

**BROWNWOOD INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2016

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	Independent Auditor’s Report.....	2
	Management’s Discussion and Analysis	4
	 Government-Wide Financial Statements	
A-1	Statement of Net Position	11
B-1	Statement of Activities.....	12
	 Governmental Fund Financial Statements	
C-1	Balance Sheet.....	13
C-1R	Reconciliation for C-1.....	14
C-2	Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
C-2R	Reconciliation for C-2.....	16
	 Fiduciary Fund Financial Statement	
E-1	Statement of Fiduciary Net Position	17
	 Notes to the Financial Statements	18
	 Required Supplementary Information	
G-1	Budgetary Comparison Schedule - General Fund.....	36
G-2	Schedule of the District’s Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas.....	37
G-3	Schedule of District Contributions – Teacher Retirement System of Texas.....	38
	Notes to Required Supplementary Information.....	39
	 Other Supplementary Information	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet.....	40
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	41
	 Required TEA Schedules	
J-1	Schedule of Delinquent Taxes Receivable.....	46
J-3	Fund Balance and Cash Flow Calculation Worksheet.....	47
J-4	Budgetary Comparison Schedule - Child Nutrition Program	48
J-5	Budgetary Comparison Schedule - Debt Service Fund.....	49
	 Federal Awards Section	
	Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50
	Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	52
	Schedule of Findings and Questioned Costs.....	54
	Corrective Action Plan.....	56
	Schedule of Status of Prior Year Findings	57
K-1	Schedule of Expenditures of Federal Awards	59
	Notes to Schedule of Expenditures of Federal Awards.....	61
L-1	Schedule of Required Responses to Selected School First Indicators	62

CERTIFICATE OF BOARD

Brownwood Independent School District
Name of School District

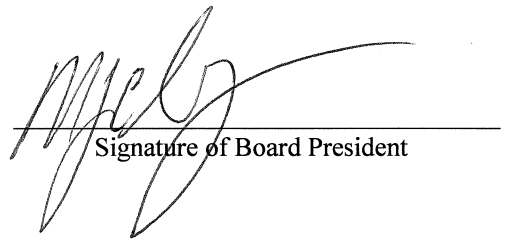
Brown
County

025-902
Co.-Dist. Number

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, 2016, at a meeting of the Board of Trustees of such school district on the 9th day of January, 2017.



Signature of Board Secretary



Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Brownwood Independent School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District (the District) as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Brownwood Independent School District as of August 31, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 4 through 10 and pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, the combining nonmajor fund financial statements and the TEA required schedules 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. Exhibit J-3, the Fund Balance and Cash Flow Calculation Worksheet, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the District's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brownwood Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2016.

FUND STATEMENT FINANCIAL HIGHLIGHTS

- The District's total combined governmental fund balances at August 31, 2016 were \$6,835,275 compared to \$5,928,124 at August 31, 2015.
- During the year, the District's revenues of \$37,224,645 generated from taxes, state funding, and other revenues for governmental activities, were \$907,151 more than the \$36,317,494 in expenditures. The general fund expenditures and other financing uses were less than revenues by \$856,765. The debt service fund revenues and other financial resources were more than expenditures by \$50,386.
- The total cost of the District's programs increased approximately 1.7% versus the prior year, due to increase in instruction expenditures in 2016 versus 2015. The District's revenues increased approximately 1.9% primarily due to an increase in state, tax, and federal revenues.
- In the general fund, the resources available for appropriation were approximately \$1,956,682 more than originally budgeted. The district received funding from Citizens National Bank for the purchase of 5 buses. The district received additional State Foundation payments and Medicaid reimbursements over the budgeted amount. Expenditures were \$1,004,937 more than the original budget due to construction projects and the bus purchase which were amended through the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that presents combining statements for nonmajor governmental funds and other TEA required schedules.

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental fund statements present how general government services were financed in the short term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information. The Texas Education Agency also requires certain schedules be included as other supplementary information. The following summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Major Features of the District's Government-wide and Fund Financial Statements			
<i>Type of Statement</i>	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's accounts
<i>Required financial statements</i>	Statement of net position	Balance sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues expenditures & changes in fund balances Statement of cash flows	Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or 60 days thereafter, no capital assets included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
<i>Type of in flow/out flow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter	All revenues and expenses during year regardless of when cash is received or paid

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

Government-Wide Statements - continued

The government-wide financial statements of the District include:

- Governmental activities – Most of the District’s basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, state aid, and grants finance most of these activities.

Fund Financial Statements

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

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

The District has three kinds of funds:

- Governmental funds- Most of the District’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on a subsequent page that explains the relationship (or differences) between them.
- Proprietary funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The District would use Internal Service Funds to report activities in this category such as a Self-Insurance Fund. The District currently has no Internal Service Funds.
- Fiduciary funds- The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are agency funds and are reported in a separate statement of fiduciary net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

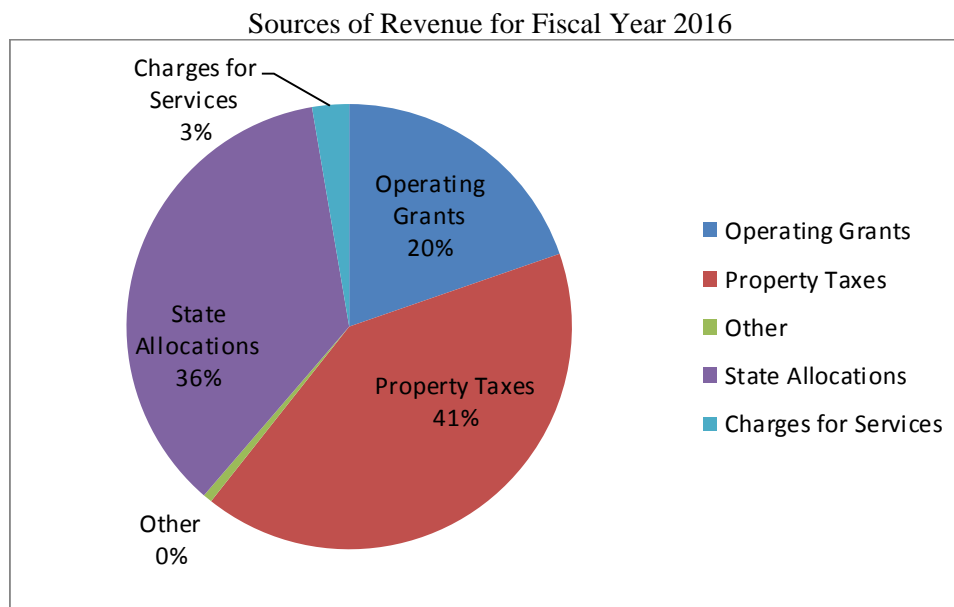
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE:
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Net position. The District’s combined net position were \$17,502,476 at August 31, 2016.

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 8,474,039	\$ 7,933,869
Capital Assets	41,906,326	42,707,812
Restricted Assets	243,607	273,591
Deferred Outflows - Pension	818,320	473,300
Total Assets and Deferred Outflows of Resources	51,442,292	51,388,572
Current Liabilities	1,575,998	1,629,445
Long-Term Liabilities	30,829,580	30,850,886
Deferred Gain on Refunding	1,213,546	1,300,228
Deferred Inflows - Pensions	320,692	936,783
Total Liabilities and Deferred Inflows of Resources	33,939,816	34,717,342
Net investment in capital assets	13,881,849	13,619,051
Restricted for Federal and State Programs	197,354	197,354
Restricted for Debt Service	932,457	882,071
Unrestricted	2,490,816	1,972,754
Total Net Position	\$ 17,502,476	\$ 16,671,230

During the year, net position of the District’s governmental activities increased by \$831,246 to \$17,502,476. Unrestricted net position was \$2,490,816 at the end of this year.

Changes in net position. The District’s total fiscal year 2016 revenues, including extraordinary items, were \$36,964,591 at August 31, 2016. Approximately 41% of the District’s revenue came from property taxes, 36% came from state allocations, and the remainder came from charges for services, federal and state grants, and miscellaneous other revenue (see the chart “Sources of Revenue for Fiscal Year 2016”).



