ 7 300 718	\$ 8 768 579	\$ 10 694 597

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB’s

At August 31, 2018, the District reported a liability of \$8,768,579 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability the related State support and total portion of the net OPEB liability that was associated with the District were as follows:

District’s Proportionate share of the collective Net OPEB Liability	\$ 8 768 579
State’s proportionate share that is associated with the District	\$ 11 522 746
Total	<u>\$ 20 291 325</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contribution of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0201640267%.

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation- the following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of \$(3,855,817) and revenue of \$(3,855,817). For support provided by the State. (Refer to the 2017 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 74 & 75.)

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$	\$ 183 051
Changes in actuarial assumptions		3 484 862
Difference between projected and actual investment earnings	1 332	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	41	
Total as of August 31, 2017 measurement date	<u>1 373</u>	<u>3 667 913</u>
Contributions paid to TRS subsequent to the measurement date (To be calculated by employer)	129 931	
Total as of fiscal year end	<u><u>\$ 131 304</u></u>	<u><u>\$ 3 667 913</u></u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

Year ended August 31:	OPEB Expense Amount
2019	(483 804)
2020	(483 804)
2021	(483 804)
2022	(483 804)
2023	(484 137)
Thereafter	(1 247 187)

Long-Term Liability Disclosure

	Beginning			Ending
	Balance	Additions	Retirements	Balance
Net OPEB Liability	\$ 15 480 483	\$ (6 607 071)	\$ 104 833	\$ 8 768 579

P. HEALTH CARE

During the year ended August 31, 2018 employees of the Brownsboro Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$251 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Aetna. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS ActiveCare is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Q. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

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

Medicare Part D:

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended August 31, 2018 is estimated by TRS at \$47,287.

R. 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 general purpose 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 general purpose financial statements. The District's annual attendance incentive policy provides for the payment of any unused local leave in excess of 25 days at the rate of \$40 per day. The amount of the current year's payment was \$840 and there is no unpaid liability as of August 31, 2018.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

S. SELF-INSURED WORKERS' COMPENSATION

In prior years the Brownsboro Independent School District was a participant in the East Texas Educational Insurance Association's Workers' Compensation Self-insurance Joint Fund pursuant to Texas Labor Code Annotated Section 504 and Texas Government Code Ch. 791 (the Interlocal Cooperation Act). During the fiscal year, the District paid net claims of \$9,555 for the year ending August 31, 2018, and has accrued \$13,081 as a liability for unpaid claims determined by the claims administrator.

T. OTHER COMMITMENTS 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 collectibility of any related receivable at August 31, 2018 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.

U. 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 disaster. During fiscal year 2018 the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

V. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 9, 2019; the date which the financial statements were available for distribution. There were none noted.

W. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(15,375,654) which resulted in a restated beginning net position balance of \$10,387,731 .

REQUIRED SUPPLEMENTARY INFORMATION

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 7,192,665	\$ 7,357,665	\$ 7,453,784	\$ 96,119
5800	State Program Revenues	15,135,884	15,296,459	15,644,196	347,737
5900	Federal Program Revenues	378,500	400,500	478,253	77,753
5020	Total Revenues	22,707,049	23,054,624	23,576,233	521,609
EXPENDITURES:					
Current:					
0011	Instruction	11,983,533	12,175,108	12,392,888	(217,780)
0012	Instructional Resources and Media Services	223,079	249,079	242,087	6,992
0013	Curriculum and Instructional Staff Development	259,567	229,567	198,014	31,553
0021	Instructional Leadership	200,431	282,431	287,281	(4,850)
0023	School Leadership	1,845,781	1,775,781	1,763,961	11,820
0031	Guidance, Counseling and Evaluation Services	610,638	660,638	661,733	(1,095)
0033	Health Services	315,947	335,947	324,614	11,333
0034	Student (Pupil) Transportation	1,297,446	1,344,446	1,297,917	46,529
0035	Food Services	27,834	27,834	4,612	23,222
0036	Extracurricular Activities	1,056,915	1,056,915	995,805	61,110
0041	General Administration	776,780	776,780	778,158	(1,378)
0051	Facilities Maintenance and Operations	2,370,747	2,440,747	2,429,255	11,492
0052	Security and Monitoring Services	97,414	107,414	105,086	2,328
0053	Data Processing Services	570,203	556,203	517,933	38,270
Debt Service:					
0071	Principal on Long-Term Debt	156,250	156,250	156,250	-
0072	Interest on Long-Term Debt	54,484	54,484	54,429	55
Capital Outlay:					
0081	Facilities Acquisition and Construction	200,000	1,200,000	1,202,843	(2,843)
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	490,000	440,000	440,043	(43)
0099	Other Intergovernmental Charges	170,000	185,000	181,175	3,825
6030	Total Expenditures	22,707,049	24,054,624	24,034,084	20,540
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,000,000)	(457,851)	542,149
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	230,000	230,000	292,425	62,425
8911	Transfers Out (Use)	(230,000)	(230,000)	(292,425)	(62,425)
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	-	(1,000,000)	(457,851)	542,149
0100	Fund Balance - September 1 (Beginning)	8,000,160	8,000,160	8,000,160	-
3000	Fund Balance - August 31 (Ending)	\$ 8,000,160	\$ 7,000,160	\$ 7,542,309	\$ 542,149