The total cost of all programs and services was \$36,133,345 of which 58% was for direct instruction program costs compared to 56% in the previous year. The District's expenses cover a range of programs including instruction, counseling services, health services, student transportation, food services, plant maintenance and operations, and various other areas of service to students.

Governmental Activities

	Governmental Activities	
	2016	2015
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 991,790	\$ 708,994
State Operating Grants	2,316,120	1,655,537
Federal Grants	4,963,330	5,177,047
<u>General Revenues</u>		
Property Taxes	15,142,258	15,984,860
State Aid - Formula Grants	13,307,763	12,638,312
Other Non-restricted Grants and Contributions	204,297	98,527
Other	39,033	10,477
Total Revenues	36,964,591	36,273,754
Expenses		
Instruction	20,828,968	20,040,598
School Leadership	1,805,875	1,693,393
Guidance Counseling and Evaluation Services	1,054,141	1,225,214
Food Services	1,947,638	1,807,436
Extracurricular Activities	1,310,420	1,195,669
General Administration	991,526	939,361
Facilities Maintenance and Operations	3,561,457	3,442,958
Debt Service - Interest on Long Term Debt	799,794	1,178,060
Other Functions	3,833,526	4,001,687
Total Expenses	36,133,345	35,524,376
Increase in Net Position	831,246	749,378
Beginning Net Position	16,671,230	15,921,852
Ending Net Position	\$ 17,502,476	\$ 16,671,230

Governmental Activities – continued

The following table presents the cost of each of the District’s largest programs as well as each program’s net cost (total cost less fees generated by program activities). The net cost shows the financial burden that was placed on the District’s taxpayers and state aid funding by each of these functions.

- The cost of all governmental activities in 2016 was \$36,133,345 compared to \$35,524,376 in the previous year.
- The amount that our local taxpayers paid for these activities through property taxes was \$15,142,258 for the 2016 year and \$15,984,860 for the 2015 year

	Total Cost of Services	Program Revenues	Net Cost
Instruction	\$ 20,828,968	\$ 4,911,589	\$ (15,917,379)
Facilities Maintenance/Ops	3,561,457	116,134	(3,445,323)
Food Service	1,947,638	1,873,161	(74,477)
Debt Service	799,794	97,857	(701,937)
School Leadership	1,805,875	204,287	(1,601,588)
Extracurricular	1,310,420	165,594	(1,144,826)
Counseling	1,054,141	217,913	(836,228)
General Administrative	991,526	36,467	(955,059)
Other Programs	3,833,526	648,238	(3,185,288)
Total	\$ 36,133,345	\$ 8,271,240	\$ (27,862,105)

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

Revenues from governmental fund types totaled \$37,224,645. Local revenues decreased by \$525,129 from the prior year, primarily due to the decrease in interest & sinking tax collections. State revenue increased \$787,433 due to increased State Foundation revenue. Federal revenue increased \$132,024, primarily due to the new Head Start program and the Medicaid reimbursements.

Governmental Funds Budgetary Highlights

The original budget for the general fund reflected a deficit budget. Over the course of the year, the District amended its budget as needed continuing to reflect a projected deficit of \$325,620; however, revenue exceeded expenditures and other uses by \$856,765 at August 31, 2016.

- Local funding increased \$357,272 from the original budget, state revenue increased \$1,266,684 from the original budget, and federal revenue increased \$332,726 from the original budget.
- The final amended budget reflected an excess of expenditures and uses over revenues of \$774,920 primarily due to board approved capital asset projects.

In the District’s child nutrition program, the final amended budget reflected a balanced budget. Actual results were no change in fund balance. Actual revenues did not vary significantly from budgeted amounts.

In the District’s debt service fund, there was an actual increase of revenues and other sources over expenditures and other uses of \$50,386 versus the original balanced budget. The increase was due to receiving additional state revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$84,082,014 in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation on these assets was \$42,175,688 at year-end. The above included current-year capital asset additions of \$1,070,206.

	Governmental Activities	
	2016	2015
Land	\$ 333,870	\$ 333,870
Buildings and Improvements	76,569,604	76,316,745
Furniture and Equipment	7,178,540	6,454,389
Totals at Historical Costs	<u>84,082,014</u>	<u>83,105,004</u>
Less Accumulated Depreciation for:		
Buildings and Improvements	(36,683,500)	(35,118,341)
Furniture and Equipment	(5,492,188)	(5,278,851)
Total Accumulated Depreciation	<u>(42,175,688)</u>	<u>(40,397,192)</u>
Net Capital Assets (Net)	<u>41,906,326</u>	<u>42,707,812</u>

Long-Term Debt

	Governmental Activities	
	2016	2015
Notes Payable	\$ 449,300	\$ -
Unlimited Tax Refunding Bond Series 2014	24,025,000	25,285,000
Unamortized premium on Unlimited Tax Refunding Bond Series 2014	2,336,631	2,503,533
Net Pension Liability (Proportionate Share)	<u>4,018,649</u>	<u>3,062,353</u>
Total Bonds Payable \$	<u>30,829,580</u>	<u>\$ 30,850,886</u>

At year-end the District had \$24,025,000 in bonds outstanding which represents a decrease of \$1,260,000 since last year. The District entered into a debt agreement for purchase of buses in the amount of \$449,300.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Brownwood ISD Business Manager at 325-643-5644.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,912,334
1120 Investments - Current	4,607,916
1210 Property Taxes Receivable - Current	251,581
1220 Property Taxes Receivable (Delinquent)	540,154
1230 Allowance for Uncollectible Taxes	(459,648)
1240 Due from Other Governments	1,599,198
1290 Other Receivables, Net	119
1410 Prepayments	22,385
Capital Assets:	
1510 Land	333,870
1520 Buildings, Net	39,886,104
1530 Furniture and Equipment, Net	1,686,352
1800 Restricted Assets	<u>243,607</u>
1000 Total Assets	<u>50,623,972</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	818,320
1700 Total Deferred Outflows of Resources	<u>818,320</u>
LIABILITIES	
2110 Accounts Payable	258,318
2140 Interest Payable	48,099
2160 Accrued Wages Payable	1,014,698
2300 Unearned Revenues	254,883
Noncurrent Liabilities	
2501 Due Within One Year	1,384,908
2502 Due in More Than One Year	23,089,392
2516 Premium & Discount on Issuance of Bonds	2,336,631
2540 Net Pension Liability (Proportionate Share)	<u>4,018,649</u>
2000 Total Liabilities	<u>32,405,578</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Gain on Refunding	1,213,546
Deferred Inflows - Pension	320,692
2600 Total Deferred Inflows of Resources	<u>1,534,238</u>
NET POSITION	
3200 Net Investment in Capital Assets	13,881,849
3820 Restricted for Federal Programs	197,354
3850 Restricted for Debt Service	932,457
3900 Unrestricted Net Position	<u>2,490,816</u>
3000 Total Net Position	<u>\$ 17,502,476</u>

The accompanying notes are an integral part of this statement.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 20,828,968	\$ 478,510	\$ 4,433,079
12	Instructional Resources and Media Services	325,786	-	11,007
13	Curriculum and Instructional Staff Development	196,175	-	98,306
21	Instructional Leadership	437,945	-	150,504
23	School Leadership	1,805,875	-	204,287
31	Guidance, Counseling, and Evaluation Services	1,054,141	-	217,913
32	Social Work Services	336,728	-	286,402
33	Health Services	312,676	-	51,547
34	Student Transportation	895,345	-	-
35	Food Services	1,947,638	367,893	1,505,268
36	Extracurricular Activities	1,310,420	127,433	38,161
41	General Administration	991,526	-	36,467
51	Facilities Maintenance and Operations	3,561,457	17,954	98,180
52	Security and Monitoring Services	71,723	-	1,142
53	Data Processing Services	829,129	-	49,330
72	Debt Service - Interest on Long Term Debt	799,794	-	97,857
73	Debt Service - Bond Issuance Costs and Fees	401	-	-
99	Other Intergovernmental Charges	427,618	-	-
TG	Total Governmental Activities	<u>36,133,345</u>	<u>991,790</u>	<u>7,279,450</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 36,133,345</u>	<u>\$ 991,790</u>	<u>\$ 7,279,450</u>
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
SF	State Aid - Formula Grants			
GC	Grants and Contributions not Restricted			
IE	Investment Earnings			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

		Net (Expense) Revenue and Changes in Net Position	
5		6	
Capital Grants and Contributions		Primary Gov. Governmental Activities	Total
\$	-	\$ (15,917,379)	\$ (15,917,379)
	-	(314,779)	(314,779)
	-	(97,869)	(97,869)
	-	(287,441)	(287,441)
	-	(1,601,588)	(1,601,588)
	-	(836,228)	(836,228)
	-	(50,326)	(50,326)
	-	(261,129)	(261,129)
	-	(895,345)	(895,345)
	-	(74,477)	(74,477)
	-	(1,144,826)	(1,144,826)
	-	(955,059)	(955,059)
	-	(3,445,323)	(3,445,323)
	-	(70,581)	(70,581)
	-	(779,799)	(779,799)
	-	(701,937)	(701,937)
	-	(401)	(401)
	-	(427,618)	(427,618)
	-	(27,862,105)	(27,862,105)
\$	-	(27,862,105)	(27,862,105)
		12,967,830	12,967,830
		2,174,428	2,174,428
		13,307,763	13,307,763
		204,297	204,297
		22,990	22,990
		16,043	16,043
		28,693,351	28,693,351
		831,246	831,246
		16,671,230	16,671,230
\$		17,502,476	17,502,476

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS		
1110 Cash and Cash Equivalents	\$ 2,069,918	\$ 377,265
1120 Investments - Current	2,894,253	1,713,663
1210 Property Taxes - Current	215,327	36,254
1220 Property Taxes - Delinquent	462,316	77,838
1230 Allowance for Uncollectible Taxes (Credit)	(393,411)	(66,237)
1240 Receivables from Other Governments	895,403	-
1260 Due from Other Funds	1,158,471	-
1290 Other Receivables	119	-
1800 Restricted Assets	-	-
1000 Total Assets	<u>7,302,396</u>	<u>2,138,783</u>
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total Assets and Deferred Outflows	<u>\$ 7,302,396</u>	<u>\$ 2,138,783</u>
LIABILITIES		
2110 Accounts Payable	\$ 157,385	\$ -
2160 Accrued Wages Payable	1,014,698	-
2170 Due to Other Funds	-	1,158,471
2300 Unearned Revenues	140,617	-
2000 Total Liabilities	<u>1,312,700</u>	<u>1,158,471</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	284,232	47,855
Total Deferred Inflows of Resources	<u>284,232</u>	<u>47,855</u>
FUND BALANCE		
3450 Restricted - Federal or State Funds Grant	-	-
3480 Restricted - Retirement of Long Term Debt	-	932,457
3600 Unassigned Fund Balance	5,705,464	-
3000 Total Fund Balances	<u>5,705,464</u>	<u>932,457</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 7,302,396</u>	<u>\$ 2,138,783</u>

The accompanying notes are an integral part of this statement.

	98	
	Total	
Other	Governmental	
Funds	Funds	
\$ (534,849)	\$ 1,912,334	
-	4,607,916	
-	251,581	
-	540,154	
-	(459,648)	
703,795	1,599,198	
-	1,158,471	
-	119	
<u>243,607</u>	<u>243,607</u>	
<u>412,553</u>	<u>9,853,732</u>	
-	-	
<u>\$ 412,553</u>	<u>\$ 9,853,732</u>	
\$ 100,933	\$ 258,318	
-	1,014,698	
-	1,158,471	
<u>114,266</u>	<u>254,883</u>	
<u>215,199</u>	<u>2,686,370</u>	
-	<u>332,087</u>	
-	<u>332,087</u>	
197,354	197,354	
-	932,457	
-	<u>5,705,464</u>	
<u>197,354</u>	<u>6,835,275</u>	
<u>\$ 412,553</u>	<u>\$ 9,853,732</u>	

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

Total Fund Balances - Governmental Funds	\$	6,835,275
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 \$83,105,004 and the accumulated depreciation was \$40,397,192. Prepaid insurance on bond issuance was \$23,984. In addition, long-term liabilities, including bonds payable, premiums, deferred gain on refunding and accrued interest are not due and payable in the current period. At the beginning of the year, total long-term debt was \$29,134,956. 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 net position.		13,596,840
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 2016 capital outlays of \$1,070,206 and debt principal payments of \$1,260,000 is to increase net position.		2,330,206
3 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,858,052)
4 Proceeds from sale of capital assets are reported in the governmental funds. This is the net book value of capital assets disposed.		(13,640)
5 Governmental funds report the effect of note proceeds and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. The net effect of including the 2016 issuance of note proceeds of \$449,300 is to decrease net position.		(449,300)
6 Bond premiums and deferred gain on bond refunding are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financials. This is the current year amortization.		251,985
7 Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The increase in the current year accrual is \$1,904. The net effect is to decrease net position.		(1,904)
8 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 property taxes of \$332,087 and eliminating interfund receivables and payables. The net effect of these reclassifications and recognitions is to increase net position.		332,087
9 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability in the amount of \$4,018,649, a deferred outflow of resources of \$818,320, and a deferred inflow of resources of \$320,692. The net effect is to decrease net position.		(3,521,021)
19 Net Position of Governmental Activities (See A-1)	\$	<u>17,502,476</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		10 General Fund	50 Debt Service Fund
	REVENUES		
5700	Total Local and Intermediate Sources	\$ 13,545,449	\$ 2,246,762
5800	State Program Revenues	14,532,498	97,857
5900	Federal Program Revenues	472,726	-
5020	Total Revenues	<u>28,550,673</u>	<u>2,344,619</u>
	EXPENDITURES		
	Current:		
0011	Instruction	15,955,410	-
0012	Instructional Resources and Media Services	271,693	-
0013	Curriculum and Instructional Staff Development	99,016	-
0021	Instructional Leadership	301,259	-
0023	School Leadership	1,572,350	-
0031	Guidance, Counseling, and Evaluation Services	875,597	-
0032	Social Work Services	51,103	-
0033	Health Services	271,413	-
0034	Student (Pupil) Transportation	1,250,600	-
0035	Food Services	12,139	-
0036	Extracurricular Activities	1,200,562	-
0041	General Administration	966,489	-
0051	Facilities Maintenance and Operations	3,515,746	-
0052	Security and Monitoring Services	71,723	-
0053	Data Processing Services	1,071,793	-
	Debt Service:		
0071	Principal on Long Term Debt	-	1,260,000
0072	Interest on Long Term Debt	-	1,049,875
0073	Bond Issuance Cost and Fees	-	401
	Capital Outlay:		
0081	Facilities Acquisition and Construction	231,242	-
	Intergovernmental:		
0099	Other Intergovernmental Charges	427,618	-
6030	Total Expenditures	<u>28,145,753</u>	<u>2,310,276</u>
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	<u>404,920</u>	<u>34,343</u>
	OTHER FINANCING SOURCES (USES)		
7912	Sale of real and personal property	2,545	-
7914	Loan proceeds	449,300	-
7949	Other revenue	-	16,043
7080	Total Other Financing Sources (Uses)	<u>451,845</u>	<u>16,043</u>
1200	Net Change in Fund Balances	856,765	50,386
0100	Fund Balance - September 1 (Beginning)	<u>4,848,699</u>	<u>882,071</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 5,705,464</u>	<u>\$ 932,457</u>

The accompanying notes are an integral part of this statement.