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.01227119%	0.01214398%	0.0127556%	0.0071335%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,923,666	\$ 4,589,030	\$ 4,508,935	\$ 1,905,457
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	8,263,162	10,085,398	10,228,363	9,061,507
Total	<u>\$ 12,186,828</u>	<u>\$ 14,674,428</u>	<u>\$ 14,737,298</u>	<u>\$ 10,966,964</u>
District's Covered Payroll	\$ 15,111,354	\$ 14,755,226	\$ 14,979,455	\$ 14,855,368
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	25.97%	31.10%	30.10%	12.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 383,792	\$ 401,449	\$ 387,152	\$ 376,701
Contribution in Relation to the Contractually Required Contribution	(383,792)	(401,449)	(387,152)	(376,701)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 15,463,658	\$ 15,111,354	\$ 14,755,226	\$ 14,979,455
Contributions as a Percentage of Covered Payroll	2.48%	2.66%	2.62%	2.51%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.020164027%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 8,768,579
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	11,522,746
Total	<u>\$ 20,291,325</u>
District's Covered Payroll	\$ 15,111,354
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	58.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	<u>2018</u>
Contractually Required Contribution	\$ 129,931
Contribution in Relation to the Contractually Required Contribution	(129,931)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 15,463,658
Contributions as a Percentage of Covered Payroll	0.84%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

PENSIONS:

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes to the actuarial assumptions of other inputs that affected the measurement of the total pension liability during the prior measurement period.

OTHER POST-EMPLOYMENT BENEFITS:

Changes of Benefit Term

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes of Assumptions

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

COMBINING STATEMENTS

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		211	224	225
		ESEA I, A	IDEA - Part B	IDEA - Part B
		Improving	Formula	Preschool
		Basic Program		
ASSETS				
1110	Cash and Cash Equivalents	\$ (113,760)	\$ (147,500)	\$ (2,138)
1240	Due from Other Governments	149,039	183,953	2,999
1000	Total Assets	<u>\$ 35,279</u>	<u>\$ 36,453</u>	<u>\$ 861</u>
LIABILITIES				
2110	Accounts Payable	\$ 3,279	\$ 13,906	\$ 62
2160	Accrued Wages Payable	32,000	22,547	799
2000	Total Liabilities	<u>35,279</u>	<u>36,453</u>	<u>861</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 35,279</u>	<u>\$ 36,453</u>	<u>\$ 861</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Title IV Part A	410 State Textbook Fund	429 Other State Grants
\$ -	\$ 90,011	\$ -	\$ (949)	\$ -	\$ (15,187)	\$ 14,420	\$ -
-	47,910	-	949	-	16,854	-	-
<u>\$ -</u>	<u>\$ 137,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,667</u>	<u>\$ 14,420</u>	<u>\$ -</u>
\$ -	\$ 2,380	\$ -	\$ -	\$ -	\$ 120	\$ -	\$ -
-	15,603	-	-	-	1,547	-	-
<u>-</u>	<u>17,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,667</u>	<u>-</u>	<u>-</u>
-	119,938	-	-	-	-	14,420	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>119,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,420</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 137,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,667</u>	<u>\$ 14,420</u>	<u>\$ -</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes		461 Campus Activity Funds	Total Nonmajor Governmental Funds
<hr/>			
ASSETS			
1110	Cash and Cash Equivalents	\$ 70,686	\$ (104,417)
1240	Due from Other Governments	-	401,704
1000	Total Assets	<u>\$ 70,686</u>	<u>\$ 297,287</u>
LIABILITIES			
2110	Accounts Payable	\$ -	\$ 19,747
2160	Accrued Wages Payable	-	72,496
2000	Total Liabilities	<u>-</u>	<u>92,243</u>
FUND BALANCES			
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	134,358
Assigned Fund Balance:			
3590	Other Assigned Fund Balance	<u>70,686</u>	<u>70,686</u>
3000	Total Fund Balances	<u>70,686</u>	<u>205,044</u>
4000	Total Liabilities and Fund Balances	<u>\$ 70,686</u>	<u>\$ 297,287</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		211	224	225
		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	583,424	577,554	6,067
5020	Total Revenues	583,424	577,554	6,067
EXPENDITURES:				
Current:				
0011	Instruction	583,424	307,954	6,067
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	269,600	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
6030	Total Expenditures	583,424	577,554	6,067
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Title IV Part A	410 State Textbook Fund	429 Other State Grants
\$ -	\$ 325,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	6,816	-	-	-	-	172,306	2,100
40,857	917,664	30,153	93,202	45,696	16,854	-	-
<u>40,857</u>	<u>1,250,134</u>	<u>30,153</u>	<u>93,202</u>	<u>45,696</u>	<u>16,854</u>	<u>172,306</u>	<u>2,100</u>
40,857	-	30,153	92,522	45,696	16,854	163,857	4,200
-	-	-	680	-	-	-	-
-	-	-	-	-	-	-	-
-	1,234,815	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>40,857</u>	<u>1,234,815</u>	<u>30,153</u>	<u>93,202</u>	<u>45,696</u>	<u>16,854</u>	<u>163,857</u>	<u>4,200</u>
-	15,319	-	-	-	-	8,449	(2,100)
-	104,619	-	-	-	-	5,971	2,100
<u>\$ -</u>	<u>\$ 119,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,420</u>	<u>\$ -</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		461	Total
		Campus	Nonmajor
		Activity	Governmental
		Funds	Funds
	REVENUES:		
5700	Total Local and Intermediate Sources	\$ 221,714	\$ 547,368
5800	State Program Revenues	218	181,440
5900	Federal Program Revenues	-	2,311,471
5020	Total Revenues	<u>221,932</u>	<u>3,040,279</u>
	EXPENDITURES:		
	Current:		
0011	Instruction	-	1,291,584
0023	School Leadership	-	680
0031	Guidance, Counseling and Evaluation Services	-	269,600
0035	Food Services	-	1,234,815
0036	Extracurricular Activities	<u>225,128</u>	<u>225,128</u>
6030	Total Expenditures	<u>225,128</u>	<u>3,021,807</u>
1200	Net Change in Fund Balance	(3,196)	18,472
0100	Fund Balance - September 1 (Beginning)	<u>73,882</u>	<u>186,572</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 70,686</u>	<u>\$ 205,044</u>

REQUIRED TEA SCHEDULES

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.100000	600,682,868
2011	1.040000	0.100000	608,779,903
2012	1.040000	0.350000	589,126,640
2013	1.170000	0.220000	603,509,105
2014	1.170000	0.290000	596,499,963
2015	1.170000	0.290000	615,107,411
2016	1.170000	0.330000	597,108,373
2017	1.170000	0.330000	593,990,548
2018 (School year under audit)	1.170000	0.320000	613,613,851
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 129,492	\$ -	\$ 3,444	\$ 335	\$ (22,860)	\$ 102,853
40,681	-	1,316	132	(3,164)	36,069
47,675	-	2,522	258	(3,720)	41,175
75,314	-	6,746	2,636	(3,309)	62,623
103,191	-	9,859	1,939	(7,075)	84,318
114,819	-	14,795	3,667	(5,261)	91,096
160,855	-	25,268	6,263	(8,258)	121,066
213,861	-	55,685	15,706	2,359	144,829
368,976	-	129,884	36,634	(5,326)	197,132
-	9,142,846	6,846,163	1,872,455	(73,224)	351,004
<u>\$ 1,254,864</u>	<u>\$ 9,142,846</u>	<u>\$ 7,095,682</u>	<u>\$ 1,940,025</u>	<u>\$ (129,838)</u>	<u>\$ 1,232,165</u>

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 340,108	\$ 340,108	\$ 325,654	\$ (14,454)
5800	State Program Revenues	5,935	5,935	6,816	881
5900	Federal Program Revenues	992,339	992,339	917,664	(74,675)
5020	Total Revenues	1,338,382	1,338,382	1,250,134	(88,248)
EXPENDITURES:					
0035	Food Services	1,338,382	1,338,382	1,234,815	103,567
6030	Total Expenditures	1,338,382	1,338,382	1,234,815	103,567
1200	Net Change in Fund Balances	-	-	15,319	15,319
0100	Fund Balance - September 1 (Beginning)	104,619	104,619	104,619	-
3000	Fund Balance - August 31 (Ending)	\$ 104,619	\$ 104,619	\$ 119,938	\$ 15,319