		98	
		Total	
Other		Governmental	
Funds		Funds	
\$	373,242	\$	16,165,453
	524,893		15,155,248
	<u>4,963,330</u>		<u>5,436,056</u>
	<u>5,861,465</u>		<u>36,756,757</u>
	3,270,441		19,225,851
	-		271,693
	92,417		191,433
	121,824		423,083
	92,515		1,664,865
	158,133		1,033,730
	266,178		317,281
	35,784		307,197
	-		1,250,600
	1,823,002		1,835,141
	-		1,200,562
	-		966,489
	-		3,515,746
	-		71,723
	1,171		1,072,964
	-		1,260,000
	-		1,049,875
	-		401
	-		231,242
	-		427,618
	<u>5,861,465</u>		<u>36,317,494</u>
	-		439,263
	-		2,545
	-		449,300
	-		16,043
	<u>-</u>		<u>467,888</u>
	-		907,151
	<u>197,354</u>		<u>5,928,124</u>
\$	<u><u>197,354</u></u>	\$	<u><u>6,835,275</u></u>

BROWNWOOD 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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 907,151
<hr/>	
1 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 2016 capital outlays of \$1,070,206 and debt principal payments of \$1,260,000 is to increase net position.	2,330,206
2 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.	(1,858,052)
3 Governmental funds report the effect of note proceeds and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. The net effect of including the 2016 issuance of note proceeds of \$449,300 is to decrease net position.	(449,300)
4 Proceeds from sale of capital assets were reported on the governmental funds when received. Upon sale of capital assets, a loss is recognized for the remaining net book value of the disposed assets of \$13,640.	(13,640)
5 Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is \$1,904. The net effect is to decrease net position.	(1,904)
6 Governmental funds report the effect of bond proceeds, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of including the amortization of bond premium of \$166,902, amortization of deferred gain on bond refunding of \$86,682, and amortization of prepaid insurance associated with bond issuance of \$1,599 is to increase net position.	251,985
7 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 property taxes of \$332,087 as revenue, reversing prior year's tax collection of \$672,102, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to decrease net position.	(340,015)
8 Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$325,755. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$320,940. The net effect is an decrease in net position.	4,815
Change in Net Position of Governmental Activities (See B-1)	<hr style="width: 100%;"/> <u>\$ 831,246</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENT

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ <u>301,882</u>
Total Assets	\$ <u><u>301,882</u></u>
LIABILITIES	
Due to Student Groups	\$ <u>301,882</u>
Total Liabilities	\$ <u><u>301,882</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1: REPORTING ENTITY

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Brownwood Independent School District (the District). The public elects the members of the Board of Trustees. The Trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The basic financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Note 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(continued)*

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

The government reports the following major governmental funds:

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

The *Debt Service Fund*, a governmental fund type, accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest on long-term debt of governmental activities.

Additionally, the government reports the following fund types:

The *Special Revenue Funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

Agency Funds, a fiduciary fund type, account for resources held for others in a custodial capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Note 4: ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

Deposits and Investments

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more 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 asset lives are not capitalized.

In the government-wide statements, property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & improvements	30 - 45
Furniture & equipment	5 - 20

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 premiums or discount.

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.

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes, deferred charges for bond refunding, and for its proportionate share of TRS's deferred inflow related to pensions as described in Note 8. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District only has one deferred outflow of resources, for its proportionate share of TRS's deferred outflow related to pensions as described in Note 8.

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.

Use of Estimates

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (continued)

Fair Value Measurements

The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the District's financial statements for the year ended August 31, 2016.

Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Child Nutrition Special Revenue Program. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

Note 6: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

The District’s investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District’s management believes that they complied with all significant requirements of the PFIA and the District’s investment policies.

Custodial credit risk – deposits – At August 31, 2016, the District’s deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District’s agent bank in the District’s name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost that approximates market and the certificates of deposit are secured, when necessary, by the FDIC or obligations of items 1-3 above at 102% of the investment’s market value. TexPool is a local government investment pool under the oversight of the Texas Comptroller of Public Accounts.

The fair value of investments at August 31, 2016, is shown below:

Name	Fair Value	Weighted Average Maturity (Days) *	Credit Rating
TexPool	\$ 4,607,916	37	AAAm
	<u>\$ 4,607,916</u>		

* To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

Concentration of Credit Risk – The District’s investment policy is for the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity or specific issuer.

Interest Rate Risk – The District’s investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

TexPool

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

Credit Risk. State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. TexPool is rated AAAm by Standard & Poor’s.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Property Tax

In the fund financial statements, property tax revenues 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. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2015, upon which the levy for the August 31, 2016, fiscal year was based, was \$1,260,932,187. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2016 were 98.0% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2016, property taxes receivable, net of estimated uncollectible taxes of \$459,648, totaled \$332,087.

The tax rate to finance general governmental services was \$1.04 per \$100 for the year ended August 31, 2016, and a tax rate of \$0.17510 per \$100 was assessed to finance the payment of principal and interest on long-term obligations.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016, are summarized below.

<u>Fund</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General fund	\$ 561,068	\$ -	\$ 561,068
Nonmajor funds	-	703,795	703,795
	<u>\$ 561,068</u>	<u>\$ 703,795</u>	<u>\$ 1,264,863</u>

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of August 31, 2016, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Debt Service Fund	\$ 1,158,471	\$ -
Debt Service Fund:		
General Fund	-	1,158,471
Totals	<u>\$ 1,158,471</u>	<u>\$ 1,158,471</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of various funds or to record receivable for reimbursement of expenditures.

There were no interfund transfers for the year ended August 31, 2016.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

Capital asset activity for the year ended August 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Capital assets, Not Being Depreciated:				
Land	\$ 333,870	\$ -	\$ -	\$ 333,870
Total Capital Assets, Not Being Depreciated	<u>333,870</u>	<u>-</u>	<u>-</u>	<u>333,870</u>
Capital assets, Being Depreciated				
Building and Improvements	76,316,745	252,859	-	76,569,604
Furniture and Equipment	<u>6,454,389</u>	<u>817,347</u>	<u>(93,196)</u>	<u>7,178,540</u>
Total Capital Assets, Being Depreciated	<u>82,771,134</u>	<u>1,070,206</u>	<u>(93,196)</u>	<u>83,748,144</u>
Less Accumulated Depreciation for:				
Building and Improvements	(35,118,341)	(1,565,159)	-	(36,683,500)
Furniture and Equipment	<u>(5,278,851)</u>	<u>(292,893)</u>	<u>79,556</u>	<u>(5,492,188)</u>
Total Accumulated Depreciation	<u>(40,397,192)</u>	<u>(1,858,052)</u>	<u>79,556</u>	<u>(42,175,688)</u>
Total Capital Assets, Being Depreciated (Net)	<u>42,373,942</u>	<u>(787,846)</u>	<u>(13,640)</u>	<u>41,572,456</u>
Total Capital Assets (Net)	<u>\$ 42,707,812</u>	<u>\$ (787,846)</u>	<u>\$ (13,640)</u>	<u>\$ 41,906,326</u>

Depreciation expense was charged to the District's functions as follows:

Instruction	\$ 1,237,938
Instructional Resources and Media Services	53,144
School Leadership	106,913
Guidance, Counseling and Evaluation Services	3,600
Student (Pupil)Transportation	94,045
Food Services	105,020
Cocurricular/Extracurricular Activities	106,154
General Administration	13,706
Facilities Maintenance and Operations	132,081
Data Processing Services	<u>5,451</u>
Total depreciation expense - governmental activities	<u>\$ 1,858,052</u>

Note 7: LONG-TERM DEBT

Bonds Payable

Bonded indebtedness of the District is reflected in the Government-Wide Statement of Net Position. In the Fund Financial Statements, the current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Notes Payable

Notes payable owed by the District is reflected in the Government-Wide Statement of Net Position. In the Fund Financial Statements, the current requirements for principal and interest expenditures are accounted for in the General Fund.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7: LONG-TERM DEBT (continued)

A summary of the changes in bonds payable and other long-term debt follows:

	Interest Rate Payable	Amount of Original Issue	Amounts Outstanding 8/31/2015	Issued / Accretion	Refunded/ Retired	Amounts Outstanding 8/31/2016
Bonds Payable:						
Unlimited Tax Refunding						
Bonds Series 2014	2% - 5%	\$ 26,000,000	\$ 25,285,000	\$ -	\$ 1,260,000	\$ 24,025,000
Total Bonds Payable		\$ 26,000,000	\$ 25,285,000	\$ -	\$ 1,260,000	\$ 24,025,000
Notes Payable:						
Citizens Bank	2.09%	\$ 449,300	\$ -	\$ 449,300	\$ -	\$ 449,300
Total Notes Payable		\$ 449,300	\$ -	\$ 449,300	\$ -	\$ 449,300
Total Long-Term Debt		\$ 26,449,300	\$ 25,285,000	\$ 449,300	\$ 1,260,000	\$ 24,474,300

Description	Amounts Outstanding 8/31/2015	Issued / Accretion	Refunded/ Retired	Amounts Outstanding 8/31/2016	Due Within One Year
Unamortized premium on 2014 Bonds	\$ 2,503,533	\$ -	\$ 166,902	\$ 2,336,631	\$ 166,902
Total Other Long-Term Debt	\$ 2,503,533	\$ -	\$ 166,902	\$ 2,336,631	\$ 166,902

The current portion of each bond at August 31, 2016 was as follows:

	Due in 2016
Unlimited Tax Refunding Bonds Series 2014	\$ 1,300,000
Citizens Bank	84,908
Total	\$ 1,384,908

Debt service requirements are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2017	\$ 1,384,908	\$ 1,014,166	\$ 2,399,074
2018	1,431,683	966,441	2,398,124
2019	1,468,494	930,480	2,398,974
2020	1,530,344	871,930	2,402,274
2021	1,613,871	796,167	2,410,038
2022-2026	8,655,000	3,773,375	12,428,375
2027-2031	8,390,000	851,813	9,241,813
	\$ 24,474,300	\$ 9,204,372	\$ 33,678,672

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7: LONG-TERM DEBT (continued)

The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

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

The District received \$2,670,435 as a premium on the 2014 bond issuance. This is reported with other long-term debt and is being amortized over the life of the bonds utilizing the straight line method. During the year ended August 31, 2016, the District recognized amortization expense on the bond premium of \$166,902.

The District entered into a note payable with Citizens Bank for the purpose of purchasing school buses. The note was originated at \$449,300. The note payable will mature on August 31, 2021.

Note 8: 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). TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) as of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.02 are covered by the system.

Pension Plan Fiduciary Net Position – Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as a percentage of Total Pension Liability	78.43%

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.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

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.

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

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

	Contribution Rates	
	2015	2016
Member	6.70%	7.20%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
Member Contributions	\$ 1,179,614	1,494,541
NECE On-Behalf Contributions	\$ 951,009	1,085,343
Employer Contributions	\$ 336,630	325,755

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 sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old Age, Survivor and Disability Insurance Program (OASDI) 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.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during year	None
Ad hoc post-employment benefit changes	None

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

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, 2015 are summarized as follows:

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
Total	100.0%		8.7%

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Total TRS net pension liability	\$ 55,384,701,778	\$ 35,348,668,960	\$ 18,659,898,872
District's proportionate share of the net pension liability	\$ 6,296,465	\$ 4,018,649	\$ 2,121,369

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2016, the District reported a liability of \$4,018,649 for its proportionate share of the TRS’s net pension liability measured at August 31, 2015. 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	\$	4,018,649
State's proportionate share that is associated with the District		<u>11,349,693</u>
Total	\$	<u><u>15,368,342</u></u>

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

At August 31, 2015 the employer’s proportion of the collective net pension liability was .000113686 which was a decrease of .000000960 from its proportion measured as of August 31, 2014.

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotion/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

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

Other Demographic Assumptions

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

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8: DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Policies

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$430,686 and revenue of \$951,009 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 39,370	\$ 154,440
Changes in actuarial assumptions	165,476	143,368
Difference between projected and actual investment earnings	287,719	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	22,884
Contributions paid to TRS subsequent to the measurement date	<u>325,755</u>	<u>-</u>
Total	<u>\$ 818,320</u>	<u>\$ 320,692</u>

\$325,755 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2017.

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

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2017	\$ 651
2018	651
2019	651
2020	234,646
2021	(15,777)
Thereafter	<u>(48,949)</u>
Total	<u>\$ 171,873</u>

Note 9: POSTEMPLOYMENT HEALTH BENEFITS

Plan Description – The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9: POSTEMPLOYMENT HEALTH BENEFITS (continued)

TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of TRS at 1000 Red River Street, Austin, Texas 78701.

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

Contribution rates and amounts are shown in the table below for fiscal years 2014 – 2016.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 123,752	1.0%	\$ 190,387	0.55%	\$ 104,712
2015	0.65%	122,208	1.0%	188,013	0.55%	103,407
2014	0.65%	119,805	1.0%	184,315	0.55%	101,373

Medicare Part D – The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$76,221, \$80,181, and \$47,807 for the years ended August 31, 2016, 2015 and 2014, respectively.

Note 10: RISK MANAGEMENT

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

Note 11: HEALTH CARE COVERAGE

During the year ended August 31, 2016, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77th Texas Legislature. The program is administered by the Teacher Retirement System of Texas, with Blue Cross Blue Shield of Texas as the health plan administrator and Merck-Medco Managed Care as the pharmacy benefits manager. The District contributes \$341 per month per active employee to the plan, of which \$266 is paid by the District and \$75 is paid by the State. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS-ActiveCare.

Note 12: CONTINGENCIES

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2016, may be impaired.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 12: CONTINGENCIES (continued)

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statement for such contingencies.

Note 13: ACCUMULATED UNPAID SICK LEAVE BENEFITS

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 for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

Note 14: UNEARNED REVENUES AND DEFERRED INFLOWS OF RESOURCES

Unearned revenues in the fund financial statements at August 31, 2016 consisted of the following:

	General Fund	Other Governmental Funds	Total
Ticket Sales & Other	\$ 140,617	\$ -	\$ 140,617
State Revenue	-	61,721	61,721
Federal Revenue	-	52,545	52,545
Total	<u>\$ 140,617</u>	<u>\$ 114,266</u>	<u>\$ 254,883</u>

Deferred inflows of resources in the fund financial statements at August 31, 2016 consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	\$ 284,232	\$ 47,855	\$ 332,087
	<u>\$ 284,232</u>	<u>\$ 47,855</u>	<u>\$ 332,087</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 15: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2016, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	\$ 13,082,872	\$ 2,210,893	\$ -	\$ 15,293,765
Athletic activities	127,433	-	-	127,433
Food service	-	-	367,893	367,893
Rent	17,954	-	-	17,954
Investment income	17,809	5,181	-	22,990
Revenues from foundations, other non-profit organizations, gifts and bequests	-	-	5,349	5,349
Penalties, interest, and other tax related income	157,820	30,688	-	188,508
Other	141,561	-	-	141,561
Total	\$ 13,545,449	\$ 2,246,762	\$ 373,242	\$ 16,165,453

Note 16: GENERAL FUND FEDERAL SOURCE REVENUES

Revenues from federal sources, which are reported in the General Fund, consist of:

	CFDA	Total
Medicaid reimbursement	93.778	\$ 331,600
Indirect costs:		
ESEA, Title I, Part A - Improving Basic Programs	84.010A	9,270
IDEA - Part B, Formula *	84.027	823
IDEA - Part B Preschool *	84.173	195
Career and Technical - Basic Grant	84.048	420
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	1,945
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	618
Child Nutrition	10.553	127,855
Total		\$ 472,726

*These programs are apart of a cluster.

Note 17: FUND BALANCE

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted committed or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Trustees (the District's highest level of decision-making authority).

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 17: FUND BALANCE (continued)

Assigned fund balance classification includes general fund amounts constrained for a specific purpose by the Board of Trustees or by an official who has been delegated by official Board action the authority to assign amounts.

Unassigned fund balance is the residual classification for the District’s general fund and includes all spendable amounts not contained in the other classifications.

Restricted Fund Balance

At August 31, 2016, the restricted fund balance is composed of the following:

Child Nutrition	\$ 197,354
Retirement of Long-Term Debt	932,457

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Minimum Fund Balance Policy

The District’s financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is 15-20% of the total operating expenditures.