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,839,500	\$ 1,839,500	\$ 1,995,477	\$ 155,977
5800 State Program Revenues	810,000	810,000	832,906	22,906
5020 Total Revenues	2,649,500	2,649,500	2,828,383	178,883
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,545,000	1,545,000	1,298,793	246,207
0072 Interest on Long-Term Debt	1,103,500	1,103,500	1,343,407	(239,907)
0073 Bond Issuance Cost and Fees	1,000	1,000	835	165
6030 Total Expenditures	2,649,500	2,649,500	2,643,035	6,465
1200 Net Change in Fund Balances	-	-	185,348	185,348
0100 Fund Balance - September 1 (Beginning)	512,955	512,955	512,955	-
3000 Fund Balance - August 31 (Ending)	\$ 512,955	\$ 512,955	\$ 698,303	\$ 185,348

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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*

Independent Auditor's Report

Board of School Trustees
Brownsboro Independent School District
P. O. Box 465
Brownsboro, Texas 75756

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2019.

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 controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Smith, Lambright & Associates, P.C.

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

January 9, 2019

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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J. W. Lambright, CPA

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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of School Trustees
Brownsboro Independent School District
P. O. Box 465
Brownsboro, Texas 75756

Report on Compliance for Each Major Federal Program

We have audited the District's 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, 2018. 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 on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance


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

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

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

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

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants
Athens, Texas

January 9, 2019

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)

_____ yes X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	Nation School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low risk auditee?

X yes _____ no

District Contact Person

Dr. Tommy Hunter
Superintendent

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2018

II. Financial Statement Findings

There were no findings required to be reported.

III. Federal Awards Findings and Questioned Costs

There were no findings required to be reported.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

Reference Number 2017-1:

Bank Depository

The bank had pledged additional securities in November and in December. With the pledge of additional securities, District funds were adequately secured for the remainder of the year.

Reference Number 2017-2:

Competitive Bidding

This finding was an isolated instance of noncompliance. There was no evidence of noncompliance in the current fiscal year.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

N/A

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101107902	\$ 583,424
*IDEA - Part B, Formula	84.027	18-660001107902	577,554
*IDEA - Part B, Discretionary	84.027	18-660006107902	40,857
Total CFDA Number 84.027			618,411
*IDEA - Part B, Preschool	84.173	18-661001107902	6,067
Total Special Education Cluster (IDEA)			624,478
Career and Technical - Basic Grant	84.048	18-420006107902	30,153
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	18-696001107902	45,696
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18-694501107902	93,202
Title IV, Part A	84.424A	18-680101107902	15,307
Title IV, Part A	84.424A	19-680101107902	1,547
Total CFDA Number 84.424A			16,854
Total Passed Through State Department of Education			1,393,807
TOTAL U.S. DEPARTMENT OF EDUCATION			1,393,807
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553		213,000
**National School Lunch Program-Cash Assistance	10.555		616,800
**National School Lunch Prog.-Non-Cash Assistance	10.555		87,864
Total CFDA Number 10.555			704,664
Total Child Nutrition Cluster			917,664
Total Passed Through the State Department of Agriculture			917,664
TOTAL U.S. DEPARTMENT OF AGRICULTURE			917,664
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,311,471
*Clustered Programs			
**Clustered Programs			

Note A - Funds received from the SHARS program of \$382,941 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

Note B - Funds received from ESC Region 7 for Head Start reimbursements of \$95,312 in the General Fund are not considered as federal financial assistance for purposes of this schedule. The program is reported as a federal program of ESC Region 7.

BROWNSBORO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

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

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

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of the Period of Availability of Federal Funds.
- The National School Breakfast and Lunch Programs and the USDA donated commodities are accounted for in the nonmajor governmental funds. The Impact Aid, if any, is accounted for in the General Fund. Expenditures are not specifically attributable to these revenue sources and are shown on this schedule in an amount equal to revenue for balancing purposes only. The revenue for indirect costs is recognized in the General Fund.
- The expenditures shown on the Schedule of Expenditures of Federal Awards (SEFA) does not equal to total federal revenues shown on Exhibit C-3 by the amount of federal revenue recorded in various funds as shown below. These amounts are not subject to the Single Audit Act and are not required to be included in the SEFA.

Amount reported on the Schedule of Expenditures of Federal Awards \$	2 311 471
SHARS Revenue reported in the General Fund	382 941
ESC Region 7 Head Start reimbursements	<u>95 312</u>
Federal Program Revenue Reported on Exhibit C-3	<u>\$ 2 789 724</u>