Note 18: EXPENDITURES EXCEEDING BUDGET

The following expenditures exceeded budgeted amounts:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
0051 Facilities Maintenance and Operations	\$ 3,453,969	\$ 3,515,746	\$ (61,777)
Debt Service Fund			
0071-0073 Debt Service Expenditures	2,309,875	2,310,276	(401)

REQUIRED SUPPLEMENTARY INFORMATION

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data	Budgeted Amounts		Actual Amounts	Variance with	
Control			(GAAP BASIS)	Final Budget	
Codes	Original	Final		Positive or	
				(Negative)	
REVENUES					
5700	Total Local and Intermediate Sources	\$ 13,188,177	\$ 13,194,427	\$ 13,545,449	\$ 351,022
5800	State Program Revenues	13,265,814	14,101,247	14,532,498	431,251
5900	Federal Program Revenues	140,000	140,000	472,726	332,726
5020	Total Revenues	<u>26,593,991</u>	<u>27,435,674</u>	<u>28,550,673</u>	<u>1,114,999</u>
EXPENDITURES					
Current:					
0011	Instruction	16,166,933	15,995,183	15,955,410	39,773
0012	Instructional Resources and Media Services	303,343	303,343	271,693	31,650
0013	Curriculum and Instructional Staff Development	105,997	99,596	99,016	580
0021	Instructional Leadership	293,284	305,731	301,259	4,472
0023	School Leadership	1,485,356	1,585,356	1,572,350	13,006
0031	Guidance, Counseling, and Evaluation Services	844,613	883,113	875,597	7,516
0032	Social Work Services	49,023	53,023	51,103	1,920
0033	Health Services	256,806	276,806	271,413	5,393
0034	Student (Pupil) Transportation	902,000	1,253,065	1,250,600	2,465
0035	Food Services	11,338	12,638	12,139	499
0036	Extracurricular Activities	1,203,239	1,203,140	1,200,562	2,578
0041	General Administration	935,078	970,078	966,489	3,589
0051	Facilities Maintenance and Operations	3,226,603	3,453,969	3,515,746	(61,777)
0052	Security and Monitoring Services	88,161	78,161	71,723	6,438
0053	Data Processing Services	819,042	1,076,162	1,071,793	4,369
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	231,242	231,242	
Intergovernmental:					
0099	Other Intergovernmental Charges	450,000	429,988	427,618	2,370
6030	Total Expenditures	<u>27,140,816</u>	<u>28,210,594</u>	<u>28,145,753</u>	<u>64,841</u>
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	<u>(546,825)</u>	<u>(774,920)</u>	<u>404,920</u>	<u>1,179,840</u>
OTHER FINANCING SOURCES (USES)					
7912	Sale of real and personal property	-	-	2,545	2,545
7914	Loan proceeds	-	449,300	449,300	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>449,300</u>	<u>451,845</u>	<u>2,545</u>
1200	Net Change in Fund Balances	(546,825)	(325,620)	856,765	1,182,385
0100	Fund Balance - September 1 (Beginning)	<u>4,848,699</u>	<u>4,848,699</u>	<u>4,848,699</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,301,874</u>	<u>\$ 4,523,079</u>	<u>\$ 5,705,464</u>	<u>\$ 1,182,385</u>

BROWNWOOD 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, 2016

	<u>2015*</u>	<u>2014*</u>
District's Proportion of the Net Pension Liability (Asset)	0.011368600%	0.011464600%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,018,649	\$ 3,062,353
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>10,881,765</u>	<u>10,270,179</u>
	<u>\$ 14,900,414</u>	<u>\$ 13,332,532</u>
District's Covered-Employee Payroll	\$ 19,038,726	\$ 18,431,472
District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	21.11%	16.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

* The amounts presented for each plan year are as of August 31; plan information was unavailable prior to 2014.

BROWNWOOD 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, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 325,755	\$ 290,661
Contribution in Relation to the Contractually Required Contribution	<u>325,755</u>	<u>286,048</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 4,613</u>
District's Covered-Employee Payroll	\$ 19,769,868	\$ 19,038,726
Contributions as a Percentage of Covered-Employee Payroll	1.65%	1.53%

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE A: NET PENSION LIABILITY – TEACHERS RETIREMENT SYSTEM

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There are no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotion/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

OTHER SUPPLEMENTARY INFORMATION

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program
ASSETS		
1110 Cash and Cash Equivalents	\$ (191,235)	\$ (192,708)
1240 Receivables from Other Governments	191,235	192,708
1800 Restricted Assets	<u>-</u>	<u>-</u>
1000 Total Assets	-	-
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	<u>-</u>	<u>-</u>
1000a Total assets and deferred outflows	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ -
2300 Unearned Revenues	<u>-</u>	<u>-</u>
2000 Total Liabilities	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable revenue - Property taxes	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	<u>-</u>	<u>-</u>
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ -</u>	<u>\$ -</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant
\$ (230,484)	\$ (6,573)	\$ -	\$ -	\$ 6,034
230,484	6,573	54,680	-	-
-	-	243,607	-	-
-	-	298,287	-	6,034
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,287</u>	<u>\$ -</u>	<u>\$ 6,034</u>
\$ -	\$ -	\$ 100,933	\$ -	\$ -
-	-	-	-	6,034
-	-	100,933	-	6,034
-	-	-	-	-
-	-	-	-	-
-	-	197,354	-	-
-	-	197,354	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,287</u>	<u>\$ -</u>	<u>\$ 6,034</u>

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

Data Control Codes	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income
ASSETS		
1110 Cash and Cash Equivalents	\$ (28,115)	\$ 6,262
1240 Receivables from Other Governments	28,115	-
1800 Restricted Assets	-	-
1000 Total Assets	-	6,262
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total assets and deferred outflows	\$ -	\$ 6,262
LIABILITIES		
2110 Accounts Payable	\$ -	\$ -
2300 Unearned Revenues	-	6,262
2000 Total Liabilities	-	6,262
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	-	-
Total deferred inflows of resources	-	-
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	-	-
3000 Total Fund Balances	-	-
4000 Total Liabilities, Deferred Inflows and Fund Balances	\$ -	\$ 6,262

272 Medicaid Admin. Claim MAC	288 Fund for Improvement of Education	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
\$ -	\$ 38,029	\$ 2,220	\$ 1,024	\$ 42,272
-	-	-	-	-
-	-	-	-	-
-	38,029	2,220	1,024	42,272
-	-	-	-	-
<u>\$ -</u>	<u>\$ 38,029</u>	<u>\$ 2,220</u>	<u>\$ 1,024</u>	<u>\$ 42,272</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	38,029	2,220	1,024	42,272
-	38,029	2,220	1,024	42,272
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 38,029</u>	<u>\$ 2,220</u>	<u>\$ 1,024</u>	<u>\$ 42,272</u>

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

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 18,425	\$ (534,849)
1240 Receivables from Other Governments	-	703,795
1800 Restricted Assets	-	243,607
1000 Total Assets	18,425	412,553
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total assets and deferred outflows	<u>\$ 18,425</u>	<u>\$ 412,553</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 100,933
2300 Unearned Revenues	18,425	114,266
2000 Total Liabilities	18,425	215,199
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	-	-
Total deferred inflows of resources	-	-
FUND BALANCES		
3450 Restricted - Federal or State Funds Grant	-	197,354
3000 Total Fund Balances	-	197,354
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 18,425</u>	<u>\$ 412,553</u>

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program
REVENUES		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>1,088,639</u>	<u>1,123,512</u>
5020 Total Revenues	<u>1,088,639</u>	<u>1,123,512</u>
EXPENDITURES		
Current:		
0011 Instruction	888,204	767,266
0013 Curriculum and Instructional Staff Development	1,723	64,066
0021 Instructional Leadership	-	121,376
0023 School Leadership	90,723	-
0031 Guidance, Counseling and Evaluation Services	-	14,115
0032 Social Work Services	107,989	156,689
0033 Health Services	-	-
0035 Food Services	-	-
0051 Facilities Maintenance and Operations	-	-
0053 Data Processing Services	-	-
6030 Total Expenditures	<u>1,088,639</u>	<u>1,123,512</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant
\$ -	\$ -	\$ 367,893	\$ -	\$ -
-	-	15,299	-	-
<u>747,077</u>	<u>22,919</u>	<u>1,410,665</u>	<u>29,145</u>	<u>49,974</u>
<u>747,077</u>	<u>22,919</u>	<u>1,793,857</u>	<u>29,145</u>	<u>49,974</u>
747,077	22,888	-	-	38,114
-	31	-	-	11,860
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,793,857	29,145	-
-	-	-	-	-
-	-	-	-	-
<u>747,077</u>	<u>22,919</u>	<u>1,793,857</u>	<u>29,145</u>	<u>49,974</u>
-	-	-	-	-
-	-	-	-	-
-	-	197,354	-	-
<u>-</u>	<u>-</u>	<u>197,354</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ 197,354	\$ -	\$ -

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

Data Control Codes	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income
REVENUES		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>227,746</u>	<u>72,327</u>
5020 Total Revenues	<u>227,746</u>	<u>72,327</u>
EXPENDITURES		
Current:		
0011 Instruction	226,324	58,740
0013 Curriculum and Instructional Staff Development	251	13,587
0021 Instructional Leadership	-	-
0023 School Leadership	-	-
0031 Guidance, Counseling and Evaluation Services	-	-
0032 Social Work Services	-	-
0033 Health Services	-	-
0035 Food Services	-	-
0051 Facilities Maintenance and Operations	-	-
0053 Data Processing Services	<u>1,171</u>	-
6030 Total Expenditures	<u>227,746</u>	<u>72,327</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

272 Medicaid Admin. Claim MAC	288 Fund for Improvement of Education	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	410 Textbook and Kindergarten Material
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	509,594
<u>31,935</u>	<u>159,391</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>31,935</u>	<u>159,391</u>	<u>-</u>	<u>-</u>	<u>509,594</u>
-	12,234	-	-	509,594
-	899	-	-	-
-	448	-	-	-
-	1,792	-	-	-
-	144,018	-	-	-
-	-	-	-	-
31,935	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>31,935</u>	<u>159,391</u>	<u>-</u>	<u>-</u>	<u>509,594</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
5700 Local and Intermediate Sources	\$ 5,349	\$ 373,242
5800 State Program Revenues	-	524,893
5900 Federal Program Revenues	-	4,963,330
5020 Total Revenues	<u>5,349</u>	<u>5,861,465</u>
EXPENDITURES		
Current:		
0011 Instruction	-	3,270,441
0013 Curriculum and Instructional Staff Development	-	92,417
0021 Instructional Leadership	-	121,824
0023 School Leadership	-	92,515
0031 Guidance, Counseling and Evaluation Services	-	158,133
0032 Social Work Services	1,500	266,178
0033 Health Services	3,849	35,784
0035 Food Services	-	1,823,002
0051 Facilities Maintenance and Operations	-	-
0053 Data Processing Services	-	1,171
6030 Total Expenditures	<u>5,349</u>	<u>5,861,465</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	-	<u>197,354</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 197,354</u>

REQUIRED TEA SCHEDULES

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

Last Ten Years Ended August 31	1		2		3	
	Tax Rates				Assessed/ Appraised Value for School Tax Purposes	
	Maintenance		Debt Service			
2007 (and prior years)	\$	1.334500	\$	0.262500	\$	1,169,036,913
2008		1.040000		0.230700		1,232,131,680
2009		1.040000		0.230700		1,329,771,952
2010		1.040000		0.278900		1,345,871,494
2011		1.040000		0.274700		1,414,688,667
2012		1.040000		0.253900		1,525,479,638
2013		1.040000		0.261600		1,546,271,967
2014		1.040000		0.264700		1,591,586,921
2015		1.040000		0.214700		1,261,417,790
2016 (school year under audit)		1.040000		0.175100		1,260,932,187
1000 TOTALS						

	10	20	31	32	40	50
	Beginning Balance September 1, 2015	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2016
\$	104,850	\$ -	\$ 8,467	\$ 1,666	\$ (811)	\$ 93,906
	56,077	-	1,696	376	(332)	53,673
	37,105	-	3,796	842	(8,476)	23,991
	66,532	-	15,316	4,107	(10,399)	36,710
	53,010	-	4,132	1,091	(12,104)	35,683
	64,994	-	5,354	1,307	(11,981)	46,352
	83,881	-	12,331	3,102	(12,351)	56,097
	129,080	-	32,704	8,324	(15,275)	72,777
	288,815	-	123,873	25,573	(18,404)	120,965
	<u>-</u>	<u>15,321,587</u>	<u>12,856,574</u>	<u>2,164,602</u>	<u>(48,830)</u>	<u>251,581</u>
\$	<u>884,344</u>	\$ <u>15,321,587</u>	\$ <u>13,064,243</u>	\$ <u>2,210,990</u>	\$ <u>(138,963)</u>	\$ <u>791,735</u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2016

UNAUDITED

1.	Total General Fund Balance as of 8/31/16 (from Exhibit C-1 object 3000 for the General Fund Only)	\$	5,705,464
2.	Total Nonspendable Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
3.	Total Restricted Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
4.	Total Committed Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
5.	Total Assigned Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
6.	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)		-
7.	Estimate of two months' average cash disbursements during the fiscal year		5,629,151
8.	Estimate of delayed payments from state sources (58XX)		-
9.	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount		-
10.	Estimate of delayed payments from federal sources (59XX)		-
11.	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-
12.	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9+10+11)		<u>5,629,151</u>
13.	Excess/(Deficit) Unassigned General Fund, Fund Balance (1-12)	\$	<u><u>76,313</u></u>

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

The unassigned fund balance will be used for future renovations.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 372,630	\$ 372,630	\$ 367,893	\$ (4,737)
5800	State Program Revenues	9,903	9,903	15,299	5,396
5900	Federal Program Revenues	1,475,646	1,475,646	1,410,665	(64,981)
5020	Total Revenues	1,858,179	1,858,179	1,793,857	(64,322)
EXPENDITURES:					
Current:					
0035	Food Services	1,858,179	1,858,178	1,793,857	64,321
6030	Total Expenditures	1,858,179	1,858,178	1,793,857	64,321
1100	Excess (Deficiency of Revenues Over (Under) Expenditures	-	1	-	(1)
1200	Net Change in Fund Balances	-	1	-	(1)
0100	Fund Balance - September 1 (Beginning)	197,354	197,354	197,354	-
3000	Fund Balance - August 31 (Ending)	\$ 197,354	\$ 197,355	\$ 197,354	\$ (1)

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	<u>Original</u>	<u>Final</u>	Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,309,875	\$ 2,309,875	\$ 2,246,762	\$ (63,113)
5800 State Program Revenues	<u>-</u>	<u>-</u>	<u>97,857</u>	<u>97,857</u>
5020 Total Revenues	<u>2,309,875</u>	<u>2,309,875</u>	<u>2,344,619</u>	<u>34,744</u>
EXPENDITURES:				
Current:				
0071 Principal on Long Term Debt	2,309,875	2,309,875	1,260,000	1,049,875
0072 Interest on Long Term Debt	-	-	1,049,875	(1,049,875)
0073 Bond Issuance Cost and Fees	<u>-</u>	<u>-</u>	<u>401</u>	<u>(401)</u>
6030 Total Expenditures	<u>2,309,875</u>	<u>2,309,875</u>	<u>2,310,276</u>	<u>(401)</u>
1100 Excess (Deficiency of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>34,343</u>	<u>34,343</u>
OTHER FINANCING SOURCES (USES)				
7949 Other revenue	<u>-</u>	<u>-</u>	<u>16,043</u>	<u>(16,043)</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>16,043</u>	<u>(16,043)</u>
1200 Net Change in Fund Balances	-	-	50,386	50,386
0100 Fund Balance - September 1 (Beginning)	<u>882,071</u>	<u>882,071</u>	<u>882,071</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 882,071</u>	<u>\$ 882,071</u>	<u>\$ 932,457</u>	<u>\$ 50,386</u>

FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownwood Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brownwood Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, listed as Finding 2016-001 on the accompanying Schedule of Findings and Questioned Costs.

Brownwood Independent School District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 4, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited Brownwood Independent School 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 Brownwood Independent School District's major federal programs for the year ended August 31, 2016. Brownwood Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Brownwood Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code, *Audits of States, Local Governments, and Non-Profit Organizations (Uniform Guidance)*. Those standards and the audit requirements of Title 2 U.S. Code 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 Brownwood Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Brownwood Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brownwood Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Brownwood Independent School District's internal control over compliance.

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

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

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

Dennis Kinard & Co., PC

Certified Public Accountants

Abilene, Texas
January 4, 2017

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Auditor’s Results

1. Type of auditor’s report issued on the financial statements: Unmodified
2. No significant deficiencies or material weaknesses required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor’s report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR Section 200.516(a): No
7. Major programs include:

IDEA, Part B Cluster:	
Formula	CFDA #84.027
Preschool	CFDA #84.173
Title I, Part A	CFDA #84.010A
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. Low risk auditee: Yes

B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with Governmental Auditing Standards

Finding 2016-001:	Actual Expenditures in Excess of Budget
Type of Finding:	Non Compliance
Criteria or Specific Requirement:	State law requires that public school districts adopt a budget prior to expenditure of funds and make proper amendments when the originally adopted budget is insufficient.
Statement of Condition:	For the General Fund, expenditures exceeded budget by \$61,777 for function 51 Facilities Maintenance and Operations. For the Debt Service Fund, expenditures exceeded budget by \$401. These shortfalls are noted on Schedule G-1 and J-5 and in Footnote 18.
Questioned Costs:	None.
Cause:	The District failed to update its budgeted expenditures for these functions as conditions warranted during the year to reflect actual events.
Effect:	Due to the failure to update budgeted expenditures, the specified functions had actual expenditures in excess of the legally budgeted amounts.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

B. Findings Related to the Financial Statements which are Required to be Reported in Accordance with *Governmental Auditing Standards* - continued

Recommendations:

The District should update its procedures for monitoring actual and budgeted expenditures. The District should properly amend its budget to reflect actual events and needs as they occur.

Management's Response:

The District will update procedures to include reviewing project timelines in August to ensure District properly amends the budget.

C. Findings and Questioned Costs for Federal Awards Required to be Reported Under Uniform Guidance

None.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

Finding 2016-001

The District has put in place the following:

The District will review its budget amendment process for all functions during the 2016-2017 fiscal year whereby the District will review the prior year's history of utility costs and post the year end budget amendment based on that history to ensure the budget will cover expected costs.

Contact Person: Joe Young, Ed. D.
Superintendent
Brownwood ISD
P.O. Box 730
2707 Southside Drive
Brownwood, TX 76801
Phone: (325) 643-5644
Fax: (325) 643-5640
Joe.Young@brownwoodisd.org

Expected Implementation date: January 31, 2017

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

A. Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2015-001:	Actual Expenditures in Excess of Budget
Type of Finding:	Non Compliance
Criteria or Specific Requirement:	State law requires that public school districts adopt a budget prior to expenditure of funds and make proper amendments when the originally adopted budget is insufficient.
Statement of Condition:	For the General Fund, expenditures exceeded budget by \$105,640 for function 41, General Administration and \$72,484 for function 51 Facilities Maintenance and Operations. For the Debt Service Fund, expenditures exceeded budget by \$344,744. These shortfalls are noted on Schedule G-1 and J-5 and in Footnote 18.
Questioned Costs:	None.
Cause:	The District failed to update its budgeted expenditures for these functions as conditions warranted during the year to reflect actual events.
Effect:	Due to the failure to update budgeted expenditures, the specified functions had actual expenditures in excess of the legally budgeted amounts.
Recommendations:	The District should update its procedures for monitoring actual and budgeted expenditures. The District should properly amend its budget to reflect actual events and needs as they occur.
Management's Response:	The District's general fund budget in Function 41, General Administration, was over budget. The District did amend the budget at year end; however, a Superintendent contract buy out that was agreed on and approved by the Board of Trustees during the 2014-2015 school year caused the function to go over. In that settlement agreement, there is to be paid a lump sum amount, but not until the 2015-2016 school year. The district budgeted for the lump sum in the 2015-2016 school year. We did not book the liability in the 2014-2015 school year due to the buyout occurring in 2015-2016; however, our auditors advised us we should have booked that liability in the 2014-2015 school year. When we booked the liability in the 2014-2015 school year it made function 41 go over budget, otherwise it would have been under budget for the year.

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

A. Findings Required to be Reported in Accordance with *Government Auditing Standards* – continued

Finding 2015-001:	Actual Expenditures in Excess of Budget (continued)
Management's Response:	The district's general fund budget in Function 51, Facilities Maintenance and Operations was over budget and we also amended this budget at year end; however, due to utility costs being higher than we anticipated this pushed our Function 51 budget over its budget at year end.
Corrective Action Plan:	<p>The Function 41 issue is a very unusual one and is a one time occurrence and therefore should not be an issue in the future; however, if it does occur the District will amend the budget in the year in which the agreement is made.</p> <p>The District will review its budget amendment process for function 51 during the 2015-2016 fiscal year whereby the District will review the prior year's history of utility costs and post the year end budget amendment based on that history to ensure the budget will cover expected costs.</p>
Contact Person:	Kevin Gabaree Assistant Superintendent Brownwood ISD P.O. Box 730 2707 Southside Drive Brownwood, TX 76801 Phone: (325) 643-5644 Fax: (325) 643-5640 Kevin.gabaree@brownwoodisd.org
Current Status:	A similar finding was noted in the 2016 audit. See finding 2016-001.

B. Findings and Questioned Costs – Major Federal Award Programs Audit

None.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101025902	\$ 1,132,782
Special Education Cluster:			
IDEA - Part B, Formula *	84.027	166600010259026000	747,900
IDEA - Part B Preschool *	84.173	166610010259026000	<u>23,114</u>
Total Special Education Cluster			<u>771,014</u>
Career and Technical - Basic Grant	84.048	16420006025902	50,394
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	16694501025902	229,691
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	16696001025902	<u>72,945</u>
Total passed through Texas Education Agency			<u>2,256,826</u>
Fund for the Improvement of Education	84.215E	S215E120121	<u>159,391</u>
TOTAL DEPARTMENT OF EDUCATION			<u><u>2,416,217</u></u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through ESC Region 15			
Head Start	93.600	08CH7152/01	<u>1,088,639</u>
Total passed through ESC Region 15			<u>1,088,639</u>
Passed through Texas Education Agency			
Medicaid Administrative Claiming Program -MAC	93.778		<u>31,935</u>
Total passed through Texas Education Agency			<u>31,935</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>1,120,574</u></u>

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed through Texas Education Agency			
School Breakfast Program *	10.553	71501501	442,496
National School Lunch Program - cash assistance *	10.555	71401501	992,974
Summer Food Service Program for Children *	10.559	3001401	<u>31,995</u>
Total passed through Texas Education Agency			<u>1,467,465</u>
Passed through San Angelo Packing Co:			
National School Lunch Program - noncash assistance *	10.555		<u>100,200</u>
Total passed through San Angelo Packing Co.			<u>100,200</u>
Total Child Nutrition Cluster			<u>1,567,665</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,567,665</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,104,456</u>

* Clustered Programs as required by 2 CFR Part 200, Appendix XI, Compliance Supplement, June 2016

BROWNWOOD INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2: 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 expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. 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 grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly when such funds are received they are recorded as unearned revenue until earned.

Note 3: The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Uniform Guidance, Appendix XI, Compliance Supplement, Part 3, Section H. Period of Availability of Federal Funds.

Note 4: Medicaid revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

	<u>Total</u>
Federal Awards per Schedule of Expenditures of Federal Awards	\$ 5,104,456
Medicaid reimbursement	<u>331,600</u>
Total Federal Program Revenues - Exhibit C-2	<u>\$ 5,436,056</u>

Note 5: The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

BROWNWOOD INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2016

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 4,018,649
SF13	Pension Expense (6147) at fiscal year-end.	\$ 4,815